



June 2020

AMERICAN SAMOA

Economic Trends, Status of the Tuna Canning Industry, and Stakeholders' Views on Minimum Wage Increases

GAO Highlights

Highlights of [GAO-20-467](#), a report to congressional committees

Why GAO Did This Study

In 2007, Congress passed legislation that established a schedule of periodic increases that would have raised all minimum wages in American Samoa to the current federal level (\$7.25 per hour) by 2016. However, subsequent legislation has postponed or reduced scheduled minimum wage increases. The most recent minimum wage increase in American Samoa occurred on September 30, 2018, but all minimum wages in American Samoa are not scheduled to converge with the current federal level until 2036.

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 American Samoa. This report examines (1) economic trends including changes in employment and earnings since the minimum wage increases in American Samoa began in 2007, (2) the status of the tuna canning industry, and (3) stakeholder views on the minimum wage increases. GAO analyzed federal and American Samoa data for 2016 through 2018, and interviewed employers and workers in American Samoa selected on the basis of employment levels, among other criteria.

Commenting on a draft of this report, the American Samoa government suggested creating a committee to set minimum wages in the territory and a moratorium on minimum wage increases until the committee is formed. The Department of the Interior suggested GAO conduct further study, including on the use of a committee to set minimum wages. The suggested further study was beyond the scope of this report.

View [GAO-20-467](#). For more information, contact David Gootnick at (202) 512-3149 or gootnickd@gao.gov.

June 2020

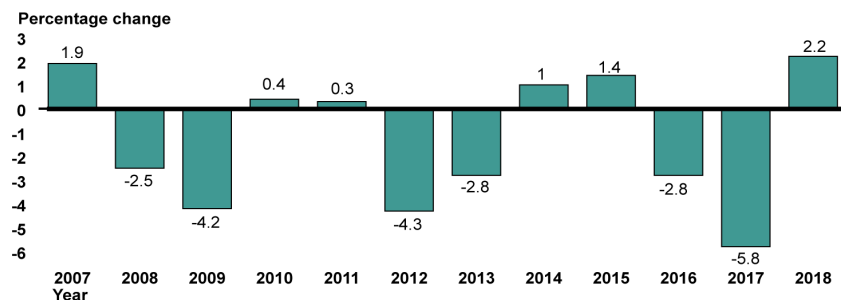
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What GAO Found

American Samoa's economy largely contracted during the past decade. Adjusted for inflation, gross domestic product declined by 18.2 percent from 2007 to 2017, and increased by 2.2 percent in 2018 (see fig.). While American Samoa employment varied by year from 2007 to 2018, workers' inflation-adjusted earnings generally declined. American Samoa's economy continues to depend on the territorial government and tuna canning industry as key sectors. Changes in government spending and the tuna canning industry, including cannery closures, have impacted American Samoa's economy. To reduce the territory's dependence on the government and the tuna canning industry, the American Samoa government continues its efforts to diversify the economy.

American Samoa Real Gross Domestic Product, 2007-2018, Percentage Change



Source: GAO analysis of Bureau of Economic Analysis data. | GAO-20-467

Note: Bureau of Economic Analysis calculates percentage changes using unrounded data.

American Samoa's tuna canning industry faces multiple challenges, including increased competition and minimum wage increases, which led to cannery closures from 2007 to 2018. The companies that experienced the closures explained that minimum wage increases were a factor in the closures, but not a main factor. With the closures, employment of cannery workers decreased but inflation-adjusted earnings of cannery workers who maintained their jobs increased. StarKist Co. now operates the single remaining cannery in American Samoa, StarKist Samoa, but faces financial challenges. In addition to increased competition and labor market challenges, the industry faces other challenges, such as lower wages relative to those in American Samoa for cannery workers in other countries. However, American Samoa offers the tuna canning industry advantages relative to the U.S. mainland and other countries, including lower wages compared to those in the U.S. mainland as well as duty-free access to the U.S. canned tuna market, according to StarKist Samoa officials.

The American Samoa government and the American Samoa Chamber of Commerce (the Chamber) view the minimum wage increases as conflicting with sustainable economic development, but employers and workers GAO interviewed noted benefits and challenges presented by minimum wage increases. The government supports setting a minimum wage that the economy can support, while the Chamber supports delaying minimum wage increases for the cannery. Employers and workers GAO interviewed noted a potential positive impact on the livelihood of workers but a potential negative impact on the remaining cannery, among other things.

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Abbreviations

BEA	Bureau of Economic Analysis (U.S. Department of Commerce)
BLAST	Broadband Linking the American Samoa Territory
CPI	consumer price index
FLSA	Fair Labor Standards Act
GDP	gross domestic product
SIC	special industry committee
Tri Marine	Tri Marine International

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June 11, 2020

Congressional Committees

For decades, American Samoa, a U.S. territory, has had minimum wages below the statutory minimum wage in the United States and in other U.S. territories. In 2007, Congress passed legislation that established a schedule of periodic increases that would have raised minimum wages in American Samoa¹ to the current federal minimum wage² (\$7.25 per hour) by 2016.³ While some incremental minimum wage increases have occurred, subsequent legislation has postponed or reduced scheduled minimum wage increases. The most recent minimum wage increase in American Samoa occurred on September 30, 2018.

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 American Samoa.⁴ GAO previously reported in response to

¹In this report, “minimum wages in American Samoa” refers to federally established minimum wages for the territory under 29 C.F.R. Part 697. However, the American Samoa government may set local minimum wages, which would be applicable to the extent that they were in excess of the coverage or rate, or both, provided by the federal minimum wages for the territory.

²In this report, the term “federal minimum wage” refers to the minimum wage required by the Fair Labor Standards Act (FLSA) in the United States, as provided by 29 U.S.C. § 206(a)(1). Currently the federal minimum wage is in effect in the 50 U.S. states, the District of Columbia, and any territory or possession of the United States, subject to certain exceptions.

³Pub. L. No. 110-28, § 8103 (May 25, 2007); 29 U.S.C. § 206 note, applicability of minimum wage to American Samoa.

⁴Pub. L. No. 111-5, § 802(a) (Feb. 17, 2009), as amended by Pub. L. No. 111-244, § 2(b) (Sept. 30, 2010) and Pub. L. No. 112-149, § 4(b) (July 26, 2012). In 2015, Pub. L. No. 114-61, § 1(b) (Oct. 7, 2015), included a provision for us to review the impact of past minimum wage increases on American Samoa, with a report due by April 1, 2020.

this mandate in 2010, 2011, 2014, and 2016.⁵ This report updates our previous reports and examines (1) economic trends including changes in employment and earnings since the minimum wage increases in American Samoa began in 2007, (2) the status of the tuna canning industry, and (3) stakeholder views on the minimum wage increases.

To examine economic trends including changes in employment and earnings, we analyzed gross domestic product data from the U.S. Department of Commerce's Bureau of Economic Analysis (BEA); tax and administrative data from the American Samoa government; and employment, earnings, and wage data gathered through an employer questionnaire that we submitted to American Samoa's tuna canning industry.

To examine the status of the territory's key private sector industry—tuna canning—we estimated changes in employment and earnings by submitting an employer questionnaire to American Samoa's tuna canning industry in accordance with the methodology of prior reports, and analyzed tuna trade data using U.S. Census Bureau data. Using employer questionnaire data, we determined both the median wage rate and the number of workers that would be affected by future minimum wage increases because their wages were at or below future scheduled minimum wage rates. We estimated the cost of future scheduled minimum wage increases by calculating the cost to the cannery of increasing each worker's wages to scheduled levels. In addition, we interviewed cannery representatives to obtain their views on challenges facing the industry, including minimum wage increases.

⁵See GAO, *American Samoa and Commonwealth of the Northern Mariana Islands: Wages, Employment, Employer Actions, Earnings, and Worker Views Since Minimum Wage Increases Began*, [GAO-10-333](#) (Washington, D.C.: Apr. 8, 2010); *American Samoa and Commonwealth of the Northern Mariana Islands: Employment, Earnings, and Status of Key Industries since Minimum Wage Increases Began*, [GAO-11-427](#) (Washington, D.C.: June 23, 2011); *American Samoa and Commonwealth of the Northern Mariana Islands: Economic Indicators since Minimum Wage Increases Began*, [GAO-14-381](#) (Washington, D.C.: Mar. 31, 2014); and *American Samoa: Alternatives for Raising Minimum Wages to Keep Pace with the Cost of Living and Reach the Federal Level*, [GAO-17-83](#) (Washington, D.C.: Dec. 2, 2016). In addition to reporting on the impact of minimum wage increases in American Samoa, [GAO-17-83](#) also reported on alternatives for raising minimum wages in American Samoa to keep pace with the cost of living and eventually equal the U.S. minimum wage. These alternatives involve two basic approaches: (1) keep pace with the cost of living in the territory; and (2) eventually equal the federal minimum wage—the criteria included in the statutory provision for GAO to report on this issue.

To examine stakeholder views on the minimum wage increases, we conducted interviews with officials from the American Samoa government and American Samoa Chamber of Commerce, and employers and workers from the public and private sectors. We interviewed a nongeneralizable sample of employers and workers selected on the basis of key industry information from prior GAO reports and employment data from the American Samoa government. Specifically, we interviewed the following employers and their workers: (1) the American Samoa government and three of its component units,⁶ and (2) StarKist Samoa. To supplement these employers and their workers, we requested that the American Samoa Chamber of Commerce select additional employers and their workers on the basis of criteria related to the tuna canning, construction, and retail industries, among other things.⁷ For more details on our scope and methodology, see appendix I.

We conducted this performance audit from June 2019 to May 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

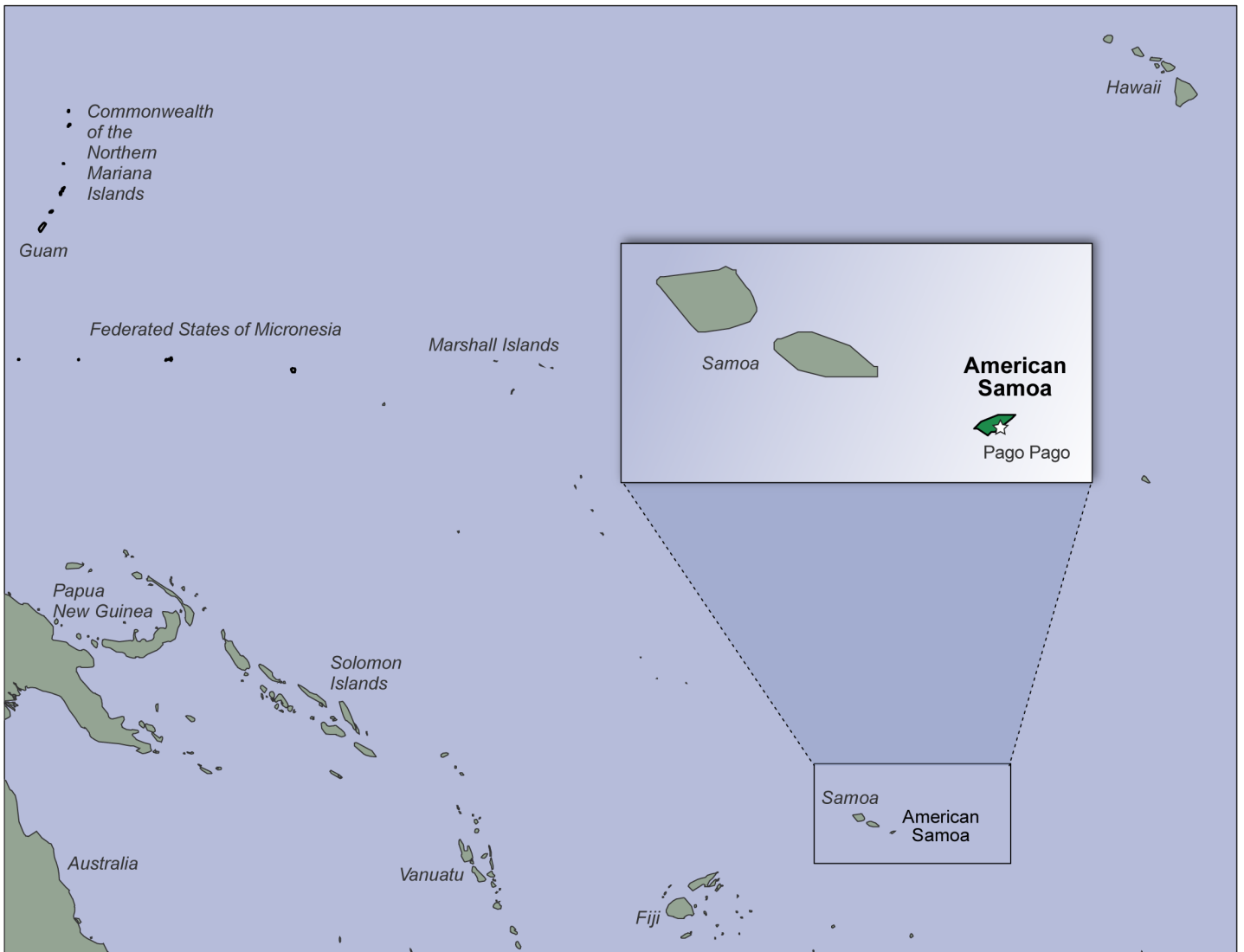
American Samoa's Geography and Demographics

American Samoa consists of five volcanic islands and two coral atolls in the South Pacific, about 2,600 miles southwest of Hawaii (see fig. 1). American Samoa has a combined land area of 76 square miles, slightly larger than Washington, D.C.

⁶The American Samoa government and three of its component units—the American Samoa Medical Center, American Samoa Community College, and American Samoa Power Authority—employed the majority of public workers. In general, component units are legally separate, autonomous entities for which the government is financially accountable.

⁷The American Samoa Chamber of Commerce arranged a group of 15 employers and their workers belonging to its membership on the basis of criteria related to the tuna canning, construction, and retail industries, as well as a group of eight employers related to the territory's ethnic (including Filipino, Chinese, Korean) business community.

Figure 1: Location of American Samoa



Source: GAO. | GAO-20-467

Note: The land area labeled Samoa is also known as the Independent State of Samoa, a nation distinct from the U.S. territory of American Samoa.

Approximately 98 percent of the population of American Samoa lives on the main island of Tutuila, and most economic activity (including tuna canning) and government operations take place in and around the harbor of the capital city, Pago Pago, on Tutuila (see fig. 2). Most of Tutuila consists of rugged terrain with little level land. With a significant portion of

its population and infrastructure located in low-lying coastal areas, American Samoa faces the risk of tsunamis and other coastal hazards.⁸

- In September 2009, a tsunami following a magnitude 8.1 earthquake left 34 people dead in American Samoa, and caused severe damage to homes, businesses, and water and electrical infrastructure.
- In February 2018, Tropical Storm Gita struck the territory, causing damage with at least 50 percent of American Samoan residents facing some level of loss to property, according to American Samoa Department of Commerce estimates. The American Samoa government estimates that the disaster caused nearly \$200 million in damages to public and private property.

In response to both natural disasters, the federal government issued major disaster declarations and assisted with recovery efforts.⁹

Figure 2: Pago Pago Harbor



Source: GAO. | GAO-17-83

⁸A. Rumbach and D. Foley, "Indigenous Institutions and Their Role in Disaster Risk Reduction and Resilience: Evidence from the 2009 Tsunami in American Samoa," *Ecology and Society*, vol. 19, no. 1 (2014).

⁹Under the major disaster declarations in both 2009 and 2018, the President increased the federal share to 90 percent of total eligible costs for the Federal Emergency Management Agency's assistance program for public assistance, hazard mitigation, and other needs assistance.

The 2010 U.S. Census found American Samoa's population to be 55,519, a decrease of 3 percent from its 2000 population.¹⁰ Individuals who are neither U.S. citizens nor U.S. nationals, most of them from the Independent State of Samoa, constituted approximately 35 percent of the territory's population in that year.¹¹ BEA most recently estimated American Samoa's 2018 population to be approximately 58,000.

The 2010 census also reported that American Samoa's median household income remained well below, and its poverty rate well above, that of the United States. In 2009, American Samoa's median household income was \$23,892, 47 percent of the U.S. median household income, while its poverty rate was 57.8 percent, nearly four times the U.S. rate of 15.1 percent.

American Samoa's Relations with the United States

U.S. interest in the Samoan islands began in 1872 with efforts by the U.S. Navy to establish a naval station in Pago Pago Harbor. A U.S.-British-German protectorate over all Samoan islands ended in 1899, when the islands that constitute American Samoa were placed under U.S. control. The U.S. Naval Station in the territory was established in 1900.¹² From 1900 through 1904, the U.S. government negotiated control over American Samoa,¹³ and the U.S. Navy subsequently took responsibility

¹⁰U.S. Census Bureau, *2010 Census*, accessed January 20, 2020, <https://www.census.gov/2010census/data/>. The American Samoa government has stated that it believes the 2010 census undercounted the territory's population, owing to a mismatch between the census count and American Samoa data on births, deaths, and outmigration, among other factors, as well as the omission of undocumented immigrants who feared deportation. See appendix VI of [GAO-14-381](#) for additional detail.

¹¹Preliminary results from the American Samoa Department of Commerce's *2015 Household Income and Expenditures Survey* show that as of 2015, the territory's population had grown to 57,436, including 36,952 who were American Samoan by birth. About 14,000 were reported to have been born in independent Samoa, about 900 in Tonga, and about 1,000 in the Philippines. American Samoa Department of Commerce, *2015 Household Income and Expenditure Survey Preliminary Findings* (Pago Pago, American Samoa: Apr. 8, 2016).

¹²Joseph Kennedy, *The Tropical Frontier: America's South Sea Colony* (Mangilao, Guam: University of Guam Micronesia Area Research Center, 2009); J. Robert Shaffer, *American Samoa: 100 Years under the United States Flag* (Honolulu, Hawaii: Island Heritage Publishing, 2000).

¹³Two deeds of cession were initially completed between Samoan chiefs, or *matai*, and the United States in 1900 and 1904 and were ratified by the federal government in 1929. In these deeds, the United States pledged to promote peace and welfare, establish a good and sound government, and preserve the rights and property of the people. See 45 Stat. 1253, c. 281 (Feb. 20, 1929), codified at 48 U.S.C. §1661.

for federal governance of the territory. In 1951, governance was transferred to the Secretary of the Interior.¹⁴ In 1960, American Samoa residents adopted their own constitution, but amendments to the constitution may be made only by an act of Congress.¹⁵

Persons born to non-U.S. citizen parents in American Samoa are U.S. nationals but may apply to become naturalized U.S. citizens.¹⁶ In addition, U.S. non-citizen nationals from American Samoa have the right to travel freely, live, and work throughout the United States. American Samoa exercises authority over its immigration system and customs through locally adopted laws.¹⁷ While American Samoans may serve in the U.S. military, they do not have voting representation for legislation passed before the full U.S. Congress, including legislation setting the minimum wage in American Samoa.

The United States provides assistance to the American Samoa government, including funding the majority of its revenue. In fiscal year 2018, the American Samoa government's financial audit reported that U.S. federal grants provided approximately \$150 million of \$246 million in total American Samoa government revenue. Ranked by approximate grant expenditures, the largest federal grantors were the Departments of Health and Human Services (\$43 million), Agriculture (\$33 million),

¹⁴Transfer of Administration of American Samoa from the Secretary of the Navy to the Secretary of the Interior, Exec. Order No. 10,264, 16 Fed. Reg. 6417 (June 29, 1951). The Secretary exercised broad powers with regard to American Samoa, including "all civil, judicial, and military powers" of government. 48 U.S.C. § 1661(c).

¹⁵48 U.S.C. § 1662a.

¹⁶American Samoa residents have many of the rights of citizens of the 50 states but cannot vote in U.S. national elections. The delegate from American Samoa has many of the same congressional privileges as other representatives, including a vote in committee, but cannot vote in the House of Representatives. U.S. noncitizen nationals do not have the same preferences as U.S. citizens for sponsoring immediate family members for family-based immigration visas. To qualify for the same rights as U.S. citizens, noncitizen nationals must become naturalized citizens of the United States, which includes a requirement to reside in the United States for 3 months (8 C.F.R. §325.2).

¹⁷American Samoa administers its own immigration system. See GAO, *American Samoa: Performing a Risk Assessment Would Better Inform U.S. Agencies of the Risks Related to Acceptance of Certificates of Identity*, [GAO-10-638](#) (Washington, D.C.: June 11, 2010). The U.S. government administers immigration functions in other insular areas, such as Guam and the Commonwealth of the Northern Mariana Islands.

Interior (\$30 million), Education (\$28 million), Transportation (\$18 million), and Homeland Security (\$5 million).

Minimum Wage Law in American Samoa

The federal minimum wage was first enacted as part of the Fair Labor Standards Act of 1938 (FLSA).¹⁸ The FLSA specified that for industries engaged in commerce or in the production of goods for commerce, its policy was to correct and, as rapidly as practicable, to eliminate labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers without substantially curtailing employment or earning power.¹⁹ Since 1938, there have been nine amendments to the FLSA establishing new minimum wages and usually raising the rate through a series of steps over 2 to 4 years.²⁰

The FLSA was amended in 1956 to provide for American Samoa minimum wages to be established through a special industry committee (SIC) process similar to that used in Puerto Rico and the U.S. Virgin Islands.²¹ Federal policy called for the minimum wage rates for industries in American Samoa to reach the federal level as rapidly as was economically feasible without substantially curtailing employment. The final SIC, which recommended minimum wages to be applied in 2005 and 2006, recommended minimum wages for 18 industry categories. These

¹⁸Pub. L. No. 75-718 (June 25, 1938). For additional information, see David H. Bradley, *The Federal Minimum Wage: In Brief*, R43089 (Washington, D.C.: Congressional Research Service, June 2, 2017); David H. Bradley, Benjamin Collins, and Sarah A. Donovan, *The Fair Labor Standards Act (FLSA): An Overview*, R42713 (Washington, D.C.: Congressional Research Service, Jan. 2, 2014).

¹⁹Job losses have been cited as a potential negative result of introducing, or raising, minimum wages. For example, in July 2019, the Congressional Budget Office issued a study of three options for raising the federal minimum wage, in a series of steps, to \$15, \$12, or \$10. The study included a range of estimated outcomes, with midpoint estimations that increases to \$15 or \$12 would reduce total U.S. employment by about 1.3 million or 300,000 workers, respectively. At the same time, however, the study found that the increases would raise earnings for 27 million or 11 million workers and would raise 1.3 million or 900,000 people above the poverty threshold, respectively. See Congressional Budget Office, *The Effects of a Minimum-Wage Increase on Employment and Family Income* (Washington, D.C.: July 2019). In technical comments on a draft of a prior report ([GAO-17-83](#)), the U.S. Department of Labor noted that studies examining the employment impact of minimum wage increases had found a range of effects, with varying degrees of reliability. It also noted that most of these studies had concluded that minimum wage increases had little to no significant effect on employment of low-wage workers.

²⁰[GAO-17-83](#).

²¹Pub. L. No. 84-1023 § 2 (Aug. 8, 1956).

18 industry categories remain in existence for present-day minimum wages in American Samoa.

Since 2007, U.S. federal law has determined minimum wages in American Samoa. In 2007, Congress passed the Fair Minimum Wage Act of 2007, which eliminated the SICs and created a schedule of increases to American Samoa minimum wages that has since been revised and applied over a number of years.²² The Fair Minimum Wage Act of 2007 amended the FLSA, raising the federal minimum wage in a series of three steps from \$5.15 to, effective July 2009, \$7.25 per hour. The amended provision also eliminated the SICs in American Samoa and introduced a schedule for raising the minimum wages, by equal amounts, until all 18 minimum wage categories in American Samoa reached the federal level.²³ According to the U.S. Department of Labor, when the law was enacted, nearly 80 percent of eligible American Samoa workers earned less than \$7.25 per hour.²⁴ The initial Fair Minimum Wage Act of 2007 schedule, which called for \$0.50 annual increases, would have increased all American Samoa minimum wages to the current federal level by May 2016.

After the initial (2007) schedule, each subsequent law revising the schedule of minimum wage increases for American Samoa extended the projected dates for American Samoa minimum wages to reach the federal level.

²²Appendix II summarizes selected federal legislative actions affecting minimum wages in American Samoa since 1938.

²³The Fair Minimum Wage Act of 2007 repealed the FLSA sections related to the SICs as well as the wage orders issued pursuant to the SICs' recommendations. A bill in Congress in 1992 proposed increasing minimum wages in American Samoa more rapidly by setting floors for the SICs' recommendations over a period of 3 years. At that time, representatives of the American Samoa government and tuna canneries operating in American Samoa expressed opposition to more rapid increases as well as concern that increasing the minimum wage for the tuna industry would harm an industry that was essential to the local economy. However, the American Samoa delegate to Congress supported minimum wage increases, citing rising costs of living. House Committee on Education and Labor, Subcommittee on Labor Standards, *Minimum Wage Rates in American Samoa, Hearing on H.R. 4011*, 102nd Cong., 2nd Sess., June 3, 1992.

²⁴Department of Labor, Office of the Assistant Secretary for Policy, "Impact of Increased Minimum Wages on the Economies of American Samoa and the Commonwealth of the Northern Mariana Islands," prepared in response to the requirements of Pub. L. No. 110-28, § 8104 (May 25, 2007) (Washington, D.C.: January 2008). The Department of Labor based this finding on the results of a survey it prepared for SIC no. 27.

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- Measures adopted in 2009²⁵ and 2010²⁶ retained the \$0.50 increases but delayed their application, so that convergence between the American Samoa minimum wages and the federal level would have occurred in 2018 rather than 2016.
 - Subsequent measures—applying increases every third year²⁷ and reducing each increase from \$0.50 to \$0.40²⁸—delayed convergence of American Samoa minimum wages with the federal level by more substantial intervals.²⁹

The current schedule establishes increases of \$0.40 every 3 years for all 18 industry categories in American Samoa, with the most recent increase in September 2018 and the next increase scheduled for September 2021.³⁰ If American Samoa minimum wages continue to increase by \$0.40 every 3 years as scheduled, and if the current federal level does not increase, the highest minimum wage in American Samoa, for the stevedoring industry, will reach the federal level in 2027, while the lowest minimum wage, for the garment manufacturing industry, will reach the federal level in 2036. Minimum wages for the largest employer overall, government, and the largest private-sector employer, the fish canning and processing industry, will reach the federal level by 2036 and 2033, respectively. Table 1 shows past and projected minimum wages in American Samoa for these industries. (App. III shows the current federal minimum wage in American Samoa by industry.)

²⁵Pub. L. No. 111-117.

²⁶Pub. L. No. 111-224.

²⁷Pub. L. No. 112-149.

²⁸Pub. L. No. 114-61.

²⁹For a table showing projected convergence of American Samoa minimum wages with the federal minimum wage, see appendix V in [GAO-17-83](#).

³⁰Pub. L. No. 114-61.

Table 1: Past and Projected Minimum Wages for Selected Industries in American Samoa, 2006–2036

U.S. dollars per hour

	Date of increase	Garment manufacturing (lowest wage) ^a	Government sector ^b	Fish canning and processing ^c	Stevedoring (highest wage) ^d
Past	Oct. 1, 2006	2.68	2.91	3.26	4.09
	July 25, 2007	3.18	3.41	3.76	4.59
	May 25, 2008	3.68	3.91	4.26	5.09
	May 25, 2009	4.18	4.41	4.76	5.59
	Sept. 30, 2015	4.58	4.81	5.16	5.99
	Sept. 30, 2018	4.98	5.21	5.56	6.39
Projected	Sept. 30, 2021	5.38	5.61	5.96	6.79
	Sept. 30, 2024	5.78	6.01	6.36	7.19
	Sept. 30, 2027	6.18	6.41	6.76	7.25
	Sept. 30, 2030	6.58	6.81	7.16	7.25
	Sept. 30, 2033	6.98	7.21	7.25	7.25
	Sept. 30, 2036	7.25	7.25	7.25	7.25

Source: GAO analysis of minimum wage increases scheduled in Public Law (P.L.) 110-28, P.L. 111-17, P.L. 111-224, P.L. 112-149, and P.L. 114-61. | GAO-20-467

Notes: Minimum wages shown reflect actual rates, in nominal dollar amounts, through September 30, 2018, and projected rates under the current schedule of increases for later years. Shaded areas denote the point at which the indicated American Samoa minimum wages converge with the current federal minimum wage of \$7.25.

The wages shown in italics for October 1, 2006, were recommended by Special Industry Committee No. 26. The wages shown for July 25, 2007, through September 30, 2036, reflect increases scheduled by federal law.

^aGarment manufacturing has the lowest minimum wage of any industry in American Samoa.

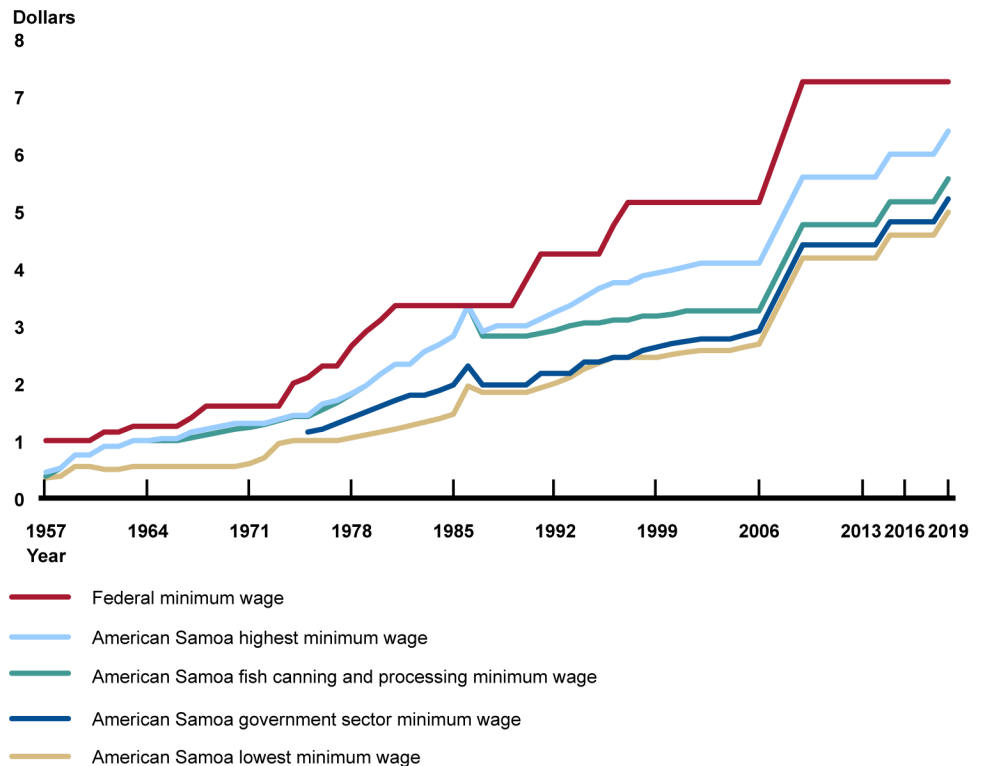
^bThe government sector is the largest employer in American Samoa.

^cFish canning and processing is the largest private-sector employer in American Samoa.

^dStevedoring (stevedoring, lighterage, and maritime shipping agency activities)—one of three classifications (“Classification A”) in the shipping and transportation industry—has the highest minimum wage of any industry in American Samoa.

Since 1957, American Samoa minimum wages have risen, first as recommended by SICs and then in accordance with schedules set by legislation. However, with the exception of 1986, when the highest American Samoa minimum wages—for fish canning and processing, petroleum marketing, and stevedoring—converged with the federal level of \$3.35, American Samoa minimum wages have remained below the federal level (see fig. 3).

Figure 3: Minimum Wages in American Samoa Relative to the Federal Minimum Wage, 1957–2019



Source: GAO analysis of Department of Labor data. | GAO-20-467

From 2007 to 2018, American Samoa’s Economy Contracted and American Samoa Employment Varied, While Workers’ Earnings Generally Declined

American Samoa’s economy largely contracted during the past decade. Adjusted for inflation, gross domestic product declined by 18.2 percent from 2007 to 2017, though it increased by 2.2 percent in 2018. According to the American Samoa Department of Commerce, the 2018 uptick is likely to be temporary, partly reflecting reconstruction activity for Tropical Storm Gita. Changes in government spending and the tuna canning industry, including disaster-related federal funding and cannery closures, have impacted American Samoa’s economy. From 2007 to 2018, American Samoa employment varied by year without a clear trend, while workers’ inflation-adjusted earnings generally declined. American Samoa continues to depend on the territorial government and tuna canning industry as key sectors. The American Samoa government continues efforts to diversify the economy, and in recent years, these efforts have centered on the development of a new industry, telecommunications.

American Samoa's Economy Largely Contracted from 2007 to 2018

American Samoa's Real GDP Declined by 18.2 Percent from 2007 to 2017, but Increased by 2.2 Percent in 2018

The Bureau of Economic Analysis (BEA) estimated American Samoa's real gross domestic product (GDP)—GDP adjusted for inflation in 2009 dollars—at \$608 million in 2018. From 2007 to 2017, American Samoa's real GDP fell by 18.2 percent.³¹ After decreasing by 5.8 percent in 2017, American Samoa's real GDP increased by 2.2 percent in 2018. (Fig. 4 shows American Samoa's real GDP from 2007 through 2018 in dollar and percent change amounts, as measured by BEA.)

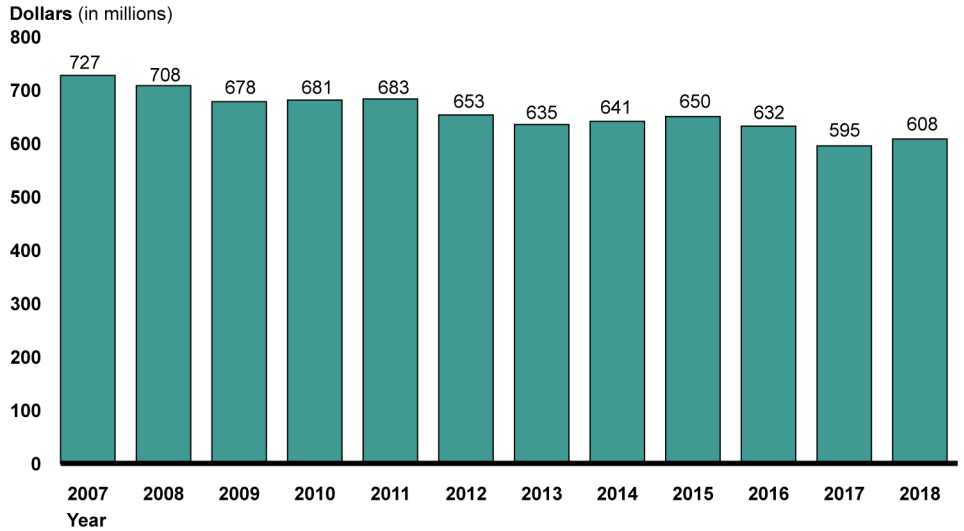
- BEA's 2017 GDP report for American Samoa attributes the 2017 decline to decreased exports—primarily processed tuna—as one of two canneries closed at the end of 2016, and to decreased government spending.
- BEA's 2018 GDP report for American Samoa attributes the 2018 rebound to increases in private fixed investment and exports of goods. Private fixed investment growth largely reflected reconstruction of homes and businesses damaged by Tropical Storm Gita, while exports of goods growth primarily reflected an increase in exports of processed tuna. American Samoa's real GDP per capita also fell over the last decade. In 2018, American Samoa's real per capita GDP was \$10,483, or 6.6 percent lower than it was in 2007.³²

³¹According to BEA data, in contrast, the United States' real GDP rose by 15.9 percent from 2007 to 2017.

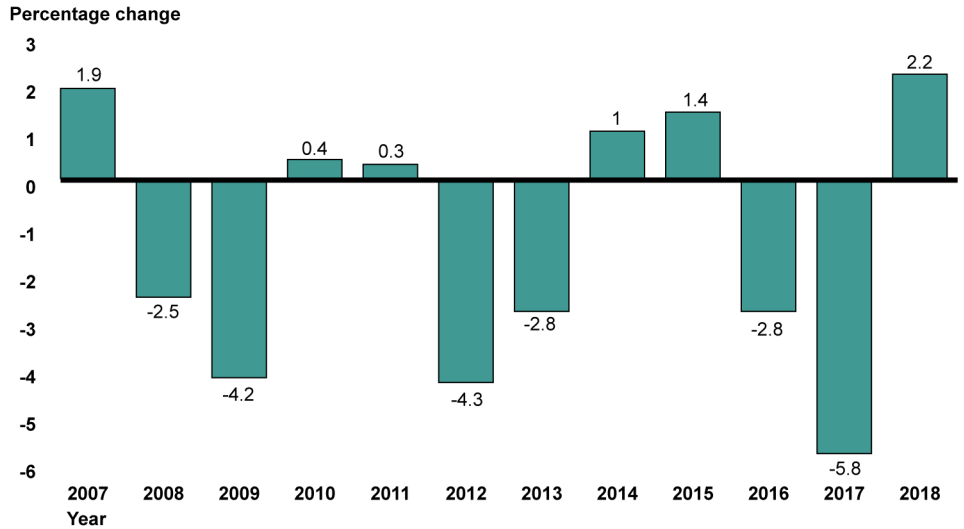
³²According to BEA data, in contrast, in 2018, the United States' real per capita GDP was \$57,066, or 10.1 percent higher than in 2007.

Figure 4: American Samoa Real Gross Domestic Product (GDP), 2007–2018, in Millions of 2009 U.S. Dollars (top) and Percentage Change (bottom)

American Samoa Real Gross Domestic Product (GDP), 2007-2018, in Millions of 2009 U.S. Dollars



American Samoa Real Gross Domestic Product (GDP), 2007-2018, Percent Change



Source: GAO analysis of Bureau of Economic Analysis data. | GAO-20-467

Note: The Bureau of Economic Analysis calculates percentage changes using unrounded data.

The American Samoa Department of Commerce notes that the 2018 real GDP uptick is likely to be temporary, partly reflecting reconstruction activity for Tropical Storm Gita. The department’s 2019 *American Samoa*

Changes in Government Spending and the Tuna Canning Industry Impacted American Samoa's Economy from 2007 to 2018

Economic Forecast forecasts real GDP to decrease by 3.5 percent in 2019, 1.0 percent in 2020, 2.3 percent in 2021, and 2.0 percent in 2022.³³ The report states that this multi-year contraction is a return to the long-term trend, following multiple years of energy price decreases and elevated capital investment. Additionally, American Samoa Department of Commerce officials expect rising transportation costs, a result of higher crude oil prices, to increase inflation, and for business challenges to continue for American Samoa's tuna canning industry—a key sector of the economy.

Changes in government spending³⁴ and American Samoa's tuna canning industry have been important determinants of changes in American Samoa's GDP. According to BEA:

- Changes in government spending have impacted American Samoa's economy. Positive real GDP growth in 2010 and 2011 reflected the increase in government spending following the 2009 Samoa earthquake and tsunami.³⁵ Although disasters in 2009 and 2018 caused severe damage across the territory, they also led to surges in federal assistance and government spending on disaster relief and reconstruction efforts.³⁶ Negative real GDP growth in 2012 and 2013

³³American Samoa Department of Commerce, *American Samoa Economic Forecast* (Pago Pago, American Samoa: Mar. 11, 2019).

³⁴Per BEA's definition, "government spending" refers to "government consumption expenditures and gross investment." Although government spending in American Samoa largely refers to territorial government spending, federal grants fund the majority of the territorial government's revenue, according to territorial government reporting.

³⁵According to BEA, "GDP, as a measure of an economy's current production of goods and services, is not affected directly by destruction of property caused by natural disasters, except to the extent that it affects production capacity. (The resulting loss of property does have a direct impact on balance sheets.) However, GDP is affected indirectly by the actions that consumers, businesses, and governments take in response to the natural disaster, such as increases in government spending for cleanup and recovery operations and increases in construction activity to rebuild damaged assets."

³⁶According to the Department of Homeland Security Office of Inspector General, the federal government provided over \$125 million in assistance, including individual assistance grants and debris removal, to American Samoa in response to the 2009 earthquake and tsunami. According to the American Samoa Department of Commerce, following the 2018 Tropical Storm Gita, the U.S. Federal Emergency Management Administration provided American Samoa over \$20 million through Individual Assistance programs, while U.S. Small Business Administration loans, intergovernmental service agreements, miscellaneous disaster-related grants, related federal programs, and private insurance distributions provided an additional \$40 million in assistance.

reflected the decline in government spending following elevated spending in prior years on disaster recovery and operating losses of territorial government enterprises, respectively. Positive real GDP growth in 2014 and 2015 reflected an increase in government spending on territorial government projects, including the American Samoa Telecommunications Authority's work to improve broadband capacity and coverage in American Samoa and the rebuilding of the Satala Power Plant.

- Changes in American Samoa's tuna canning industry have also impacted American Samoa's economy. From 2007 through 2017, American Samoa's manufacturing sector (primarily composed of the tuna canning industry) has experienced the largest downturns in real value added—a measure of a sector or industry's contribution to GDP—compared to government and nonmanufacturing sectors.³⁷ Negative real GDP growth in 2009, 2016, and 2017 reflected decreased activity in the tuna canning industry, including cannery closures.³⁸ Positive real GDP growth in 2014 and 2015 reflected increased activity in the tuna canning industry. Growth in goods exports in both years reflected growth in canned tuna exports, and growth in private fixed investment in 2014 reflected continued investments by the tuna canning industry, including the construction of a tuna processing plant.³⁹

The American Samoa Department of Commerce notes that the combined impact of Tri Marine's cannery closure in late 2016 and StarKist Samoa's temporary shutdown in late 2017⁴⁰ contributed to a spike in

³⁷Per BEA's definition, value added equals the difference between an industry's gross output (consisting of sales or receipts and other operating income, commodity taxes, and inventory change) and the cost of its intermediate inputs (including energy, raw materials, semi-finished goods, and services that are purchased from all sources).

³⁸Chicken of the Sea closed its American Samoa cannery in September 2009. Tri Marine International (Tri Marine) suspended its American Samoa canning operations indefinitely in December 2016.

³⁹Tri Marine opened its multi-million dollar tuna processing plant in January 2015 after acquiring, renovating, and expanding the former Chicken of the Sea cannery.

⁴⁰StarKist Samoa, the one cannery that remained after Tri Marine's Samoa Tuna Processors cannery closure, halted operations for 5 weeks in the fourth quarter of 2017 because of equipment upgrades and setbacks in fish supply. The American Samoa Department of Commerce noted that this temporary shutdown left workers without salaries to cover basic expenses and cost the territorial government more than \$500,000 in income tax revenues.

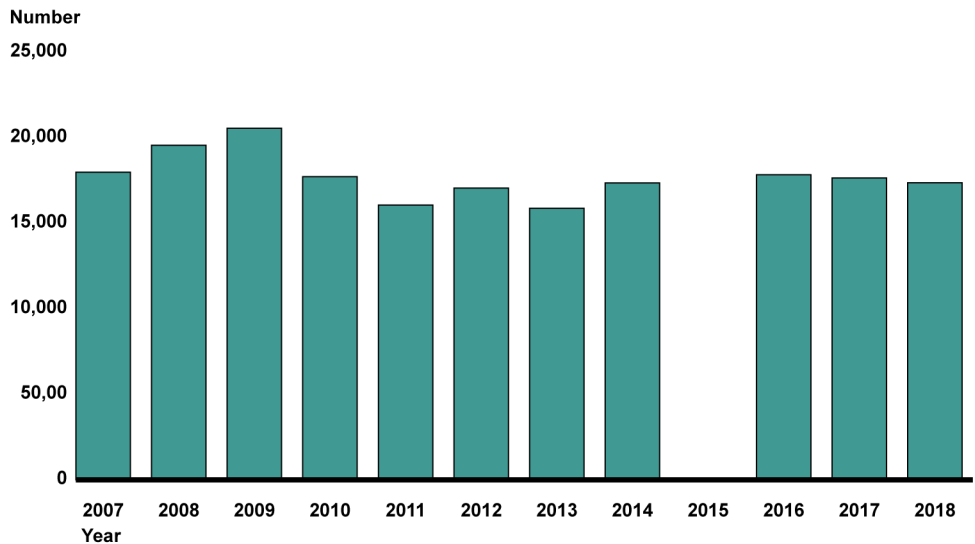
unemployment in 2017, and would have led to an extended recession were it not for the impact of Tropical Storm Gita in 2018.⁴¹

American Samoa Employment Varied by Year from 2007 to 2018 While Workers' Inflation- Adjusted Earnings Generally Declined

Employment

Employment did not exhibit a clear trend, but varied from year to year from 2007 to 2018. Specifically, it ranged from about 16,000 to about 20,000 with a peak year in 2009. In 2018, employment was at the same level as it was in 2007, at about 17,000. Figure 5 shows the trend in employment in American Samoa over this period.

Figure 5: Employment in American Samoa, 2007–2018



Source: GAO analysis of American Samoa tax data and GAO employer questionnaire responses. | GAO-20-467

Note: Because of data reliability concerns expressed by the American Samoa Department of Commerce, the analysis excluded 2015.

⁴¹See American Samoa Department of Commerce, *2019 American Samoa Economic Forecast 2019* (Pago Pago, American Samoa: Mar. 11, 2019).

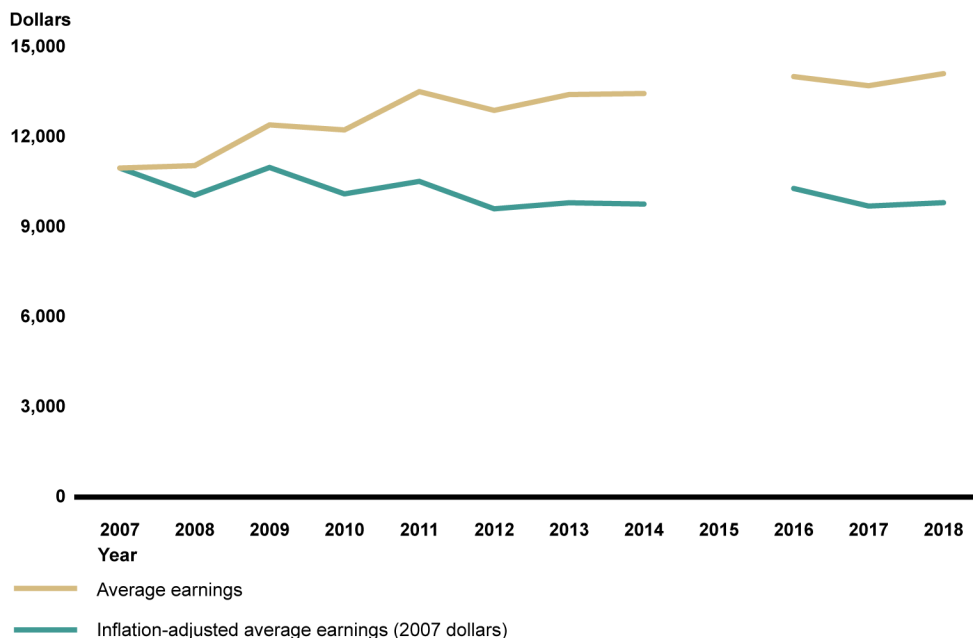
In addition, we analyzed data from alternative sources, which also showed that employment lacked a clear trend from year to year. According to American Samoa Statistical Year Book data, employment ranged from about 14,000 to 19,000 from 2007 to 2017 with a peak in 2010. According to the U.S. Census Bureau’s County Business Pattern data, which mostly excludes certain groups such as the public sector, private sector employment ranged from about 7,000 to 10,000 from 2008 to 2017, with a peak in 2009. For more information, see appendix IV.

Inflation-Adjusted Earnings

Average earnings of employed workers contracted from 2007 to 2018 when adjusted for inflation. For the overall period from 2007 to 2018, average inflation-adjusted earnings fell by about 11 percent (from about \$11,000 to about \$10,000), reflecting an increase in average annual earnings of about 29 percent and an increase in prices of about 44 percent. For the most recent year available, 2017 to 2018, average inflation-adjusted earnings was almost unchanged—growing by about 1 percent.

Figure 6 shows the trend in earnings in American Samoa from 2007 to 2018. For more information, see appendix IV.

Figure 6: Average Inflation-Adjusted Workers’ Earnings in American Samoa, 2007–2018



Source: GAO analysis of American Samoa tax data and GAO employer questionnaire responses. | GAO-20-467

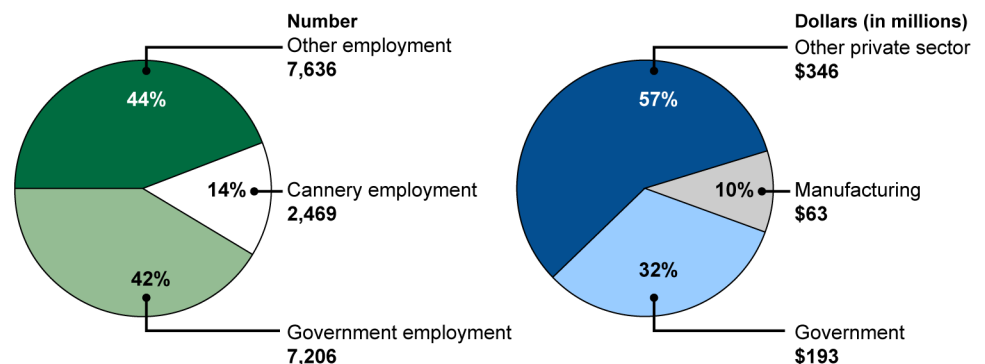
Government and Tuna Canning Remain Key Sectors of American Samoa's Economy

Notes: Beige line indicates earnings unadjusted for inflation. Solid line indicates earnings adjusted for inflation using the American Samoa Consumer Price Index (CPI). Inflation-adjusted earnings are deflated using the American Samoa CPI (2007 = 100). Because of data reliability concerns expressed by the American Samoa Department of Commerce, the analysis excluded 2015.

The territorial government and tuna canning industry are important sectors of American Samoa's economy, contributing almost half of American Samoa's employment and GDP.

- The American Samoa government and the tuna canning industry have historically employed the largest numbers of workers in American Samoa. In 2018, the government sector employed about 42 percent of the American Samoa's workforce and the tuna cannery employed about 14 percent (see fig. 7). The territorial government continues to be the largest employer, while the tuna canning industry continues to be the largest private sector employer.
- The government and the tuna canning industry also remain large contributors to GDP in American Samoa. In 2017, government and manufacturing (primarily composed of tuna canning) contributed 42 percent of American Samoa's total GDP (see fig. 7).

Figure 7: Composition of American Samoa Employment, 2018 (left) and American Samoa GDP, 2017 (right)



Source: GAO analysis of American Samoa tax data and GAO employer questionnaire responses. | GAO-20-467

Notes: Composition of American Samoa GDP (right) shows the value added of each sector as a percentage of total GDP; value added percentages may not add to the total (100%) because of rounding.

The tuna canning industry plays a key role contributing to the territory's trade, primarily through exports. According to U.S. Census Bureau data, processed tuna annually accounted for over 88 percent of exports from American Samoa to the United States from 1995 to 2018.

According to American Samoa government officials, government and the tuna canning industry are the two main pillars of the economy and sustain other industries across the territory.

- The territory's component units, including the Lyndon B. Johnson Tropical Medical Center, American Samoa Community College, American Samoa Power Authority, and American Samoa Telecommunications Authority, provide healthcare, higher education, utility, and telecommunications services, respectively.⁴²
- The tuna canning industry provides direct and indirect benefits to other industries. American Samoa Department of Commerce officials stated that the remaining cannery generates demand for support industries such as transportation and warehousing, retail and wholesale, and construction. American Samoa government officials also noted that the cannery's large demand for shipping, transportation, and energy might reduce the cost of these services for the entire territory.⁴³ In 2017, canned tuna constituted over 90 percent of American Samoa's exports, and fish for processing constituted over 35 percent of American Samoa's imports (see fig. 8).⁴⁴

⁴²In general, component units are legally separate entities for which a government is financially accountable.

⁴³For example, because the cannery is one of the largest consumers of energy in the territory, its monthly energy usage effectively subsidizes utility costs in the territory by as much as 30 percent, according to American Samoa government officials.

⁴⁴American Samoa Department of Commerce, *2017 American Samoa Statistical Yearbook* (Pago Pago, American Samoa: Oct. 15, 2018).

Figure 8: Fish for Processing at StarKist Samoa Cannery



Source: StarKist Co. | GAO-20-467

The American Samoa Government Continues Efforts to Diversify the Economy

To reduce the territory's dependence on its government and the tuna canning industry, the American Samoa government continues its efforts to diversify the economy. According to the American Samoa government, the territory's dependence on the government and the tuna canning industry has exposed the economy to external risks, including changes in federal grant funding and global competition in the tuna canning industry. To reduce this dependence, the government has developed plans to diversify the economy.

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- American Samoa's economic development implementation plan for fiscal years 2014 to 2017⁴⁵ and economic development strategy for 2018 to 2022⁴⁶ outline economic development goals for sectors such as transportation and tourism, as well as action items to achieve these goals. The American Samoa government has identified ecotourism as an economic opportunity because the island's mountains, tropical rainforests, coral reefs, and National Park may be attractive to tourists (see fig. 9). However, the American Samoa government has cited the federal restrictions on competition in passenger air carrier service to American Samoa as an impediment to developing the tourism sector. The United States restricts foreign airlines from carrying U.S. domestic passengers or cargo between U.S. locations, other than as part of a through trip involving a foreign location (cabotage), unless authorized by the U.S. Department of Transportation on the basis of specific criteria.⁴⁷ According to the American Samoa government, as of August 2019, there are two passenger air flights per week between American Samoa and the United States (via Hawaii), with a third weekly flight added during peak travel seasons.

⁴⁵Territorial Economic Development Implementation Plan Task Force, *American Samoa Economic Development Implementation Plan, FY 2014-2017* (Pago Pago, American Samoa: November 2014). The plan was prepared by a 16-member task force representing stakeholders in the public and private sectors with the support of a technical assistance grant awarded to the American Samoa government by the U.S. Department of the Interior, according to a report by the task force.

⁴⁶American Samoa Department of Commerce, *Comprehensive Economic Development Strategy 2018-2022* (Pago Pago, American Samoa: August 2019).

⁴⁷49 U.S.C. § 41703(c), 40109(g).

Figure 9: Pola Island, Vai'ava Strait National Natural Landmark in the National Park of American Samoa



Source: GAO. | GAO-20-467

- *American Samoa's 2016 Workforce Innovation and Opportunity Act Unified Plan* targets the development of five industries: fisheries and agriculture, telecommunications and information technology, manufacturing, visitors, and handicrafts. The plan notes that American Samoa is experiencing emigration of workers to the United States, countered in part by immigration of tuna cannery workers from neighboring islands to American Samoa. The plan cites low wages as a reason that high-skilled members of the labor force leave the territory.

In recent years, the American Samoa government's efforts to diversify the economy have centered on the development of the telecommunications industry. The government has made major investments in telecommunications infrastructure over the past 5 years. American Samoa Telecommunications Authority officials told us that they have managed the development of the territory's telecommunications infrastructure projects.

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- Completed in 2015, the Broadband Linking the American Samoa Territory (BLAST) project replaced the territory’s copper infrastructure with a fiber optic network capable of delivering high-speed data, voice, and cellular backhaul services. The U.S. Department of Agriculture’s Rural Utility Service funded the over \$90 million project with an approximately \$81 million grant and \$10 million loan.
 - According to American Samoa Telecommunications Authority officials, the Hawaiki cable project, completed and activated in 2018, added bandwidth to the BLAST network by connecting the territory via an underwater cable branch to the main Hawaiki cable trunk in Hawaii. The officials stated that the Hawaiki cable is a 15,000 kilometer, high-capacity underwater cable connecting Australia and New Zealand to the mainland United States, American Samoa, and Hawaii. The American Samoa government invested approximately \$30 million to acquire its connection to the Hawaiki cable, using funding from American Samoa’s 2018 general revenue bond series.⁴⁸
 - According to American Samoa Telecommunications Authority officials, other ongoing, multi-million dollar projects to enhance the territory’s telecommunications infrastructure include projects to upgrade BLAST bandwidth distribution and replace the territory’s 2G network with LTE technology.⁴⁹

The American Samoa government believes that the newly activated Hawaiki cable and BLAST fiber optic network have raised the territory’s potential to develop new industries tied to telecommunications, including information communication technology and business process outsourcing. According to an American Samoa Department of Commerce survey of over 50 public and private stakeholders,⁵⁰ 64 percent of respondents—the largest share—identified information communication technology as one of the most promising economic development opportunities for the territory. The next four most promising opportunities identified by approximate share of respondents (in parentheses) included

⁴⁸American Samoa issued a series of general revenue bonds in December 2018 totaling \$50.3 million. At the time of the issuance, it was expected that the proceeds from these new bonds would fund infrastructure projects, including constructing a new legislature building and expanding broadband and telecommunications services in the territory. See GAO, *U.S. Territories: Public Debt Outlook – 2019 Update*, [GAO-19-525](#) (Washington, D.C.: June 28, 2019).

⁴⁹LTE (Long Term Evolution) is a cellular wireless telecommunications standard.

⁵⁰The survey’s response rate was 75 percent. Survey results are published in American Samoa Department of Commerce, *Comprehensive Economic Development Strategy 2018-2022*.

“Attracting investors for capital investment projects (58 percent), “General Tourism” (47 percent), “Ecotourism” (47 percent), and “Federal Programs” (47 percent).

American Samoa government officials acknowledge that despite progress made, American Samoa’s telecommunications industry is still at an early stage of development. The American Samoa government seeks to attract new telecommunications businesses, including a proposed call center, by identifying various competitive advantages for locating in American Samoa. American Samoa Department of Commerce officials stated that these advantages include an English-(American) speaking workforce with the lowest labor costs in the United States, and the territory’s qualification as an on-shoring location for call centers and other business process outsourcing operators. American Samoa Department of Commerce and American Samoa Telecommunications Authority officials stated that they are currently developing a territorial broadband strategy and proof-of-concept for a call center industry, expected to be released in mid-2020. Additionally, American Samoa Telecommunications Authority officials expect the Territorial Bank of American Samoa, opened in October 2016, to support the efforts to develop the telecommunications industry by encouraging investment in financial technology businesses. American Samoa Telecommunications Authority officials stated that the bank is partnering with the authority to develop internet banking services, which are expected to be offered in the next 2-3 years.

American Samoa’s Tuna Canning Industry Faces Multiple Challenges, Including Increased Competition and Minimum Wage Increases

American Samoa’s tuna canning industry faces multiple challenges, including increased competition and minimum wage increases, which led to cannery closures from 2007 to 2018. The companies that experienced the closures explained that minimum wage increases were a factor in the closures but not a main factor. With the closures, employment of cannery workers decreased, but inflation-adjusted earnings of cannery workers who maintained their jobs increased. StarKist Co. now operates the single remaining cannery in American Samoa, StarKist Samoa, but faces financial challenges. In addition to increased competition and labor market challenges, the industry faces other challenges, such as lower wages relative to those in American Samoa for cannery workers in other tuna-exporting countries. However, American Samoa offers the tuna canning industry advantages relative to the U.S. mainland and other countries, including lower wages compared to those in the U.S. mainland as well as duty-free access to the U.S. canned tuna market, according to StarKist Samoa officials.

American Samoa's Tuna Canning Industry Experienced Cannery Closures from 2007 to 2018

American Samoa's tuna canning industry experienced cannery closures from 2007 to 2018 that adversely impacted the economy in that time period, as mentioned earlier. (For a timeline of selected events related to American Samoa's tuna canning industry, see app. V.) StarKist Co., Chicken of the Sea, and Samoa Tuna Processors, which is owned by Tri Marine International (Tri Marine), have each operated or closed canneries in American Samoa over the years, as follows.

- **StarKist Co.** StarKist Co. (headquarters in Pittsburgh, Pennsylvania) has operated a cannery, StarKist Samoa, in American Samoa since 1963.⁵¹ StarKist Samoa is the one remaining cannery on the island, as mentioned earlier (see fig. 10). As of June 2018, StarKist Samoa employed 2,439 hourly wage workers.

Figure 10: StarKist Samoa Cannery



Source: StarKist Co. | GAO-20-467

⁵¹Dongwon Industries (South Korea) purchased StarKist Co. from Del Monte Foods (USA) in 2008. Dongwon Industries—a multinational firm that has diversified into multiple sectors of the seafood industry as well as other industries—also owns, or is developing, tuna production facilities in Papua New Guinea, Senegal, and Thailand.

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- **Chicken of the Sea.** Chicken of the Sea (headquarters in El Segundo, California) operated a cannery in American Samoa, which it closed in September 2009. According to CRS, in the 1950s, the Department of the Interior contracted with Van Camp Seafood Company to move onto the island and develop a fish processing plant.⁵² Thai Union closed the Chicken of the Sea Samoa Packing cannery in American Samoa in September 2009. According to Chicken of the Sea officials, limited tuna supply was a key factor in the decision to close the cannery. The American Samoa minimum wage increases were a minor factor, but not as significant as other factors related to tuna supply, labor availability, logistics, and utility costs in contributing to the cannery’s closure. The company relocated its canning operations to the U.S. state of Georgia while outsourcing the more labor-intensive processes, including cleaning and cooking tuna loins (a low-tariff U.S. import), to countries with lower labor costs. By relocating to Georgia, Chicken of the Sea noted that it improved flexibility in sourcing and processing fish from multiple locations depending on where supply was readily available.
 - **Tri Marine International (Tri Marine).** Tri Marine (headquarters in Bellevue, Washington) acquired the former Chicken of the Sea cannery in American Samoa in October 2010, undertook a multi-million dollar investment to renovate and expand it, and opened the new facility under the name Samoa Tuna Processors in January 2015. However, Tri Marine suspended its canning operations in American Samoa indefinitely in December 2016, primarily in response to highly competitive price setting across the global tuna canning industry, according to Tri Marine. Tri Marine explained that the American Samoa minimum wage increases were a minor factor—not as significant as rising price competition and high production costs, such as for utilities—in contributing to Samoa Tuna Processors’ closure. The company subsequently transferred its canned tuna sourcing operations from American Samoa to Thailand, Peru, and the Solomon Islands to take advantage of decreased production costs. According to a report by the Pacific Islands Forum Fisheries Agency, in 2018, StarKist Co. signed a 10-year lease agreement to use Tri Marine’s Samoa Tuna Processors facility for StarKist Samoa operations.⁵³ According to a Tri Marine official, in 2019, the Bolton Group (Italy) completed its acquisition of Tri Marine. The acquisition

⁵²Congressional Research Service, *The Federal Minimum Wage and American Samoa* (Washington, D.C.: Apr. 8, 2008).

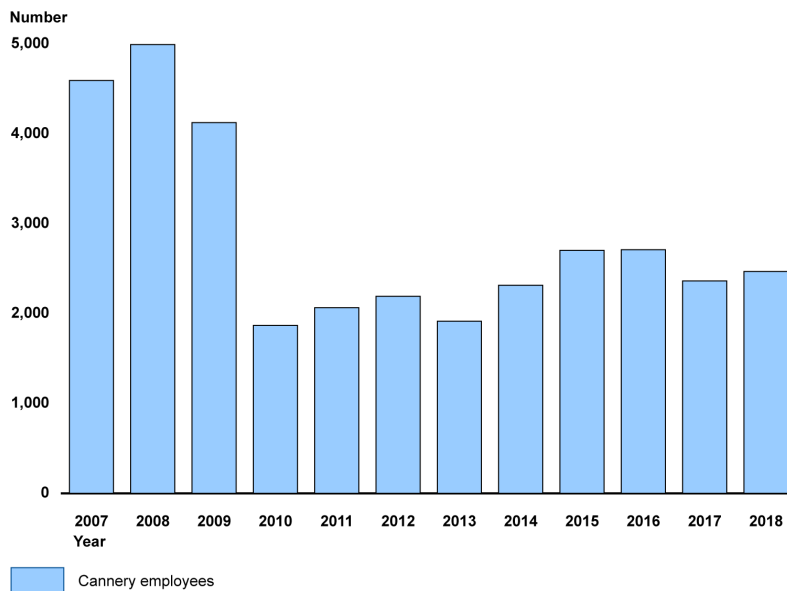
⁵³Elizabeth Havice and Liam Campling, *Corporate Dynamics in the Shelf-stable Tuna Industry* (Honiara: Pacific Islands Forum Fisheries Agency, August 2018).

did not include Samoa Tuna Processors, and the Tri Marine ownership change did not affect the 10-year lease agreement between StarKist Co. and Samoa Tuna Processors, according to the official.

Cannery Employment Level Decreased and Worker Inflation-Adjusted Earnings Increased from 2007 to 2018

From 2007 to 2018, cannery employment in American Samoa fell from about 4,500 in 2007 to 2,469 in 2018, a decline of 45 percent. Most of the decline occurred in the period between 2007 and 2010, with the closure of the Chicken of the Sea cannery. Figure 11 shows the trend in cannery employment in American Samoa over this period.

Figure 11: Cannery Worker Employment in American Samoa, 2007–2018



Source: GAO analysis of GAO employer questionnaire responses. | GAO 20-467

The inflation-adjusted earnings of cannery workers in American Samoa who have maintained their jobs during this period have increased by more than inflation. In American Samoa, the vast majority of cannery workers earn close to the minimum wage.⁵⁴ Moreover, the hourly wage of minimum wage cannery workers has increased by more than inflation since 2007. Specifically, during this period, the minimum wage has risen by 70 percent (from \$3.26 to \$5.56, from the first half of 2007), while

⁵⁴In 2018, more than 90 percent of cannery workers earned within 50 cents of the minimum wage, based on our questionnaire. Before the first minimum wage increase in 2007, about 80 percent of workers earned within 50 cents of the minimum wage.

prices have increased by 44 percent. However, this analysis does not include those workers who have lost employment or have had hours cut.

StarKist Co. Faces Continuing Financial Challenges Because of Legal Issues

StarKist Co. faces continuing financial challenges because of legal issues, as follows.

- In 2019, StarKist Co. was sentenced to pay a criminal fine of \$100 million, the statutory maximum, for its role in a conspiracy to fix prices for canned tuna sold in the United States.⁵⁵ This fine amounts to almost three times StarKist Samoa's cost of labor in 2018. According to StarKist Co.'s General Counsel, the company will potentially have to close the cannery in American Samoa and move operations to a foreign country to afford to pay the fine for price-fixing.⁵⁶ For its role in price-fixing, StarKist Co. has faced—and may continue to face—lawsuits from wholesalers, food service companies and retailers, and customers. For example, in January 2019, StarKist Co. announced that its portion of a settlement with Walmart was \$20.5 million, based on a combination of cash payment and certain commercial terms.
- In addition, in September 2017, StarKist Co. agreed to pay a \$6.3 million penalty resulting from violations of federal environmental laws, according to the U.S. Department of Justice. The U.S. Department of Justice and the U.S. Environmental Protection Agency reached an agreement with StarKist Co. and StarKist Samoa, requiring a series of upgrades to reduce pollution, improve safety measures, and comply with important federal environmental laws at their tuna processing facility in American Samoa, the department reported.

American Samoa's Tuna Canning Industry Faces Continuing Challenges in Addition to Minimum Wage Increases

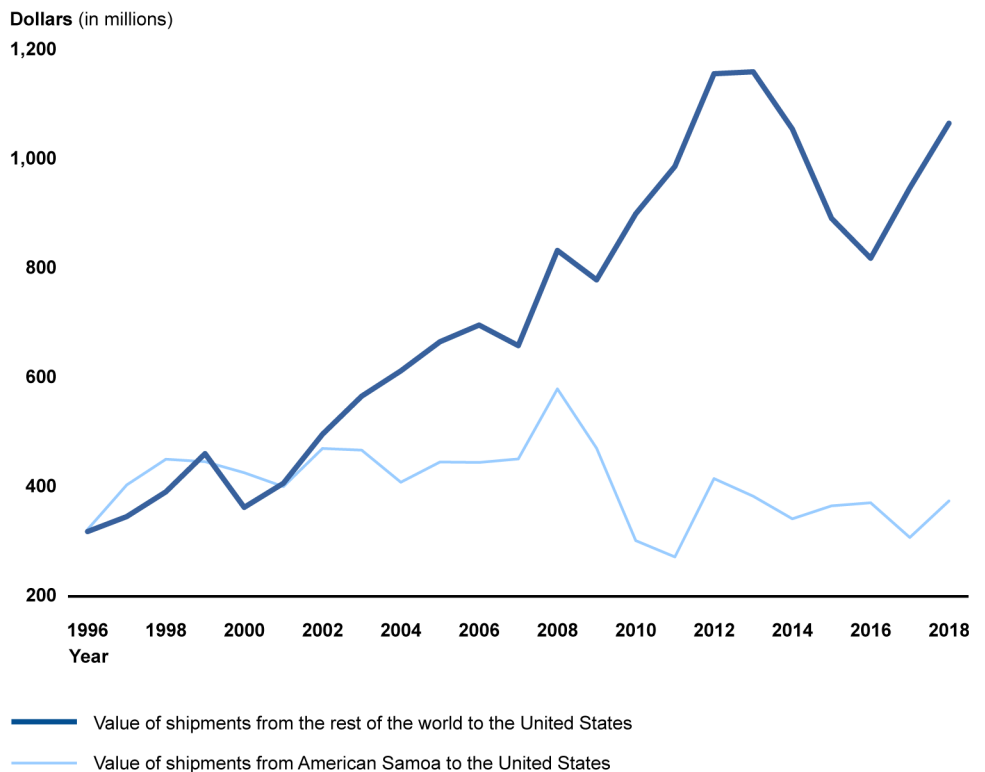
American Samoa's tuna canning industry faces multiple challenges in addition to scheduled minimum wage increases. One challenge is rising competition in the global tuna canning industry, as the value of foreign processed tuna exports to the United States has increasingly exceeded the value of American Samoa processed tuna exports to the United States (see fig. 12). Specifically, tuna industry officials stated that firms in the U.S. canned tuna market are highly competitive in price setting as opposed to differentiating their product lines. A tuna canning industry official stated that price competition and the financial pressures of the

⁵⁵The federal government alleged that StarKist conspired with Bumble Bee and Chicken of the Sea to fix the prices of shelf-stable canned tuna. For its role in price-fixing, Bumble Bee pleaded guilty and was sentenced to pay a fine of at least \$25 million.

⁵⁶Transcript of proceedings, U.S. vs. StarKist Co., 3:18-cr-00513-EMC, Sept. 11, 2019, at 39.

recent anti-trust judgements have forced the U.S. canned tuna market into a cost-cutting environment. According to the same tuna canning industry official, firms must look to lower costs related to labor, energy usage, and shipping to remain competitive in the U.S. market. The official stated that firms implicated in the price-fixing scheme have agreed as part of a legal settlement resulting from a lawsuit to supply their product at lower prices. This puts more pressure on firms to implement cost-saving measures to maintain their U.S. market shares. For example, StarKist Samoa has implemented cost-saving measures to reduce labor and energy costs and has also raised prices and relocated business off the territory.

Figure 12: Value of American Samoa and Foreign Processed Tuna Shipments to the United States, 1996–2018



American Samoa's tuna canning industry also faces other challenges, as described below.

- *Competitors' canning production strategies.* According to StarKist Co. officials, StarKist Co.'s main competitors implement a supply chain production process that spans more than one country. Conversely, StarKist Samoa's full production process still occurs in American Samoa (see fig. 13). According to StarKist Samoa officials, the cost savings between a fully U.S.-based manufacturing process and an outsourced manufacturing process is substantial and places American Samoa at a distinct disadvantage. According to StarKist Samoa officials, StarKist Co.'s main competitors use a model that outsources the workforce-intensive process to extremely low-wage countries. They explained that StarKist Co.'s competitors clean, cook, and freeze the tuna before importing it—subject to an average tariff of \$11 per metric ton—into the mainland United States, where it is then thawed and packaged.⁵⁷ Furthermore, our analysis of the global tuna industry suggests that, under certain assumptions, this model can improve cost savings and competitiveness. See appendix VI for the results of our analysis of the global tuna industry and more details about the assumptions we used. Tuna canning industry officials also stated that a new production process combined with lower labor costs for packaging tuna in foreign countries decreases American Samoa's competitiveness as a location of operation.

⁵⁷This average tariff of \$11 per metric ton is based on our analysis of U.S. Census Bureau import data for tuna imported from Thailand to the United States and subject to U.S. Harmonized Tariff Schedule code 1604.14.40, which is the applicable code, according to cannery officials.

Figure 13: Canning Production Line at StarKist Samoa Cannery



Source: GAO. | GAO-20-467

- *Lower wages for cannery workers in other countries, relative to those in American Samoa.* According to a tuna canning industry official, tuna canneries have moved operations from American Samoa to Thailand, Peru, and the Solomon Islands, in part because of the lower labor costs. According to an industry official, one prominent tuna exporting country offers wages as low as \$10 dollars per day, whereas a full-time worker in 2020 at the cannery in American Samoa would earn over \$44 per day.
- *Upcoming minimum wage increases in American Samoa.* Upcoming minimum wage increases in American Samoa will increase labor costs for the tuna canning industry. According to data provided by StarKist Samoa, most cannery workers in American Samoa would be impacted by a minimum wage increase. Specifically, over 90 percent of StarKist Samoa's employment (roughly 2,200 workers) could be

affected by the next minimum wage increase scheduled for September 30, 2021. At 2018 levels of employment, labor costs could increase by about \$2 million at 2021 minimum wage levels.

- *Decreased direct access to tuna supply.* A number of factors have decreased direct access to tuna supply.
 - The Pacific Remote Islands Marine National Monument regulations have had the biggest impact on tuna supply to the cannery, according to StarKist Co. officials.⁵⁸ Also according to Starkist Co. officials, marine monuments in the region have closed fishing grounds to U.S. purse seine vessels that historically delivered tuna to local canneries in American Samoa, and the Rose Atoll Marine National Monument reduced fishing grounds in U.S. waters around American Samoa that were very important to the American Samoa longline fleet.
 - In 2017, National Marine Fisheries Service removed a regulatory exemption that had allowed certain large U.S. longline vessels to fish in portions of the American Samoa Large Vessel Prohibited Area.⁵⁹
 - Delivery volume from a Chinese tuna supplier that used to send fishing boats to supply canneries in American Samoa directly has decreased significantly as a result of China paying subsidies to Chinese fishing vessels in the Pacific, according to StarKist Co. officials. The subsidy draws potential tuna suppliers from the American Samoa market to the Chinese market, the officials stated.

⁵⁸According to the National Oceanic and Atmospheric Administration, under its existing authorities and the Antiquities Act of 1906, Pub. L. No. 59-209 (June 8, 1906) (which authorizes the U.S. President to reserve lands and waters of the nation as national monuments), the Marine National Monument Program works with federal and regional partners and stakeholders to conserve and protect the marine resources of certain areas, including those near American Samoa.

⁵⁹This regulatory change resulted from a court order in *Territory of American Samoa v. National Marine Fisheries Services*, 16-cv-00095 (D. Haw. 2017), requiring that the prior regulatory exemption be vacated. National Marine Fisheries Services has appealed this decision.

American Samoa Offers the Tuna Canning Industry Advantages Relative to the U.S. Mainland and Other Countries

American Samoa offers the tuna canning industry certain competitive advantages relative to the U.S. mainland and other countries, as follows.

- *Lower wages for cannery workers in American Samoa relative to those on the U.S. mainland.* American Samoa offers lower labor costs relative to the U.S. mainland. For example, while the 2020 minimum wage for fish canning and processing in American Samoa is \$5.56 per hour, Georgia’s wage for manufacturing is \$15 per hour.
- *Tariff-free access to the U.S. canned tuna market.* According to StarKist Co. officials, U.S. trade policies provide tariff-free access to the U.S. market for processed tuna from American Samoa, while foreign suppliers generally are subject to tariffs for these goods. On average, foreign suppliers’ canned or pouched tuna is subject to an average tariff rate of 12 percent.⁶⁰ However, U.S. trade agreements with certain countries may provide those countries tariff-free or reduced-tariff access to the United States.⁶¹
- *Tax credits provided by the federal and local government.* The American Samoa tuna canning industry receives both federal and local tax benefits. U.S. tax policies have reduced federal taxes on income earned by qualifying U.S. corporations investing in American Samoa.⁶² Under the Internal Revenue Code, qualifying American Samoa tuna canneries have received an economic development

⁶⁰This 12 percent tariff rate is an average based on our analysis of U.S. Census Bureau import data for tuna imported from Thailand to the United States and subject to U.S. Harmonized Tariff Schedule codes 1604.14.1010, 1604.14.1091, 1604.14.1099, 1604.14.3051, 1604.14.3059, 1604.14.3091, or 1604.14.3099, which are the applicable codes, according to cannery officials.

⁶¹According to the U.S. Trade Representative, the United States has free trade agreements with 20 countries.

⁶²In general, income that residents of American Samoa earn from American Samoa sources is exempt from individual federal income taxation but is subject to Social Security and Medicare taxes.

credit for U.S. corporate income taxes.⁶³ StarKist Samoa reported saving \$5.9 million in 2016 through this tax credit. Canneries in American Samoa have also benefited from exemptions from local taxes.⁶⁴ According to American Samoa government officials, the local tax exemption has allowed StarKist Samoa to reduce its corporate tax liability to the American Samoa government to 20–25 percent of the amount owed. According to American Samoa government officials, the total corporate and excise tax revenue loss to the American Samoa government is estimated to be \$15–20 million annually.⁶⁵

- *Federal procurement opportunities related to canned tuna.* According to StarKist Samoa officials, operating in American Samoa offers access to certain U.S. government contracts that require U.S.-sourced and -processed fish, and allows them to comply with Buy American requirements. However, according to the officials, most school districts that enter into such contracts waive the Buy American requirements because StarKist Co. is the only tuna company that qualifies, and as a result, competitive bids reveal that the cost of domestic product is significantly higher than the cost of non-domestic product. StarKist Samoa reported that \$15.8 million or 4 percent of its

⁶³Certain tax credits under section 936 of the Internal Revenue Code expired for taxable years beginning after December 31, 2005. Section 30A of the Internal Revenue Code extended the Section 936 credits for American Samoa until January 1, 2012, subject to certain limitations. Corporations that were actively conducting business in American Samoa by 1995 and that elected Section 936 status in the last taxable year before January 1, 2006, could claim a section 30A tax credit for taxable years that begin before January 1, 2012. See 26 U.S.C. § 30A note, American Samoa Economic Development Credit. For tax years beginning on January 1, 2012, or later, there are new requirements, including the requirement that corporations must meet a “qualified production activities income.” The American Samoa economic development credit has been extended multiple times. After most recently expiring on January 1, 2018, section 119 of Pub. L. No. 116-94 (Dec. 20, 2019) restored the American Samoa economic development credit and extended it to cover taxable years before January 1, 2021 for qualified domestic corporations.

⁶⁴On October 5, 2010, Tri Marine received exemption from any taxes from the American Samoa government for 10 years. On December 20, 2012, the American Samoa government agreed to a new local tax exemption for StarKist Samoa (valid for the period from January 1, 2013, to December 31, 2022).

⁶⁵According to American Samoa government officials, under the certificate granted by the American Samoa government, the local tax exemption extends to all goods and shipments imported by StarKist Samoa for its direct usage. The officials stated that the tax exemption covers the 8 percent miscellaneous excise category, fuel excise category for fishing vessel fleets servicing the local tuna industry, and certain inspection fees. According to the officials, the tax exemption further covers products by some third-party importers that directly service the cannery and fishing vessels.

revenue in 2018 was from federal procurement that included contracts with the U.S. Department of Agriculture and the U.S. military.

The American Samoa Government and Chamber of Commerce View the Minimum Wage Increases as Conflicting with Sustainable Economic Development; Employers and Workers Noted Benefits and Challenges

The American Samoa Government and Chamber of Commerce View Minimum Wage Increases as Conflicting with Sustainable Economic Development

The American Samoa government and Chamber of Commerce both view the minimum wage increases as conflicting with sustainable economic development. Both expressed concerns about the reliance of American Samoa's economy on the tuna canning industry and the potential negative impact of minimum wage increases on the remaining cannery in American Samoa.

The American Samoa government stated that it supports a minimum wage that its economy can support. While the American Samoa government noted that it is committed to ensuring that the people of American Samoa can meet the basic cost of living, it stated that the impact of upcoming minimum wage increases on StarKist Co. would be extensive. The American Samoa government predicts that it would take years for the economy to recover if StarKist Co. should cease operations in American Samoa, and suggested that the burden of any economic impact would be on the federal government. The American Samoa government specified challenges that it believes StarKist Co. currently faces, including recent federal fines, decreasing supply of tuna, higher

infrastructure costs in American Samoa compared to those of other countries, and increased regulation costs by the U.S. Coast Guard and U.S. Environment Protection Agency.⁶⁶

In October 2019, the American Samoa Minimum Wage Task Force, commissioned by the Governor of American Samoa, provided us with its findings and recommendations. It reported that American Samoa's economy is unique and starkly different from the economies of all U.S. states and territories, and that, aside from the American Samoa government, the remaining and only pervasive economic driving force in the territory is StarKist Samoa. It also noted that its main objective is to express to the U.S. Congress the importance of involving the territory in the process of determining the applicable minimum wage for American Samoa. The task force identified various policy options and recommended that a combination of a moratorium on minimum wage increases and special industry classification or a special industry committee would increase and maximize the opportunity for local stakeholder participation. These have been long-standing positions of the American Samoa government. In response to a prior report, the American Samoa government requested we convey its position to the U.S. Congress to postpone the minimum wage increases.⁶⁷ In response to another prior report, the American Samoa government recommended the pursuit of a U.S. Department of Labor-constituted committee similar to a special industry committee.⁶⁸

While the American Samoa Chamber of Commerce noted that its employers support fair minimum wages for their workers, it stated that it supports any delay in minimum wage increases for the cannery until another economic option is feasible.⁶⁹ The American Samoa Chamber of Commerce explained that while data show a shift in employment away from the cannery, StarKist Samoa still provides significant financial benefits to American Samoa in the form of decreasing fuel and shipping

⁶⁶The American Samoa government also noted that StarKist Samoa currently faces federal prohibition of fishing in certain areas and the need to purchase fish caught in the Pacific region from China because of China's escalating dominance in the fishing industry.

⁶⁷[GAO-14-381](#).

⁶⁸[GAO-17-83](#).

⁶⁹American Samoa Chamber of Commerce officials explained that they will support any delays in minimum wage increases for the cannery until the economy is diversified and not as reliant on the tuna canning industry.

costs.⁷⁰ The American Samoa Chamber of Commerce predicts that any increase in minimum wage could force the closure of StarKist Samoa and drive American Samoa into a recession.

Selected Employers and Workers Noted Benefits and Challenges Presented by Minimum Wage Increases

Public and private sector employers and workers we interviewed commented on the impact of minimum wage increases, including potential benefits and challenges.

- *Potential positive impact on the livelihood of workers.* Multiple employers and workers we met with stated that increasing the minimum wage would have a positive impact on the livelihood of workers. For example, a worker said that minimum wage increases have helped offset the increasing prices of imported products and excise tax products. Another worker stated that minimum wage increases help people to meet their community and church financial obligations. Some employers and workers noted that minimum wage increases improve customers' ability to pay bills and their likelihood of using necessary services.
- *Potential negative impact on the remaining cannery.* Multiple workers and employers we met with generally stated that minimum wage increases could lead to a potential negative impact on StarKist Samoa. Multiple workers stated that such impact could result in a loss of jobs and increases in shipping costs, among other things. Some public employers were concerned that minimum wage increases could lead to the closure of the remaining cannery, and one of them stated that the potential closure was the main factor in the minimum wage increase discussion. One public worker stated that StarKist Samoa closing the remaining cannery is a major concern because the company is the main source of tax revenue. Another public worker added that having already seen a cannery close after minimum wage increases has raised concerns that it might happen again with StarKist Samoa. In addition, a private employer stated that after the Samoa Tuna Processors cannery closed in 2016, the employer's retail sales decreased sharply and the economy now relies on the remaining cannery, StarKist Samoa.
- *Increased recruitment and retention of workers.* Some employers and workers we met with noted that a higher minimum wage could lead to increased recruitment and retention. For example, multiple employers noted the challenges of recruiting and retaining skilled workers given

⁷⁰American Samoa government officials also noted that the cannery's large demand for shipping, transportation, and energy may reduce the cost of these services for the entire territory.

the low wages on the island, which often compel such workers to leave the island for better opportunities. One employer said that it could not recruit without minimum wage increases. Another employer stated that even low-paid workers often leave the island to obtain better pay in higher-paying countries. Some employers and workers noted that the lack of staff, especially nurses and teachers, has led to challenges, such as a negative impact on healthcare and education on the island. One of these employers stated that the minimum wage is too low and there is a lack of good teachers on the island. This employer was upset that the local school did not have a math teacher, noting that teachers leave or simply do not come to work because the pay is too low. One of these workers stated that nurses have moved off-island because their pay is too low and because overwork has contributed to potential health hazards.

- *Keeping American Samoan youth on the island.* Multiple employers and workers we met with were concerned that the current minimum wage was insufficient to keep younger American Samoans on the island, especially those who are college-educated. For example, an employer stated that there is a lack of young talent because there are no jobs on the island and pay is low. Another employer stated that some American Samoans earn degrees abroad and come back to American Samoa, but find that they cannot advance their careers on the island and leave again after 1-2 years. Some workers we met with spoke as parents about their children leaving the island, and became emotional upon sharing that they did not anticipate their children returning.
- *Wage stagnation versus wage compression.* While some workers we met with said they believed that a lack of an increase would lead to wage stagnation, other workers, as well as employers, we met with said they believed that an increase would lead to wage compression.⁷¹ Some workers noted not receiving pay increases despite working for an employer for many years and obtaining certifications. For example, a worker stated that if it were not for minimum wage increases, the worker would not receive any pay raises. However, another worker was upset that colleagues who had just started working were receiving more money than those who had been with the employer for many years.

⁷¹For the purposes of this report, wage compression refers to a small difference in pay between workers regardless of length of employment, skills, and experience, among other things.

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- *Funding for minimum wage increases.* Multiple employers and workers said they were concerned about how future minimum wage increases could be funded. For example, a public employer noted that it did not oppose the minimum wage increases because the current minimum wage was barely enough to survive on, but was concerned about where the funding and revenue to sustain the increases would come from. Another employer stated that identifying additional funds for minimum wage increases is a major challenge. This employer noted that the company had not yet laid off workers to fund minimum wage increases, but might have to consider it.

Public and private sector employers and workers we interviewed also commented on the following topics related to minimum wage increases:

- *Proposed alternatives.* Multiple employers and workers suggested alternative ways of increasing minimum wages in American Samoa. For example, an employer stated that minimum wages should be set based on the actual conditions of American Samoa rather than on what it believed to be an arbitrary federal schedule, and a worker stated that the U.S. Department of Labor reviewing the minimum wage and making changes is preferred to scheduled changes.⁷²
- *Minimum wage levels.* In addition, while cannery workers we met with generally agreed that the current minimum wage was sufficient, other workers, as well as some employers, stated that the current minimum wage and the scheduled minimum wage increases were insufficient. While cannery workers generally noted that they were happy to have previous minimum wage increases, they were fearful that future increases could lead to a loss of hours or complete job loss should the cannery close. However, other workers disagreed. For example, one worker explained that minimum wage increases did not keep pace with the cost of living. Another worker stated that 40 cents every 3 years is only about 13 cents per year, which the worker considered insufficient. Some employers and workers became emotional when

⁷²Prior to scheduled minimum wage increases set by law, special industry committees, composed of representatives from industry, employees in each industry, and the general public in American Samoa, were directed to investigate conditions in all industries and enterprises in American Samoa covered by the FLSA. The FLSA charged special industry committees with recommending the highest minimum wages for industries in American Samoa that would not substantially curtail employment in the industry or give any industry in American Samoa a competitive advantage over any industry in the rest of the United States. After the special industry committees filed their report with the Secretary of Labor, the Secretary was required to issue a wage order establishing minimum wages in American Samoa based on special industry committees' recommendations.

speaking about their own financial situations or those of their workers, relatives, or fellow American Samoans.

- *Varying degrees of impact on the livelihood of workers.* While public employers generally stated that the impact of the minimum wage increases on their workers was minimal, private employers noted varying degrees of impact on their workers. Some public employers stated that the majority of American Samoa government workers are paid above the minimum wage, and noted that the minimal impact was a result of the local government raising the minimum wage to \$5 ahead of the 2018 minimum wage increase to \$5.21.
- *Potential positive impact on the economy if the remaining cannery closes.* Some private employers stated that there could be a positive impact on the economy if the remaining cannery closes. For example, a private employer stated that the American Samoa economy is so used to having the cannery as its pillar that it has not truly tried to diversify the economy. This employer added that American Samoa needed to continue shifting away from the cannery and toward the rest of the private sector. Another private employer stated that the American Samoa economy is better off without the remaining cannery and that an economist's analysis of the cannery's true impact on the rest of the economy is needed.
- *Cost of living.* Multiple workers, as well as some employers, were concerned that minimum wage increases could lead to increases in the cost of living, with some noting that the cost of living in American Samoa is already high because living on a remote island requires a high amount of imported goods. While a public employer stated that business owners pass the cost of minimum wage increases to customers, a private employer stated that business owners are unable to do so because of competition. Another employer noted concerns about inflation, stating that minimum wage increases might drive up prices and rent.
- *Cultural considerations.* Multiple employers and workers cited the importance of considering American Samoa's unique culture when setting minimum wage increases. While some workers and an employer noted that the cost of living in American Samoa is unique in that communal land and living off the land through fishing and gardening could minimize housing and food costs, others noted that community and church financial obligations are significant costs. One employer stated that these costs could amount to up to a quarter of worker's paycheck. A worker stated that nonresidents, like many of the cannery workers, pay much higher medical costs; and an employer stated that foreign workers pay much higher housing costs.

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- *Other economic challenges.* Multiple public and private employers and workers cited an array of economic challenges other than minimum wage increases, including the high cost of living on the island and increased taxes and fees. For example, one employer stated that American Samoa government taxes and fee increases are more of a challenge than minimum wage increases.

Agency Comments, Third Party Views, and Our Evaluation

We provided a draft of this report to the U.S. Departments of Commerce, the Interior, and Labor, and the American Samoa government for comment. The Department of Commerce provided technical comments, which we incorporated as appropriate. The Department of Labor informed us that it had no comments.

In its comments, reproduced in appendix VII, the Department of the Interior said it would be beneficial to the American Samoa government if we provided information on all potential alternatives to setting minimum wages, including the once-utilized special industry committees. Such a study was beyond the scope of this report, which focused on (1) economic trends including changes in employment and earnings since the minimum wage increases in American Samoa began in 2007, (2) the status of the tuna canning industry, and (3) stakeholder views on the minimum wage increases.

In its comments, reproduced in appendix VIII, the American Samoa government noted that the draft report did not reference findings and recommendations of the American Samoa Minimum Wage Task Force, commissioned by the Governor of American Samoa. The task force recommended the establishment of a special industry committee and a moratorium on minimum wage increases to allow ample time for such a special industry committee to form. We have added information on these findings and recommendations.

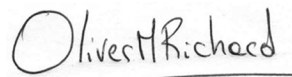
We are sending copies of this report to the appropriate congressional committees, the U.S. Secretaries of Commerce, the Interior, and Labor, and the Governor of American Samoa. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact David Gootnick at (202) 512-3149, or gootnickd@gao.gov; or Oliver Richard at (202) 512-8424, or richardo@gao.gov. Contact points for our

Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IX.



David Gootnick
Director, International Affairs and Trade



Oliver Richard
Director, Applied Research and Methods

List of Committees

The Honorable Lisa Murkowski
Chairwoman
The Honorable Joe Manchin
Ranking Member
Committee on Energy and Natural Resources
United States Senate

The Honorable Lamar Alexander
Chairman
The Honorable Patty Murray
Ranking Member
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable Jerry Moran
Chairman
The Honorable Jeanne Shaheen
Ranking Member
Subcommittee on Commerce, Justice, Science,
and Related Agencies
Committee on Appropriations
United States Senate

The Honorable Lisa Murkowski
Chairwoman
The Honorable Tom Udall
Ranking Member
Subcommittee on Interior, Environment, and Related Agencies
Committee on Appropriations
United States Senate

The Honorable Roy Blunt
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The Honorable Patty Murray
Ranking Member
Subcommittee on Labor, Health and Human Services, Education,
and Related Agencies Committee on Appropriations
United States Senate

The Honorable Robert C. "Bobby" Scott
Chairman

The Honorable Virginia Foxx
Ranking Member
Committee on Education and Labor
House of Representatives

The Honorable Raúl Grijalva
Chairman

The Honorable Rob Bishop
Ranking Member
Committee on Natural Resources
House of Representatives

The Honorable Ruben Gallego
Chairman

The Honorable Paul Cook
Ranking Member
Subcommittee on Indigenous Peoples of the United States
Committee on Natural Resources
House of Representatives

The Honorable Jose Serrano
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The Honorable Robert B. Aderholt
Ranking Member
Subcommittee on Commerce, Justice, Science,
and Related Agencies
Committee on Appropriations
House of Representatives

The Honorable Betty McCollum
Chairwoman
The Honorable Dave Joyce
Ranking Member
Subcommittee on Interior, Environment,
and Related Agencies
Committee on Appropriations
House of Representatives

The Honorable Rosa DeLauro
Chairwoman
The Honorable Tom Cole
Ranking Member
Subcommittee on Labor, Health and Human Services, Education,
and Related Agencies
Committee on Appropriations
House of Representatives

Appendix I: Objectives, Scope, and Methodology

This report updates our previous reports on the impact of minimum wage increases in American Samoa and examines (1) economic trends including changes in employment and earnings since the minimum wage increases in American Samoa began in 2007, (2) the status of the tuna canning industry, and (3) stakeholder views on the minimum wage increases.¹

To examine economic trends including changes in employment and earnings, we analyzed gross domestic product data from the U.S. Bureau of Economic Analysis; tax and administrative data from the American Samoa government; and employment, earnings, and wage data gathered through an employer questionnaire that we submitted to American Samoa's tuna canning industry. To examine the status of the tuna canning industry, we estimated changes in employment and earnings using the employer questionnaire, analyzed tuna trade data from the U.S. Census Bureau, and interviewed tuna cannery industry representatives and stakeholders. To examine stakeholder views on the minimum wage increases, we conducted interviews with officials from the American Samoa government and American Samoa Chamber of Commerce, and employers and workers from the public and private sectors.

The federal sources generally used to generate data on employment and earnings in the United States, including the Current Population Survey and the Current Employment Statistics program, do not cover American Samoa. Therefore, we collected our own data on employment and earnings in American Samoa.

Employment and Earnings Data

Consistent with our prior reports, we reported on employment and earnings from 2007 to the most recent year available. Employment and earnings figures are based on our analysis of combined worker data from various sources. We used employer-level data that we obtained from the American Samoa Department of Commerce and Department of Treasury to measure the annual employment of the American Samoa government and its component units: (1) American Samoa Community College, (2) LBJ Tropical Medical Center Authority, (3) American Samoa Power Authority, and (4) American Samoa Telecommunications Authority. We used tuna canning industry employers' responses to our employer questionnaire to estimate cannery employment and earnings. We used individual-level tax records that we received from the American Samoa Department of Treasury to measure annual employment and earnings in

¹See [GAO-10-333](#), [GAO-11-427](#), [GAO-14-381](#), and [GAO-17-83](#).

American Samoa's private sector excluding the canneries. To adjust earnings for inflation, we relied on the Consumer Price Index (CPI) as provided by the American Samoa government.

To estimate employment and earnings for non-cannery workers in the private sector, we relied on individual-level tax data that we obtained from the American Samoa Departments of Commerce and Treasury. We restricted the sample to tax records received for tax years 2005 through 2018. We excluded tax records that contained invalid values in the variables that uniquely identify employers and workers. We also excluded records that contained non-numeric values in Social Security withholdings. Together, these records accounted for less than 2 percent of all tax records in the sample between 2005 and 2018, and accounted for less than 1 percent of total gross wages during this period. In addition, we excluded a small number of tax records—26 out of over 130,000 total records during this period—that reported zero annual earnings under gross wages, Social Security, and Medicare wages. In addition, in less than 100 cases, we adjusted the reported gross wages of workers if the worker had reported Medicare or Social Security wages but had reported gross wages that were very extreme in value (for example, zero or over \$300,000), under the assumption that these were data errors. We estimated annual employment by summing the number of workers reported by each employer, for employers for which there was at least one tax record reporting positive wages for a given year. Under this approach, it is important to note that if a worker had multiple employers, the worker was counted more than once.

Because of data limitations, we did not include data for tax year 2015 in our analysis of employment and earnings in American Samoa. We excluded this year because, according to the American Samoa government, individual-level tax records for that year are incomplete. Consistent with this observation, we found that the data contained lower counts of employers and workers in the private sector excluding the canneries in tax year 2015 than in any other tax year between 2005 and 2018. With the exception of tax year 2015 data, we found the data on employment and earnings sufficiently reliable for the purposes of our reporting objectives. For more details on our methodology for estimating employment and earnings in comparison to our methodology used in previous reports, see appendix IV.

Employer Questionnaire

To examine the status of the territory's key private sector industry—tuna canning—we estimated changes in employment and earnings by submitting an employer questionnaire to American Samoa's tuna canning industry. In accordance with other federal employment surveys and with our employer questionnaires for our 2010, 2011, 2014, and 2016 reports on the impact of minimum wage increases in American Samoa, our employer questionnaire requested employment and wage data for mid-June pay periods in 2016, 2017, and 2018 from American Samoa's tuna canning industry—in this case, the territory's one remaining cannery, StarKist Samoa. In our 2016 report, we asked for employment in the mid-January 2016 pay period. We used the 2016, 2017, and 2018 data to update and extend the time series of employment and earnings data received from our prior employer questionnaires provided to American Samoa's tuna canning industry. We found the data collected through the employer questionnaire for prior reports and this report sufficiently reliable for the purposes of our reporting on changes in American Samoa employment and earnings from 2007 to 2018.

Data based on employers' questionnaire responses include the reported numbers of hourly workers as well as their annual earnings at the canneries as of June in the given year. The questionnaire asked separately for data regarding workers paid an hourly wage and workers paid an annual salary. For hourly wage workers, respondents were asked to provide the number of workers paid at each wage rate. For salaried workers, respondents were asked the number of full-time and part-time workers paid at each salary level. In compiling the questionnaire-based earnings data for a given year, we assumed that all hourly cannery workers earned the minimum wage for that year and worked all year. When the minimum wage changed midyear, we assumed that the original wage applied for the first half of the year and the revised wage for the second half of the year. To adjust earnings for inflation, we relied on the American Samoa CPI.

Using employer questionnaire data, we determined the number of workers that would be affected by future minimum wage increases because their wages were at or below future scheduled minimum wage increases. We estimated the cost of future scheduled minimum wage increases by calculating the cost to the cannery of increasing each worker's wages to scheduled levels. This estimate assumed that workers worked full-time and all year (i.e., 2,080 hours) and that the minimum-wage increase would not affect the wages of workers currently earning more than the minimum wage.

In addition, we interviewed cannery representatives and industry experts to obtain their views on competitive challenges facing the industry, including changes in minimum wage rates, access to fishing grounds, and preferential trade status. To illustrate other potential tuna production scenarios, we developed a model where tuna production relocates from the current status quo in American Samoa to one of two alternative scenarios of loining or canning tuna, or both, in other locations. Changes in labor and tariff costs are compared to the status quo scenario in American Samoa. The model uses assumptions based on the tuna canning industry employment count from the employer questionnaire responses and information obtained during interviews with tuna cannery employers. (See app. VI for the results of our analysis and more details about the assumptions we used.) This model is an update of the model we used for our December 2016 report.²

Stakeholder Interviews

To examine stakeholder views on the minimum wage increases, we conducted interviews with officials from the American Samoa government and American Samoa Chamber of Commerce, and employers and workers from the public and private sectors. During our fieldwork trip to American Samoa in October 2019, we conducted interviews with government officials, employers, other private sector representatives, and workers to obtain views and information on the minimum wage increases. In total, we conducted 15 interviews: five employer interviews (the American Samoa government and three of its component units, and StarKist Samoa), two employer group interviews (private employers that are American Samoa Chamber members and ethnic business employers), and eight worker group interviews. For the primary American Samoa government and StarKist Samoa, we conducted two worker group interviews for each. In the group interviews, we followed a standard protocol that asked for participants' views on the impact of the minimum wage increases.

We interviewed a nongeneralizable sample of employers and workers selected on the basis of key industry information from prior GAO reports and employment data from the American Samoa government. Specifically, we selected the following employers and their workers: (1) the American Samoa government, (2) StarKist Samoa, (3) American Samoa Medical Center, (4) American Samoa Community College, and (5) American Samoa Power Authority. To supplement these employers and workers, we requested that the American Samoa Chamber of Commerce

²[GAO-17-83](#).

identify additional employers and their workers on the basis of criteria related to the tuna canning, construction, and retail industries, among other things. The American Samoa Chamber of Commerce arranged a group of 15 employers and their workers belonging to its membership and related to the tuna canning, construction, and retail industries, as well as a group of eight employers related to the territory's ethnic (including Filipino, Chinese, Korean) business community. Overall, the number of participants in each group interview ranged from four to 20, for a total of over 100 participants. The range in number of participants applies to all of the interviews, regardless of their composition.

In addition, we reviewed data and interviewed officials from the U.S. Departments of the Interior, Commerce, and Labor. We also reviewed U.S. minimum wage laws and other relevant laws and regulations. We did not review the extent to which laws were properly enforced or implemented. The scope of our study also does not include workers in the underground economy, which would include employers that may not comply with laws, including tax, minimum wage, immigration, and other laws. We did not review compliance with laws as part of this study.

We conducted this performance audit from June 2019 to May 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Selected Federal Laws Related to Minimum Wages in American Samoa, 1938–2018

Table 2 summarizes key federal laws regarding minimum wages in American Samoa.

Table 2: Selected Federal Laws Related to Minimum Wages in American Samoa, 1938–2018

U.S. law	Year enacted	Description
Pub. L. No. 75-718 (FLSA)	1938	Established a federal minimum wage for the United States.
Pub. L. No. 84-1023	1956	Authorized the Secretary of Labor to establish minimum wages in American Samoa on the basis of SICs' recommendation, following the procedures and standards used in Puerto Rico and the U.S. Virgin Islands.
Pub. L. No. 85-750	1958	Stipulated that SIC reviews of wage orders not equal to the federal minimum shall take place biennially (i.e., every other year) unless the Secretary of Labor ordered an additional review.
Pub. L. No. 93-259	1974	Amended the SIC recommendation requirements to provide that a SIC shall recommend the federal minimum wage, unless there is substantial documentary evidence, including pertinent unabridged profit-and-loss statements and balance sheets for a representative period of years or, in the case of employees of public agencies, other appropriate information, in the record that establishes that the industry, or a predominant portion thereof, is unable to pay that wage.
Pub. L. No. 101-583	1990	Amended the documentary evidence requirement to remove "including pertinent unabridged profit-and-loss statements and balance sheets for a representative period of years or, in the case of employees of public agencies, other appropriate information."
Pub. L. No. 110-28	2007	Increased the minimum wage for each industry in American Samoa by \$0.50 on July 24, 2007, and set a schedule for a \$0.50 increase on May 25 of each subsequent year, until the wage rates in American Samoa equaled the federal minimum wage.
Pub. L. No. 111-117	2009	Changed the effective date of the annual minimum wage increases from May 25 to September 30, to begin with the increase scheduled for 2010.
Pub. L. No. 111-244	2010	Postponed the scheduled minimum wage increases for 2010 and 2011. Set the increases to resume on September 30, 2012.
Pub. L. No. 112-149	2012	Postponed the scheduled minimum wage increases until September 30, 2015. Increased the interval between increases from every year to every 3 years.
Pub. L. No. 114-61	2015	Decreased the amount of the 2015 triennial increase (and future increases) from \$0.50 to \$0.40, with the next increase scheduled to occur on September 30, 2018.

Legend: FLSA = Fair Labor Standards Act, Pub. L. No. = Public Law Number, SIC = special industry committee.

Source: GAO analysis of U.S. minimum wage law. | GAO-20-467

Appendix III: American Samoa Minimum Wage Poster

Figure 14 shows a U.S. Department of Labor poster outlining federal minimum wage requirements for American Samoa employers subject to the Fair Labor Standards Act (FLSA). According to the department, all such employers are required to post this information in conspicuous places in every establishment where employees subject to the FLSA's minimum wage provisions are employed to permit them to readily observe it.

Figure 14: U.S. Department of Labor Poster Outlining Federal Minimum Wage Requirements for American Samoa

EMPLOYEE RIGHTS UNDER THE FAIR LABOR STANDARDS ACT

FEDERAL MINIMUM WAGE IN AMERICAN SAMOA

BY INDUSTRY

<p>FISH CANNING AND PROCESSING AND CAN MANUFACTURING \$5.16 beginning September 30, 2015 \$5.56 beginning September 30, 2018</p> <p>SHIPPING AND TRANSPORTATION <i>CLASSIFICATION A:</i> STEVEDORING, LIGHTERAGE, AND MARITIME SHIPPING AGENCY ACTIVITIES \$5.99 beginning September 30, 2015 \$6.39 beginning September 30, 2018 <i>CLASSIFICATION B:</i> UNLOADING OF FISH \$5.82 beginning September 30, 2015 \$6.22 beginning September 30, 2018 <i>CLASSIFICATION C:</i> ALL OTHER ACTIVITIES \$5.78 beginning September 30, 2015 \$6.18 beginning September 30, 2018</p> <p>TOUR AND TRAVEL SERVICES \$5.38 beginning September 30, 2015 \$5.78 beginning September 30, 2018</p> <p>PETROLEUM MARKETING \$5.75 beginning September 30, 2015 \$6.15 beginning September 30, 2018</p> <p>CONSTRUCTION \$5.50 beginning September 30, 2015 \$5.90 beginning September 30, 2018</p> <p>HOTEL \$4.90 beginning September 30, 2015 \$5.30 beginning September 30, 2018</p> <p>RETAILING, WHOLESALING, AND WAREHOUSING \$5.00 beginning September 30, 2015 \$5.40 beginning September 30, 2018</p>	<p>SHIP MAINTENANCE \$5.41 beginning September 30, 2015 \$5.81 beginning September 30, 2018</p> <p>BOTTLING, BREWING, AND DAIRY PRODUCTS \$5.09 beginning September 30, 2015 \$5.49 beginning September 30, 2018</p> <p>PRINTING \$5.40 beginning September 30, 2015 \$5.80 beginning September 30, 2018</p> <p>FINANCE AND INSURANCE \$5.89 beginning September 30, 2015 \$6.29 beginning September 30, 2018</p> <p>PRIVATE HOSPITALS AND EDUCATIONAL INSTITUTIONS \$5.23 beginning September 30, 2015 \$5.63 beginning September 30, 2018</p> <p>GOVERNMENT EMPLOYEES INDUSTRY \$4.61 beginning September 30, 2015 \$5.21 beginning September 30, 2018</p> <p>MISCELLANEOUS ACTIVITIES (INCLUDES DOMESTIC WORK) \$4.60 beginning September 30, 2015 \$5.00 beginning September 30, 2018</p> <p>GARMENT MANUFACTURING \$4.98 beginning September 30, 2015 \$4.98 beginning September 30, 2018</p> <p>PUBLISHING \$5.53 beginning September 30, 2015 \$5.93 beginning September 30, 2018</p>
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The Fair Minimum Wage Act of 2007 (Public Law 110-28), as amended, applies the minimum wage rates shown above to industries in American Samoa. This law also provides for additional increases in the minimum wage of \$0.40 per hour to occur every three (3) years (e.g. 2018, 2021, 2024, etc.) on September 30, until reaching the minimum wage generally applicable in the U.S.

The law requires employers to display this poster where employees can readily see it.



WHD
WAGE AND HOUR DIVISION
UNITED STATES DEPARTMENT OF LABOR

1-808-541-1361
TTY: 1-877-889-5827
www.dol.gov/whd



187000 AMS REV 02/18

Source: U.S. Department of Labor, Wage and Hour Division. | GAO-20-467

Appendix IV: Alternative Estimates of American Samoa Employment and Earnings

Employment

Table 3 compares American Samoa employment data from 2007 to 2018 obtained on this review, data reported in [GAO-17-83](#),¹ and data from the American Samoa Statistical Yearbook 2017, an annual report produced by the American Samoa Department of Commerce.² Data obtained on this review were composed of American Samoa tax records, including individual-level data, and responses from a questionnaire submitted to StarKist. Data reported in [GAO-17-83](#) relied on aggregate data and did not include individual-level tax records. The data in the tables derived from these different sources are broadly consistent, but there are differences in certain years. The largest gaps between the alternate sources are in 2009 and 2012. According to the American Samoa Department of Commerce, some temporary government workers are not reflected in the data reported in [GAO-17-83](#).

Table 3: American Samoa Employment Counts from Alternate Sources

Year	Data obtained on this review (GAO-20-467)	Data reported on prior GAO review (GAO-17-83) ^a	Data from American Samoa Statistical Yearbook 2017 ^b
2007	17,985	17,677	17,047
2008	19,555	19,229	16,990
2009	20,547	16,897	14,108
2010	17,723	17,211	18,862
2011	16,058	15,552	18,028
2012	17,053	15,790	14,806
2013	15,874	15,621	16,089
2014	17,354	17,043	17,565
2015	N/A ^c	N/A ^d	17,853
2016	17,831	N/A ^d	17,930
2017	17,644	N/A ^d	16,408
2018	17,331	N/A ^d	N/A ^d

Legend: N/A = not applicable.

Source: GAO analysis of American Samoa tax data, GAO questionnaire, and *American Samoa Statistical Yearbook*.

^a*American Samoa: Alternatives for Raising Minimum Wages to Keep Pace with the Cost of Living and Reach the Federal Level*, [GAO-17-83](#) (Washington, D.C.: Dec. 2, 2016).

^bAmerican Samoa Department of Commerce, *American Samoa Statistical Yearbook 2017* (Pago Pago, American Samoa: Oct. 15, 2018).

¹[GAO-17-83](#).

²American Samoa Department of Commerce Statistical Division, *American Samoa Statistical Yearbook 2017* (Pago Pago, American Samoa: Oct. 15, 2018).

Appendix IV: Alternative Estimates of American Samoa Employment and Earnings

^cThis table excludes data for 2015 because individual-level tax records are incomplete for that year. See appendix I for more information.

^dData were not reported for that year.

We also compared American Samoa private sector employment data that we obtained and analyzed to County Business Patterns³ private sector employment data, collected by the U.S. Census Bureau. Private sector employment data that we analyzed indicated 2,000 to 3,000 more workers employed than County Business Patterns private sector employment data, depending on the year. According to the U.S. Census Bureau, this may largely be because the County Business Patterns data capture employment during the week of March 12, while the tax data include employment throughout the year. In addition, given that the American Samoa manufacturing sector is largely composed of the tuna canning industry, we also compared cannery data that we obtained on this review to County Business Patterns manufacturing data, which County Business Patterns reports in selected years. As table 4 shows, cannery employment data are in a similar range as County Business Patterns manufacturing data.

Table 4: American Samoa Private Sector Employment from Alternate Sources

Year	Data obtained on this engagement (GAO-20-467)		County Business Patterns data	
	Private sector	Cannery	Private sector	Manufacturing
2007	11,225	4,593	N/A ^a	N/A ^a
2008	12,718	4,993	9,232	4,991
2009	10,827	4,125	9,991	N/A ^a
2010	8,451	1,869	6,856	N/A ^a
2011	9,104	2,066	7,369	N/A ^a
2012	9,465	2,193	7,147	N/A ^a
2013	8,555	1,915	6,988	N/A ^a
2014	9,698	2,315	7,761	N/A ^a
2015	N/A ^b	2,704	8,156	3,160
2016	10,307	2,710	8,506	3,190
2017	10,162	2,363	8,203	2,946
2018	10,105	2,469	N/A ^a	N/A ^a

Legend: N/A = not applicable.

Source: GAO analysis of American Samoa tax data, GAO questionnaire, and U.S. Census Bureau data.

³County Business Patterns is an annual series that provides subnational economic data by industry. This series includes employment during the week of March 12.

Appendix IV: Alternative Estimates of American Samoa Employment and Earnings

^aData were not reported for that year.

^bThis table excludes data for 2015 because individual-level tax records are incomplete for that year. See appendix I for more information.

Earnings

Table 5 compares American Samoa workers' earnings data from 2007 to 2018 obtained on this review and data reported in [GAO-17-83](#). As shown, the data are broadly consistent.

Table 5: Inflation-Adjusted Earnings in American Samoa from Alternate Sources

Year	Data obtained on this engagement (GAO-20-467)	Data reported on prior engagement (GAO-17-83) ^a
2007	10,970	10,913
2008	10,065	9,979
2009	10,990	11,235
2010	10,108	10,258
2011	10,526	10,592
2012	9,611	10,342
2013	9,813	9,763
2014	9,769	9,678
2015	N/A ^b	N/A ^c
2016	10,289	N/A ^c
2017	9,702	N/A ^c
2018	9,816	N/A ^c

Legend: N/A = not applicable.

Source: GAO analysis of American Samoa tax data, GAO questionnaire.

^a*American Samoa: Alternatives for Raising Minimum Wages to Keep Pace with the Cost of Living and Reach the Federal Level*, [GAO-17-83](#) (Washington, D.C.: Dec. 2, 2016).

^bThis table excludes data for 2015 because individual-level tax records are incomplete for that year. See appendix I for more information.

^cData were not reported for that year.

We also compared American Samoa workers' earnings data from 2007 to 2018 obtained on this review to County Business Patterns data. In general, average earnings estimates in the County Business Patterns data are somewhat higher than in the American Samoa tax data, as shown in table 6. However, both series show growth in earnings over the period of 2008 to 2017 of approximately 20 to 30 percent.

Table 6: Average Earnings in American Samoa, Unadjusted for Inflation

Year	County Business Patterns data		County Business Patterns data	
	Private sector	Cannery	Private sector	Manufacturing
2007	7,797	7,301	N/A ^a	N/A ^a
2008	8,204	8,341	12,961	10,439
2009	9,240	9,381	12,031	N/A ^a
2010	9,461	9,901	14,959	N/A ^a
2011	9,709	9,901	14,601	N/A ^a
2012	9,611	9,901	15,740	N/A ^a
2013	9,964	9,901	16,685	N/A ^a
2014	10,133	9,901	17,208	N/A ^a
2015	N/A ^b	10,317	17,257	16,121
2016	10,444	10,733	16,956	15,993
2017	10,578	10,733	15,196	11,230
2018	10,761	11,149	N/A ^a	N/A ^a

Legend: N/A = not applicable.

Source: GAO analysis of American Samoa tax data and GAO questionnaire and U.S. Census Bureau County Business Pattern data.

^aData were not reported for that year.

^bThis table excludes data for 2015 because individual-level tax records are incomplete for that year. See appendix I for more information.

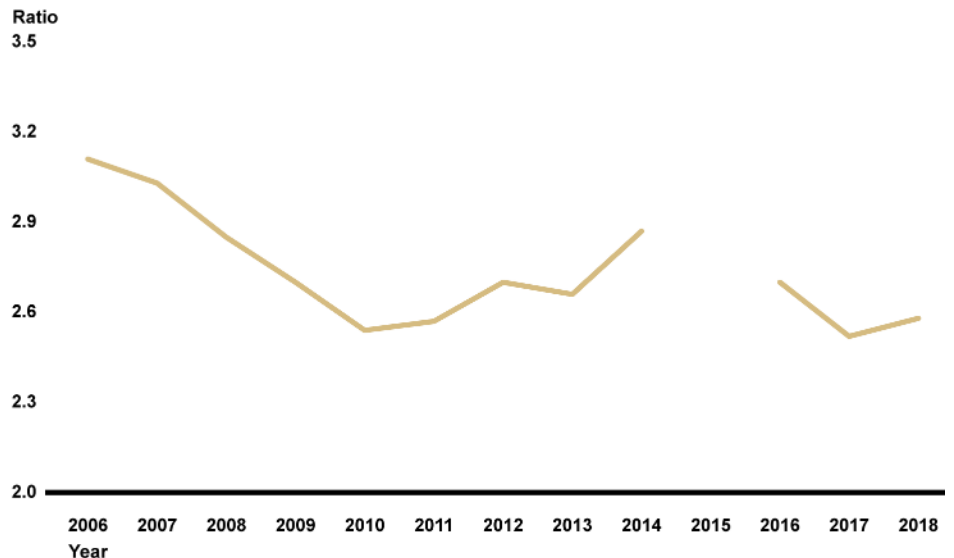
Additional Data Reliability Analysis of Individual-Level Earnings

As an additional test of the reliability of the individual-level tax data, we examined trends in the distribution of worker-level earnings. A prior GAO report found that the minimum wage increases narrowed the gap between lower- and higher-paid workers in American Samoa from 2007 to 2009. We first examined whether the tax data also show that the gap narrowed during this period and then examined trends through 2018. One limitation of this analysis was that it was restricted to the private sector excluding the canneries. Therefore, any patterns that we documented in this sector may not reflect changes to the American Samoa workforce as a whole. We began our analysis in 2006 to provide information before the Fair Minimum Wage Act of 2007. To measure a worker’s annual earnings, we summed all of the worker’s gross wages from his or her tax records in a given tax year. According to the tax data, in 2006, workers at the 50th percentile of annual earnings earned \$6,031. This amount is only 8 percent higher than what full-time workers would have earned if they were continuously employed at the lowest minimum wage that was in effect in American Samoa in 2006 (\$2.68 per hour). In comparison, in the same year workers at the 90th percentile earned \$18,747, or 3.1 times higher than the 50th percentile. We found that earnings at the 50th percentile

experienced a larger increase than earnings at the 90th percentile from 2006 through 2009, and this ratio fell to 2.7.

Figure 15 depicts trends in the gap between lower- and higher-paid workers in American Samoa from 2006 through 2018, as measured using the tax data by the ratio between the 90th and 50th percentiles of earnings. Overall, from 2006 through 2018, this gap fell by 17 percent, from 3.1 to 2.6. The decline is attributable to a 48 percent increase in earnings for workers at the 50th percentile, compared to only a 23 percent increase for workers at the 90th percentile.⁴

Figure 15: Ratio of 90th Percentile to 50th Percentile of American Samoa Workers' Earnings, 2006–2018



Source: GAO analysis of American Samoa tax data. | GAO-20-467

Note: Data are based on annual earnings for American Samoa workers in the non-cannery private sector in a given year. These data do not include earnings in the American Samoa canneries or government sectors, and any patterns depicted may not reflect changes to the American Samoa workforce as a whole. To measure a worker's annual earnings, we summed all of the worker's gross wages from their tax records in a given tax year. The figure excludes data for 2015 because individual-level tax data are incomplete for that year. See appendix I for more information.

⁴We also found that the gap between lower- and higher-paid workers in American Samoa fell from 2006 through 2018 when we alternatively measured the earnings of higher-paid workers using either the 80th or 95th percentiles of gross wages. In these cases, the gaps fell by 9 percent and 15 percent, respectively.

Appendix V: Key Selected Events, 2007–2019

The following events highlight changes in American Samoa's minimum wages and the status of the tuna canning industry from 2007 to 2019:

- *2007.* Fair Minimum Wage Act includes a provision to incrementally increase American Samoa minimum wages to the federal level (\$7.25 per hour). Special industry committees that previously set minimum wages in American Samoa are disbanded. Minimum wages in American Samoa rise by \$0.50 as federally mandated. Minimum wage for fish canning and processing workers becomes \$3.76.
- *May 2008.* Minimum wages in American Samoa rise by \$0.50 as federally mandated. Minimum wage for fish canning and processing workers becomes \$4.26.
- *May 2009.* Minimum wages in American Samoa rise by \$0.50 as federally mandated. Minimum wage for fish canning and processing workers becomes \$4.76.
- *September 2009.* Chicken of the Sea closes its cannery in American Samoa.¹ The company relocates its canning facilities to the U.S. state of Georgia while outsourcing labor-intensive processes to countries with lower labor costs. The Samoa earthquake and tsunami cause severe damage and leave 34 people dead in American Samoa. The federal government issues a disaster declaration and assists with tsunami recovery efforts.
- *October 2010.* Tri Marine International acquires former Chicken of the Sea facility in American Samoa, located adjacent to the StarKist Samoa cannery. American Samoa government grants Tri Marine International exemption from local taxes for 10 years.
- *December 2012.* American Samoa government grants StarKist Samoa exemption from local taxes for 10 years.
- *January 2015.* Tri Marine International opens \$70 million Samoa Tuna Processors cannery after large capital investments in prior years to renovate and expand the former Chicken of the Sea cannery.

¹On November 2006, Chicken of the Sea's Samoa Packing operation employed 40 percent (1,906 workers) of the island's fish canning and processing workers.

- *September 2015.* Minimum wages in American Samoa rise by \$0.40 as federally mandated.² Minimum wage for fish canning and processing workers becomes \$5.16.
- *December 2016.* Tri Marine International indefinitely suspends operations at its Samoa Tuna Processors cannery in American Samoa.³
- *September 2017.* StarKist Co. agrees to pay a \$6.3 million penalty resulting from violations of federal environmental laws.
- *October 2017.* StarKist Samoa temporarily halts operations for 5 weeks because of fish supply setbacks and equipment upgrades.
- *February 2018.* According to American government estimates, Tropical Storm Gita causes nearly \$200 million in damages to public and private property. The federal government issues a disaster declaration and assists with disaster recovery efforts.
- *May 2018.* According to a report by the Pacific Islands Forum Fisheries Agency, StarKist Co. signs 10-year lease agreement with Tri Marine International to sub-lease its Samoa Tuna Processors facility for use in StarKist Samoa operations.⁴
- *September 2018.* Minimum wages in American Samoa rise by \$0.40 as federally mandated. Minimum wage for fish canning and processing workers becomes \$5.56.
- *September 2019.* StarKist Co. is sentenced to pay a criminal fine of \$100 million for its role in price fixing.

²Pub. L. No. 114-61, enacted in October 2015, decreased the amount of the 2015 minimum wage increase (and future triennial increases) from \$0.50 to \$0.40.

³As of January 2016, Tri Marine employed 616 hourly wage workers in American Samoa. Tri Marine announced in October 2016 that it would indefinitely suspend canning operations at this facility in December 2016.

⁴Havice and Campling, *Corporate Dynamics in the Shelf-stable Tuna Industry*.

Appendix VI: Comparison of Labor and Tariff Costs for Three Potential Tuna Canning Business Models

Although American Samoa's tuna canning industry faces multiple challenges in addition to scheduled minimum wage increases, American Samoa offers the tuna canning industry certain competitive advantages relative to the U.S. mainland and other countries. To illustrate tuna canning costs for other business models, we compared the labor and tariff costs associated with three potential business models for the cannery operations currently used by firms in the global tuna industry. The following analysis provides cost estimates for the three possible models, assuming constant total production under each model.¹ Our analysis considers only labor costs and tariffs to show the effect of variation across different models.² Our analysis excludes other associated costs, including transportation and refrigeration, as well as costs associated with establishing multiple production locations. Therefore, we assume that shipping costs and other conversion costs, such as for electricity usage, are identical. We also assume that fixed costs for starting operations in a new location (i.e., search costs) are equal to zero. We assume the alternative country is Thailand, on the basis of prior related reports and interviews with relevant officials and stakeholders. All of the tariff and tax assumptions used in our analysis are based on input from tuna canning industry officials.

- *Model A (maintaining all loining and canning in American Samoa):* This is the current production process for the remaining cannery operating in American Samoa. Tuna processing currently performed in American Samoa remains entirely in American Samoa. The cannery located in American Samoa hires local and foreign workers to loin—clean, cook, and cut—and can the fish. With an estimated workforce of 2,000 employees in American Samoa,³ the associated

¹For related analysis, see [GAO-17-83](#) and [GAO-11-427](#). We have updated two models that appear in [GAO-17-83](#). We also used this type of analysis in [GAO-10-333](#), where we found that a model relying on fish loins sourced outside and canned in the 50 U.S. states—as compared with a model of loining and canning in American Samoa—would have annual labor savings of \$12.1 million that would more than offset annual tariff costs of \$320,000, in 2009. In 2006, before the minimum wage increases began, labor costs were estimated at \$13 million under the American Samoa model and \$5.6 million under the imported loins model.

²Our analysis assumes that the final sales price of canned tuna would be the same and revenue is estimated to be equal at \$400 million under all models.

³The number of American Samoa minimum wage workers is based on data provided by the remaining cannery in American Samoa.

**Appendix VI: Comparison of Labor and Tariff
Costs for Three Potential Tuna Canning
Business Models**

labor cost was an estimated \$23 million in 2019.⁴ The canned tuna from American Samoa is exported directly to the United States and, according to cannery officials who utilize this model, such canned tuna is eligible for tariff-free access to the U.S. market. The cannery, which is a qualified domestic corporation, according to cannery officials, receives an estimated \$5 million as a federal tax credit.⁵

- *Model B (relocating loining to Thailand or another country with low labor costs and canning processed loins in the U.S. states):* This is the current production process for a firm operating a cannery outside of American Samoa. The loining operation—the most labor-intensive part of the operation—would move to a country with low labor costs, such as Thailand, where the fish would be loined, sealed in pouches, and frozen. The loined, frozen fish would then be exported to the U.S. mainland, where it would be canned. With an estimated workforce of 1,700 employees in a country with low labor costs making \$1.25 per hour,⁶ the associated labor cost would be \$4.4 million; and with an estimated workforce of 300 employees in the U.S. mainland at \$15 per hour,⁷ the associated labor cost would be \$9.4 million. Therefore, the total associated labor cost in 2019 for this model would be \$14 million. No workers would remain in American Samoa, and 300 workers would be employed on the U.S. mainland. The imported fish would carry an average tariff of \$11 per metric ton.⁸ This model

⁴American Samoa hourly wages are based on the current minimum wage of \$5.56. At the 2021 American Samoa scheduled minimum wage of \$5.96, the associated labor cost would increase by \$1.5 million, assuming 2018 levels of employment.

⁵Under the Internal Revenue Code, qualifying American Samoa tuna canneries have received an economic development credit for U.S. corporate income taxes. Through this tax credit, StarKist Co. reported saving \$5.9 million in 2016 and estimates that it will save approximately \$5 million for 2019. The American Samoa economic development credit has been restored and extended multiple times. After most recently expiring January 1, 2018, section 119 of Pub. L. No. 116-94, Div. Q (Dec. 20, 2019) restored the American Samoa economic development credit and extended it until to cover taxable years before January 1, 2021, for qualified domestic corporations.

⁶According to industry officials, the daily wage for cannery workers in Thailand is \$10 per day. Assuming an 8-hour workday, the hourly wage is \$1.25 per hour.

⁷The U.S. mainland wage is equal to \$15 per hour or the industry wage for domestic production employees in the U.S. state of Georgia.

⁸This average tariff of \$11 per metric ton is based on GAO analysis of U.S. Census Bureau import data for tuna imported from Thailand to the United States and subject to U.S. Harmonized Tariff Schedule code 1604.14.40, which is the applicable code, according to cannery officials.

**Appendix VI: Comparison of Labor and Tariff
Costs for Three Potential Tuna Canning
Business Models**

assumes that the firm operating outside of American Samoa would not qualify for the American Samoa economic development credit.

- *Model C (relocating all loining and canning to Thailand or another country with low labor costs):* This is an alternative production process for operating canneries outside of American Samoa. Tuna processing currently performed in American Samoa would relocate to a foreign country with low labor costs. All operations, including loining and canning the fish, would take place in this foreign country. With an estimated workforce of 2,000 employees in a country with low labor costs making \$1.25 per hour, the associated labor cost in 2019 would be \$5 million. No workers would remain in American Samoa and no workers would be employed in the U.S. mainland. The imported fish would carry an average tariff of 12 percent of export revenue.⁹ This model assumes that a firm operating outside of American Samoa would not qualify for the American Samoa economic development credit.

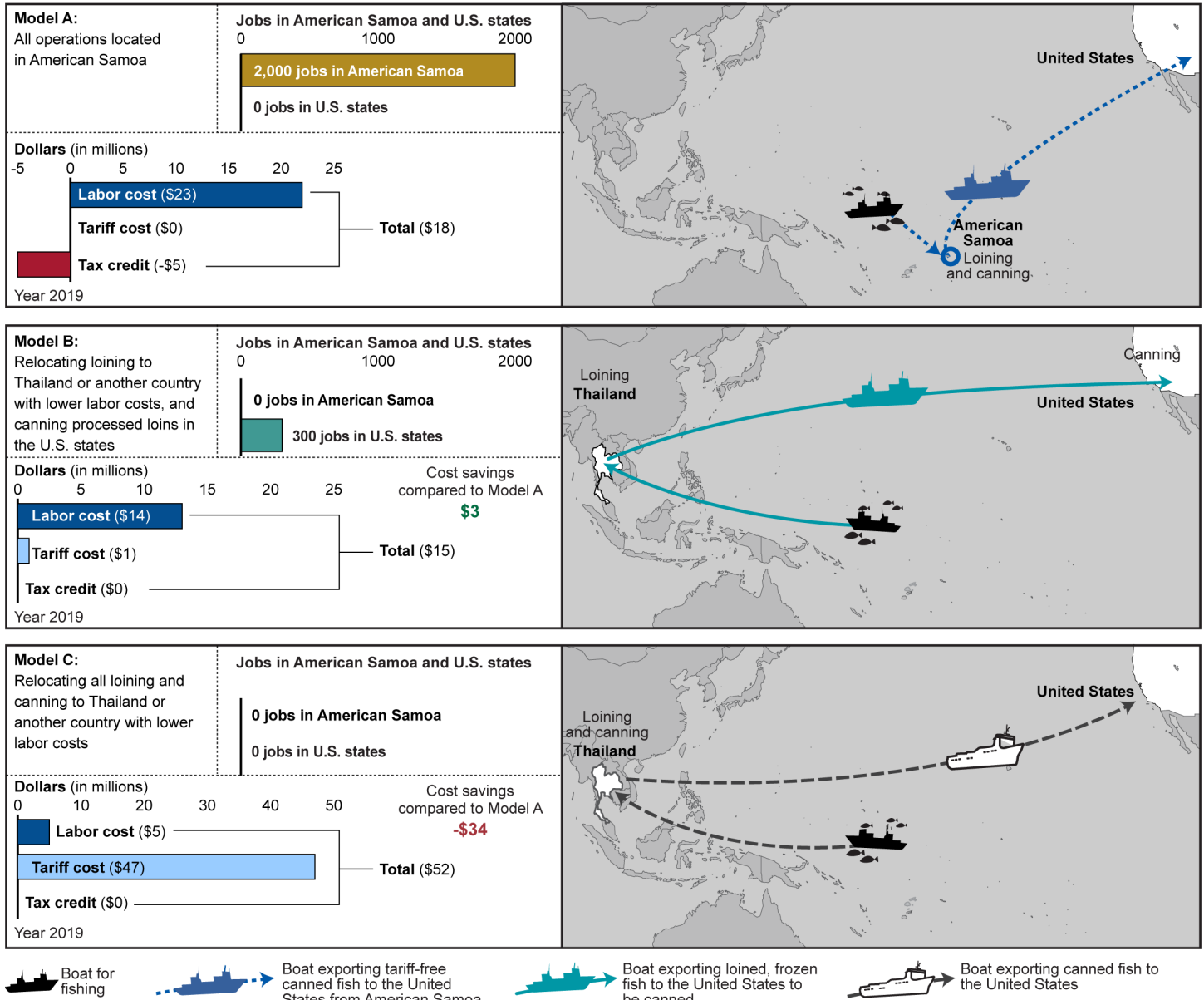
Figure 16 shows that, considering labor and tariff costs along with tax credits, Model A has higher costs than Model B. Model B presents cost savings; however, importing processed loins to the United States would incur tariffs, and wages for canning in any of the 50 U.S. states would be higher than in competing tuna processing countries. Model C presents the highest combined labor and tariff costs and would result in an estimated 2,000 fewer jobs in American Samoa.¹⁰

⁹This 12 percent tariff rate is an average based on GAO analysis of U.S. Census Bureau import data for tuna imported from Thailand to the United States and subject to U.S. Harmonized Tariff Schedule codes 1604.14.1010, 1604.14.1091, 1604.14.1099, 1604.14.3051, 1604.14.3059, 1604.14.3091, or 1604.14.3099, which are the applicable codes, according to cannery officials.

¹⁰The tariff costs assume an average tariff rate of 12 percent. Therefore, a higher tariff rate would yield larger total cost differences between Models A and C and would further confirm that Model A is more cost-effective than Model C under the assumptions of the models.

Appendix VI: Comparison of Labor and Tariff Costs for Three Potential Tuna Canning Business Models

Figure 16: Comparison of Wage and Tariff Costs for Tuna Canneries Using Alternative Business Models



Source: GAO analysis of information from tuna canning industry officials and U.S. Census Bureau import data. | GAO-20-467

Notes: The labor cost for Model A is based on the minimum wage for cannery workers in American Samoa, which was set by the most recent increase to \$5.56 in September 2018. The next minimum wage increase—to \$5.96 in September 2021—would increase the labor cost for Model A by \$1.5 million, assuming 2018 employment levels, and increase the cost savings for Model B and C by \$1.5 million each. The U.S. mainland wage is set to \$15 per hour and the wage in the country with low labor costs is set to \$1.25 per hour. All of the tariff and tax assumptions indicated are based on industry input. Tax credit refers to the American Samoa economic development credit, which provides

Appendix VI: Comparison of Labor and Tariff Costs for Three Potential Tuna Canning Business Models

qualifying American Samoa tuna canneries a tax credit for U.S. corporate income taxes (see 26 U.S.C. § 30A note, American Samoa Economic Development Credit). Revenue in all models is estimated to be \$400 million and can be calculated as export prices multiplied by export quantity.

Table 7 below shows how revenue and labor and trade costs are computed for each model.

Table 7: Estimated Revenue and Cost Computations for Three Potential Tuna Canning Business Models

Model	Revenue	Labor cost	Tariff cost
A	AS export price ^a * AS export quantity ^b	AS minimum wage ^c * 2,000 minimum wage workers in AS ^d	0 ^e
B	AS export price * AS export quantity	(1,700 Thailand minimum wage workers * Thailand minimum wage ^f) + (300 U.S. mainland workers * U.S. mainland wage ^g)	\$11 * AS export quantity / 1,000 ^h
C	Thailand export price ⁱ * AS export quantity	Thailand minimum wage * number of minimum wage workers in AS	12 percent * export revenue ^j

Legend: * = multiply; + = add; AS = American Samoa

Source: GAO analysis of U.S. Department of Commerce data and StarKist data. | GAO-20-467

^aAmerican Samoa export price is the import unit value calculated using U.S. Census Bureau import data from U.S. possessions. Import unit value is equal to the total value of imports divided by the total quantity of imports. Export revenue is rounded to the nearest \$100 million.

^bAmerican Samoa export quantity is the quantity of canned tuna exported from American Samoa to the United States in 2018 and is extracted from the U.S. Census Bureau import data from U.S. possessions. Export revenue is rounded to the nearest \$100 million.

^cAmerican Samoa minimum wage is the annual minimum wage in American Samoa. To calculate the annual minimum wage, we assume that each employee works 8-hour days for 261 days. American Samoa hourly wages are based on the currently scheduled minimum wage of \$5.56, implemented in September 2018. At the 2021 American Samoa minimum wage of \$5.96, labor cost would increase by more than \$1.5 million, assuming 2018 levels of employment of approximately 2,000 minimum wage workers.

^dNumber of minimum wage workers in American Samoa is based on data provided by the remaining cannery in American Samoa.

^eAccording to cannery officials who utilize this model, the canned tuna from American Samoa is exported directly to the United States and is eligible for tariff-free access to the U.S. market.

^fAccording to industry officials, the daily wage for cannery workers in Thailand is \$10 per day. Assuming an 8-hour workday, the hourly wage is \$1.25 per hour.

^gU.S. mainland median wage is equal to \$15 per hour or the industry wage for manufacturing employees in the U.S. state of Georgia.

^hFor model B, the average tariff is \$11 per metric ton for imported loins. This tariff is an average based on our analysis of U.S. Census Bureau import data for tuna imported from Thailand to the United States and subject to U.S. Harmonized Tariff Schedule code 1604.14.40, which is the applicable code, according to cannery officials.

ⁱThailand export price is the import unit value calculated using U.S. Census Bureau import data. The per-unit duty is calculated by dividing import values in the U.S. Census Bureau import data by total quantity imported from Thailand.

**Appendix VI: Comparison of Labor and Tariff
Costs for Three Potential Tuna Canning
Business Models**

^jFor model C, the tariff rate is 12 percent of export revenue for imported packaged-tuna. This tariff rate is an average based on our analysis of U.S. Census Bureau import data for tuna imported from Thailand to the United States in 2018 and subject to U.S. Harmonized Tariff Schedule codes 1604.14.1010, 1604.14.1091, 1604.14.1099, 1604.14.3051, 1604.14.3059, 1604.14.3091, or 1604.14.3099, according to cannery officials.

Appendix VII: Comments from the Department of Interior



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

David Gootnick, M.D.
Director, International Affairs and Trade Team
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Doctor Gootnick:

Thank you for providing the Department of the Interior (Department) the opportunity to review and comment on the draft Government Accountability Office (GAO) report entitled, *American Samoa: Economic Trends, Status of the Tuna Canning Industry, and Stakeholders' Views on Minimum Wage Increases (GAO 20-467)*. In sending you this letter, I recognize that the draft report has not been fully reviewed within GAO and remains subject to further revision.

The Department's Office of Insular Affairs (OIA) reviewed the draft report and offers the following general comments.

As the GAO has highlighted in the past, the report correctly notes the unique economic challenges of the Territory of American Samoa (Territory) in that the Territory is a remote, small group of islands (76 square miles) located in the South Pacific Ocean, with limited resources to sustain a population of approximately 58,000. The American Samoa Government (ASG) is the largest employer in the Territory and relies heavily on Federal financial assistance. In addition, the fish canning and processing is the largest private-sector employer in American Samoa even after cannery closures have taken place.

The draft report refers to GAO's 2016 report entitled, *American Samoa: Alternatives for Raising Minimum Wages to Keep Pace with the Cost of Living and Reach the Federal Level (GAO-17-83)*. This 2016 report dealt with alternatives in American Samoa, recognizing the unique economic challenges and cost of living. As OIA noted in 2016, much more research and study are required to ascertain the full range of benefits and costs of the various alternatives, and it would be beneficial to the ASG if the draft 2020 report contained additional research and information on all potential alternatives, including the once-utilized Special Industry Committees.

**Appendix VII: Comments from the Department
of Interior**

If you have any questions, please feel free to communicate with OIA Director Nikolao Pula directly at (202) 208-4736 or Nikolao_Pula@ios.doi.gov, or OIA Director of Policy Basil Ottley at (202) 208-6816 or Basil_Ottley@ios.doi.gov.

Thank you again for the opportunity to comment on this draft report.

Sincerely,



Douglas W. Domenech
Assistant Secretary
Insular and International Affairs

The following are GAO's comments to the Department of Interior's letter.

GAO Comments

With respect to paragraph 4 of the U.S. Department of the Interior's letter above, the suggested further study was beyond the scope of this report, which focused on (1) economic trends including changes in employment and earnings since the minimum wage increases in American Samoa began in 2007, (2) the status of the tuna canning industry, and (3) stakeholder views on the minimum wage increases.

Appendix VIII: Comments from the American Samoa Government



LOLO L. M. MOLIGA
Governor

OFFICE OF THE GOVERNOR
AMERICAN SAMOA GOVERNMENT
Telephone: (684) 633-4116 Fax: (684) 633-2269

LEMANU P. MAUGA
Lieutenant Governor

May 5, 2020

Serial:250

Mr. David Gootnick
Director
International Affairs and Trade
U.S. Government Accountability Office

Subject: Comments on the GAO-20-467 Draft Report

Dear Director Gootnick:

I wish to extend my deepest appreciation to the GAO team for its detailed report on the status of American Samoa's economy as it relates to federal minimum wage increases.

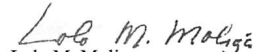
I am pleased to submit herewith my comments on behalf of the American Samoa Government as follows:

The draft report does not reference findings and recommendations by the American Samoa Minimum Wage Task Force as created by the Governor of American Samoa. Given GAO's findings and data analysis in this report, it's important to note that the American Samoa Government prefers to establish a Special Industry Committee composed of both local (public and private sector stakeholders) and relevant federal partners (USDOL, USDOL, etc.) to further research and determine a feasible minimum wage rate that can withstand the territory's economic conditions.

A combination of a moratorium option to allow ample time for such SIC group to be established is preferred. While American Samoa acknowledges the importance of improving the quality of life of its people through minimum wage increases, the territory's economic well-being is deemed vulnerable to significant changes, including that of a federal minimum wage increase. Furthermore, any possibility of the only remaining tuna cannery on island to shut down or relocate elsewhere will have devastating impacts on our local economy.

Thank you for the opportunity to comment. I hope that members of Congress will look closely into this as the future of our island Territory depends on their decision.

Sincerely,


Lolo M. Moliga
Governor of American Samoa

cc: Hon. Lemanu P. Mauga, Lt. Governor
AS Minimum Wage Task Force Members

Appendix IX: GAO Contact and Staff Acknowledgments

GAO Contacts

David Gootnick (202) 512-3149, or gootnickd@gao.gov
Oliver Richard (202) 512-8424, or richardo@gao.gov

Staff Acknowledgments

In addition to the contacts named above, Emil Friberg (Assistant Director), Benjamin Bolitzer (Assistant Director), Justine Lazaro (Analyst in Charge), Samuel Huang, James Boohaker, Carl Nadler, Debbie Chung, Christopher Keblitis, Sara Daleski, Martin De Alteriis, and Alex Welsh made key contributions to this report.

Related GAO Reports

American Samoa: Alternatives for Raising Minimum Wages to Keep Pace with the Cost of Living and Reach the Federal Level. [GAO-17-83](#). Washington, D.C.: December 2, 2016.

American Samoa and the Commonwealth of the Northern Mariana Islands: Economic Indicators Since Minimum Wage Increases Began. [GAO-14-381](#). Washington, D.C.: March 31, 2014.

American Samoa and Commonwealth of the Northern Mariana Islands: Employment, Earnings, and Status of Key Industries Since Minimum Wage Increases Began. [GAO-11-956T](#). Washington, D.C.: September 23, 2011.

American Samoa and Commonwealth of the Northern Mariana Islands: Employment, Earnings, and Status of Key Industries Since Minimum Wage Increases Began. [GAO-11-427](#). Washington, D.C.: June 23, 2011.

American Samoa and Commonwealth of the Northern Mariana Islands: Wages, Employment, Employer Actions, Earnings, and Worker Views Since Minimum Wage Increases Began. [GAO-10-333](#). Washington, D.C.: April 8, 2010.

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