

Federated States of Micronesia 2013/2014 HIES

National income



Executive summary

US\$13,090

average annual total household income



US\$6,530

average annual wages and salaries per job



79%

of households generate subsistence income – the value of home-produced and consumed goods



20%

of the highest income households share 59% of total household income and 66% of total cash income



This fact sheet describes the findings relating to income in the Federated States of Micronesia (FSM) from the 2013/2014 Household Income and Expenditure Survey (HIES).

Total annual household (HH) income in the FSM amounts to **US\$218 million**. This equates to an average annual HH income of **US\$13,090**.

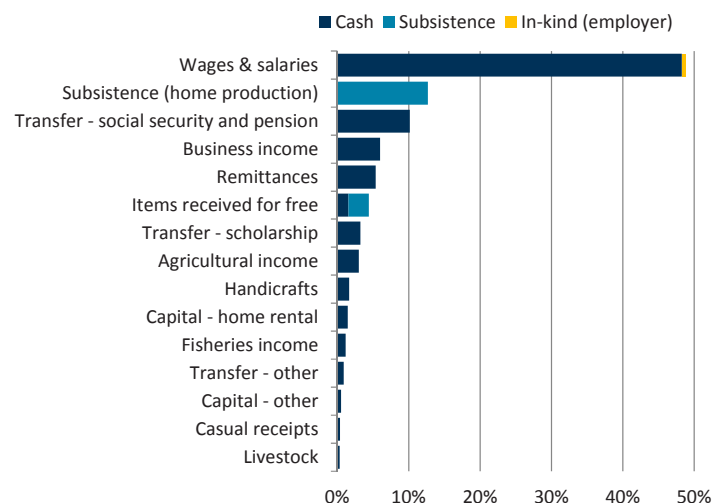
Composition of HH income

Wages and salaries account for 49% of total HH income (Chart 1). Following this is subsistence income, which is the value of home-produced and consumed goods, accounting for 13% of total HH income. The broad category of transfer income makes up 20% of total HH income, while business income accounts for 6% and cash income from primary industries (agriculture, fisheries, livestock and handicrafts) amounts to 6%. The remaining 6% of HH income in FSM is derived from items received for free and capital income (mainly property rental income).

HH income in FSM is predominantly (84%) in the form of cash, with home production accounting for 16% and in-kind income

(non-cash income provided by an employer) accountable for less than 1% (Chart 1). Wages and salaries make up 57% of total HH cash income.

Chart 1: HH income composition, by category and type



Key sources of HH income

Wages and salaries: Half of total HH income

80% of HHs in FSM generate income from wages and salaries. Of these HHs, 20% generate income from the education industry, 17% from public administration and defense, 16% from wholesale and retail trade, 8% from human health and social work, 6% from accommodation and food services and 6% from construction.



The education industry provides one-quarter of total wages and salaries income, while public administration and defense provides 19%, wholesale and retail trade provides 10% and human health and social work provides 9%.

46% of the labour force earns wages and salaries. Of these, 17% are employed in education, 20% in public administration and 20% in wholesale and retail trade.



The average annual wage and salary income in FSM is US\$6,530. The highest-paying industries are extraterritorial organisations (US\$18,830 per annum), finance and insurance (US\$18,240), professional, scientific and technical (US\$14,740). The lowest paying industry is arts, entertainment and recreation, which pays, on average, US\$1,980 per annum. Agriculture, forestry and fishing, mining and quarrying, wholesale and retail trade all pay, on average, around US\$4,000 or less per job per annum (Chart 2).

One quarter of HHs generate income in the form of wages and salaries from service and sales occupations (e.g. travel agents, cooks, waiters, bartenders, shop keepers, police), while around a fifth of HHs (21%) generate wage and salary income from professional occupations (e.g. engineers, doctors, teachers, accountants, lawyers). Around a tenth of HHs (11%) generate wage and salary income from elementary occupations (e.g. cleaners, agricultural labourers, kitchen helpers), and the same percentage (11%) from technical and associate professional occupations, while a similar proportion (9%) are clerical support workers (e.g. office clerks, secretaries, bank tellers, receptionists) and managers (8%) (e.g. company managers, senior government officials, hotel managers).

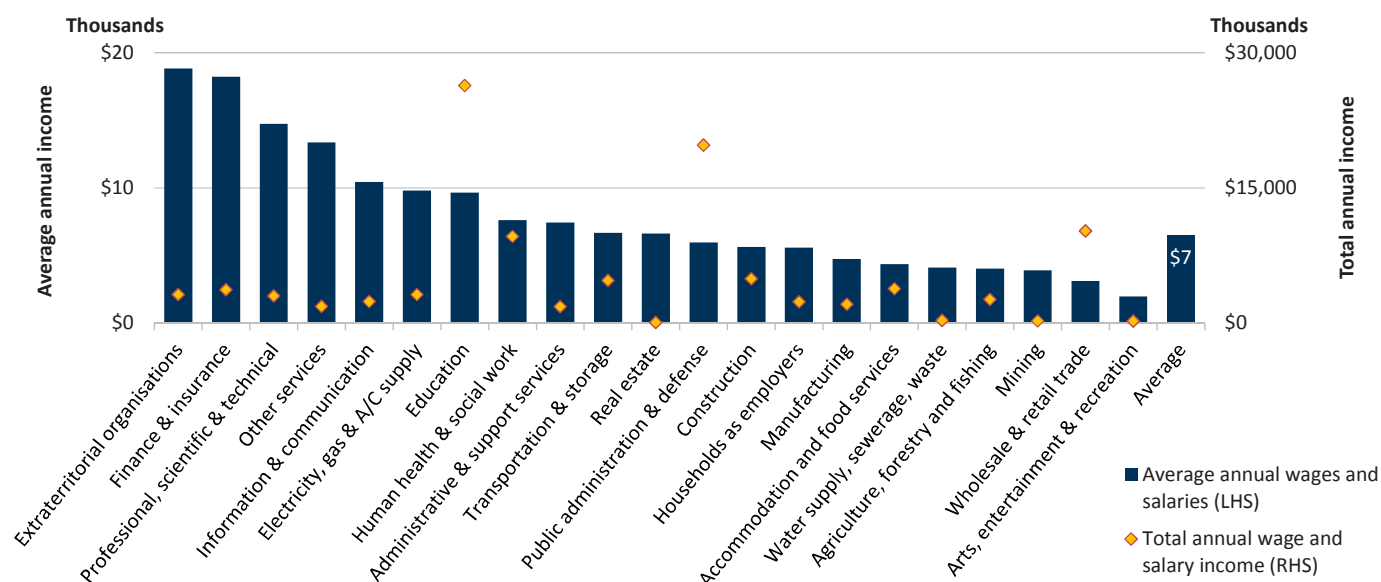
Professional occupations provide 29% of total wage and salary income, followed by managers (17%), technicians and associate professionals (15%), service and sales workers (14%) and clerical support workers (9%). This is indicative of a large degree of income inequality between occupations, given the distribution of employment by occupation (Chart 3).

Occupations with the highest average income are managers (US\$13,150 per annum), professionals (US\$9,080), technicians and associate professionals (US\$9,050), clerical support (US\$6,370). Skilled agricultural, forestry and fisheries occupations attract the lowest salaries by occupation, with an average annual wage and salary income of US\$2,340. Occupations in service and sales and elementary occupations have a wage and salary income lower than US\$4,000 per annum.

Transfer income: Bolstering HH income

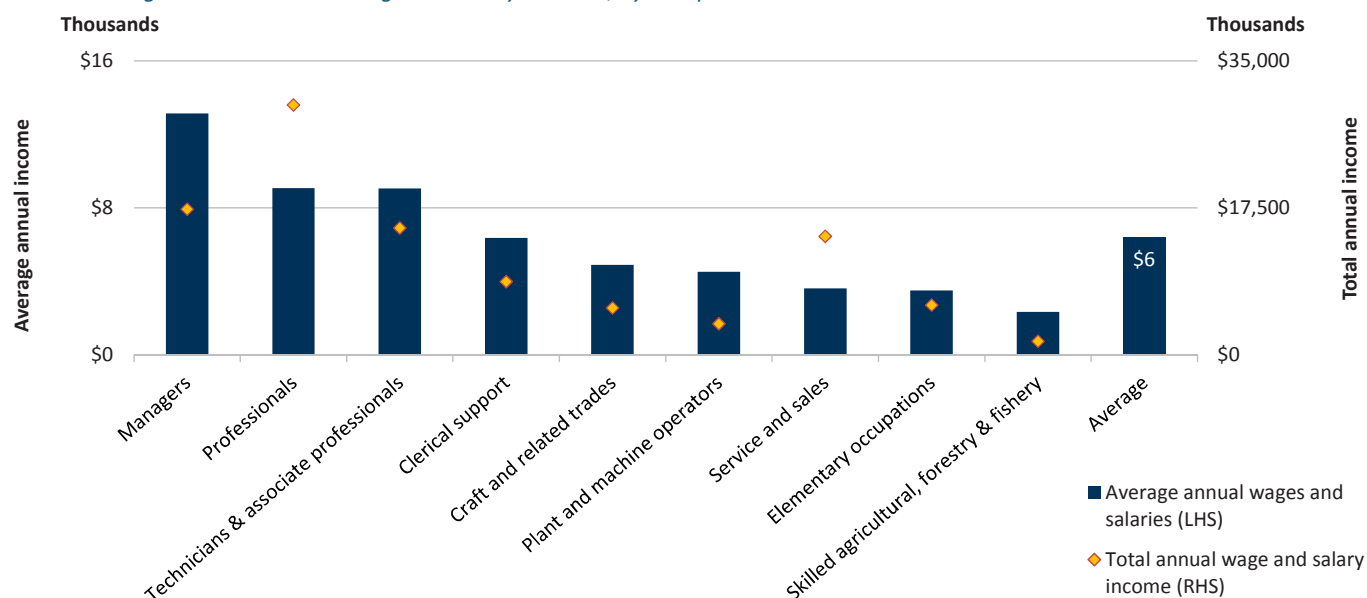
Transfer income accounts for 20% of total HH income. Transfer income mainly comprises of pensions (55%), remittances (27%) and grants and scholarships (16%). 55% of HHs receive transfer income and a higher proportion of HHs in upper quintiles receive transfer income, which shows the importance of this income source.

Chart 2: Average and total annual wage and salary income, by industry¹



¹ Left-hand side (LHS) figures refer to average annual income per job per industry while the right-hand side (RHS) refers to total annual wage and salary income per industries.

Chart 3: Average and total annual wage and salary incomes, by occupation^{2,3}



Almost no HHs in quintile 1 (Q1) – the lowest quintile – reported income from pension, however between one-quarter to one-third of HHs in Q3 to Q5 receive pension income. 75% of total pension income is received by Q5.

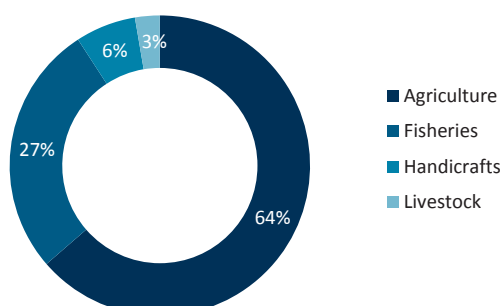
Remittances are more evenly distributed between income quintiles, with 15-25% of HHs in each income quintile receiving remittances. Q4 and Q5, receive 62% of total remittances income.

Almost (93%) of all HHs receiving scholarships are in Q4 and Q5. Accordingly, almost all (97%) of total grant and scholarship income is received by Q4 and Q5.

Subsistence consumption: Substituting cash income

79% of HHs generate income from subsistence consumption – the value of home-produced and consumed goods – which accounts for 13% of total HH income in FSM. Of this, agricultural production (crops, fruits and vegetables) accounts for 64% (Chart 4), followed by fisheries (27%), handicrafts (6%) and livestock (3%). Three quarters of the value of subsistence consumption is attributable to the following products: reef fish (20%), taro (13%), bread-fruit (12%), Sakau (11%), banana (9%), yam (6%) and pigs (5%).

Chart 4: Distribution of subsistence income



75% of HHs generate subsistence income from agriculture, followed by fisheries (51%), handicrafts (12%) and livestock (8%).

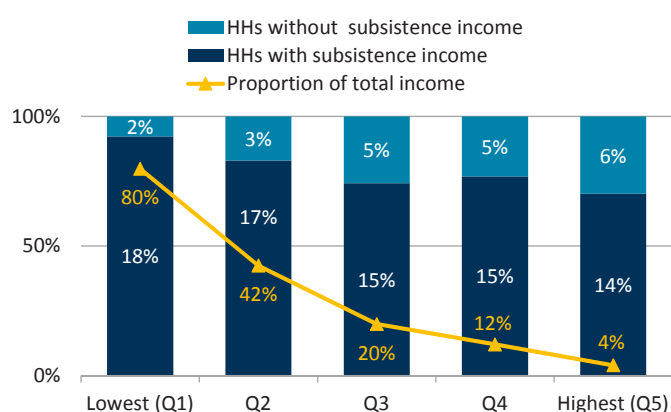


75%

of households generate subsistence income from agriculture

Subsistence consumption is an important income source for all HHs in FSM, but especially for low-income HHs, with a higher number of these HHs generating income from subsistence and with subsistence consumption making up a greater percentage of their total income (80% of total income for HHs in Q1) [Chart 5]. Accordingly, subsistence activities in FSM are an important means to substitute income and to provide food security for cash-poor HHs.

Chart 5: Proportion of HHs generating subsistence income and subsistence contribution to total income, by quintile



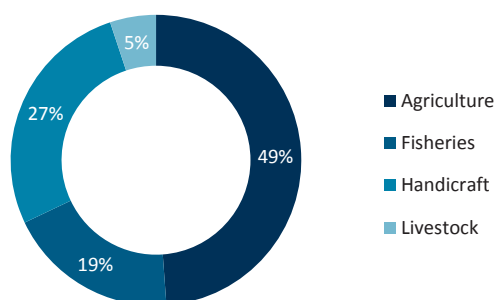
² LHS figures refer to average annual income per job per occupation category whereas the RHS refers to total annual wage and salary income per industries.

³ Second occupations were omitted from this analysis due to coding difficulties and, as such, the analysis omits 4% secondary income.

Primary industry: Providing food and cash income

Primary industry income is cash income derived from the sale of primary produce (agricultural, fisheries, handicrafts and livestock) and accounts for 6% of total HH income. 40% of HHs in FSM generate income from the sale of primary produce. Agriculture accounts for half of primary industry income (Chart 6), followed by handicrafts (27%), fisheries (19%) and livestock (5%).

Chart 6: Distribution of primary industry income



Five products account for more than half of HH primary industry income, including: Sakau – fresh and prepared (30%), betel nut (9%), reef fish (8%) and pigs (7%).

Business income: Few HHs but significant earnings

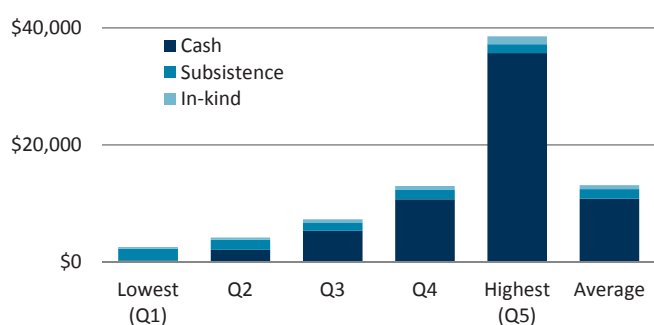
5% of HHs earn business income and this income is responsible for 6% of total HH income in FSM. Almost 90% of business income-earning HHs are in income Q4 and Q5, and 64% of HHs in Q5 earn business income, which indicates that HHs that generate business income are predominantly higher-income HHs.

57% of total business income is generated from wholesale and retail trade industry, 16% from accommodation and food services, 12% from human health and social work and 8% from construction.

Distribution of HH income

Average HH income differs significantly by quintile in terms of amount and composition (Chart 7). Among the lowest 20% (Q1), the average income is US\$2,526 per annum. Of this income, 80% is subsistence-based (Chart 8).

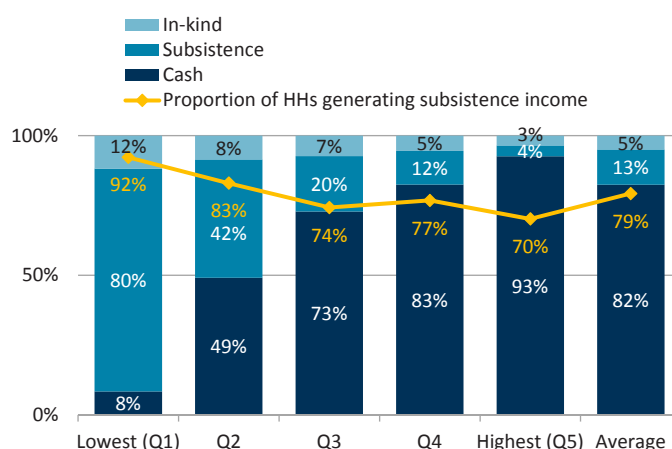
Chart 7: Average annual HH income by income quintile and income type



In contrast, the highest income quintile generates US\$38,550 per Annum, and of this, only 7% is subsistence-based.

A high percentage of HHs generate subsistence income across all quintiles. Thus, although HHs in lower quintiles generate a much higher proportion of their income from subsistence-based consumption, the average amount of subsistence-based income is similar in all income quintiles (ranging between US\$1,445 in Q3 to US\$2,015 in Q1). In-kind income increases in magnitude, but decreases in significance through the income quintiles.

Chart 8: Composition of HH income by quintile and proportion of HHs generating subsistence income



The most significant difference between the quintiles is cash-based income. Almost half of Q1 and one-third of Q2 cash income is generated through remittances which are mostly sent from overseas. Around 60% of cash-based income from HHs in Q3 to Q5 is generated through wages and salaries, and a further 15% from pensions.

The top two quintiles receive most of the remittance and scholarship income, which are irregular incomes, which in the case of scholarships, have a matching expenditure. As such, the inclusion of one-off HH income, such as scholarships and, to a lesser extent, remittances, potentially skews quintile derivation. Remittance and scholarship incomes are received by a low proportion of the population, but they significantly impact the income of recipient HHs. Removing these incomes and re-deriving income quintiles results in shifts of HHs from one quintile to another – sometimes they are “promoted” to a higher quintile and sometimes they are “demoted”. Such shifts see a 5% change in Q1 and Q5, while Q2, Q3 and Q4 see a 10% change. That is, in Q2, Q3 and Q4, half of the population’s income rankings change when scholarship and remittances income are removed.

As noted earlier, HHs with business income tend to be in higher quintiles. This also applies to pension incomes. Similarly, HHs that generate income from wages and salaries tend to be higher income-earning, with one third of total HH income in FSM being generated from wages and salaries earned by HHs in the highest quintile.