

*Palauans and Guest Workers:
An Opinion Paper*

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Ever since Captain Wilson was shipwrecked on Ulong Reef foreigners have continued to visit the islands of Palau for one purpose or another. The most recent influx of foreigners to Palau has consisted of guest workers. The 1995 census put the number of guest workers and their dependents at 4,717, and Labor Office statistics showed 5,171 as of April 1998 (CoPopChi 1997, 1). With a total population of slightly over 17,225 in 1995, this represents an appreciable portion of Palau's residents (Anastacio 1998).

The large and growing number of guest workers in Palau is raising a great deal of concern among indigenous Palauans, who for the most part are beginning to feel crowded and alienated in their own islands. It also raises a range of important issues that must be addressed if Palau is to get a grip on its long-run economic and political development. Nevertheless, indigenous Palauans are cognizant of the advantages of a large workforce, some of which are discussed here.

Palau is following a trend in infrastructure development experienced first in Guam and more recently in the Commonwealth of the Northern Mariana Islands. This construction boom, fueled by an expanding tourism industry, has been made possible by the availability of cheap labor from the nearby Philippines. An inspection of local contractors would show a labor force consisting mainly of Filipino workers in all construction trades, from skilled workers in masonry, carpentry, electrical, and plumbing all the way down to unskilled laborers. This has brought about a rapid growth in high-rise buildings, such as the Palasia Hotel and the West Ben Franklin Store, which did not exist until recently.

Asians recruited to fish Palau's waters have also contributed to economic growth. Palau's tuna industry was launched in the 1960s with the

establishment of the Van Camp Seafood Company, a tuna-receiving factory. Today several companies compete for the tuna catch, including Palau International Traders Incorporated, Palau Micronesian Industrial Corporation, Kuniyoshi Fishing Company, and some smaller companies. These companies are responsible for bringing in fishermen from Okinawa and Korea, and lately from the People's Republic of China, to fish and to export fresh tuna to sashimi markets in Japan. While the larger share of Palau's fishing revenue has been from direct licensing fees and fish export taxes, indirect revenues have come from the fishermen's consumption of rice, vegetables and fruits, meat and chicken, liquor and cigarettes, and other commodities purchased locally, as well as taxes on wages and salaries.

The importation of domestic helpers has contributed to the growing number of Palauan women joining the workforce and augmenting family incomes. Domestic helpers have come mostly from the Philippines to do housekeeping chores, cooking, baby-sitting, and other domestic work, freeing Palauan women to pursue individual careers and become financially independent. Garment factory workers help to expand Palau's meager exports, while tailors and dressmakers meet some of the clothing needs of the local population.

Nurses brought in from Fiji and guest physicians have helped meet Palau's health-care needs. Accountants and technicians from the Philippines have made sound contributions to private-sector businesses. Guest workers in the teaching profession fill local shortages of teachers of sciences and mathematics. Professionals from the United States include attorneys in government positions and private practice, as well as judges. Expatriate scientists help Palauans protect and conserve their fragile environment and natural resources. Volunteers from the United States, Australia, and Japan have also contributed to Palau's development in different areas of growth.

The influx of guest workers to Palau has introduced a diversity of culture, ethnicity, language, and ways of life. Over the years the Palauan language has undergone changes, making it even richer and broader through infusions of Spanish, German, Japanese, English, Tagalog, and even Italian words to describe new experiences. It is not uncommon to hear Palauan songs whose lyrics have foreign overtones. Even the local cuisine has grown to include menu selections such as sinigang, adobo, pizza, and sushi, to name just a few.

The influx of guest workers has also contributed to economic growth,

as demands for specialty or culturally recognized foods have increased. Grocery stores specializing in Japanese or Filipino foods are spread all over Koror; restaurants boast of delectable Chinese, Thai, Korean, and Japanese cuisine. The number of thriving restaurant businesses has also grown to meet the needs of local consumers as well as tourists. Businesses have profited from the expanded market and growing demands of the increasing population. Asian fishermen, earning good salaries and wages from their catches, have expendable cash on their hands and an insatiable appetite for fine liquor and tobacco products. In turn, this boon to local businesses translates into more revenues to national coffers in the form of excise taxes on luxury items.

The availability of affordable labor has enabled Palau's agriculture to expand. Fresh produce, which is readily available, has to a large degree replaced agricultural imports. Guest workers have begun farming, producing a variety of agricultural products never before available in Palau. Guest workers, reef fishing for Palauan companies, are bringing fresh reef fish to the markets on a daily basis, providing an important supplement to the daily diet. With Palau's growing tourism industry, the demand for a larger workforce is growing proportionately. Guest workers are helping to meet demands for service in hotels, restaurants, land and dive tours, and related areas.

While indigenous Palauans recognize the benefits reaped from the growing number of guest workers, they are resentful of what they perceive as an invasion by foreigners for many reasons, some of which are examined next.

Indigenous residents of Palau are being displaced by guest workers from jobs they feel should be theirs. The Office of Planning and Statistics reported in 1999 that the largest number of Palauans (2,860) are employed in the government sector, while employment in the private sector is left largely for guest workers. Just over a thousand Palauans are employed in the private sector, which is dominated by some 4,800 alien workers. This trend is perhaps supported by the attitude that "dirty" work should be performed by other workers, not by local people. Strong dissension among young, unskilled, and untrained Palauans, who have difficulty finding work because the suitable jobs have been taken over by guest workers, has led to tension between locals and guest workers.

Local people also feel that the large number of guest workers has overcrowded the islands and it is impossible to go anywhere without encountering them. Palauans are used to being on their own, with much room

to move around. Now they have to fight in lines with guest workers to get the commodities or services they used to take for granted. In crowded Asian cities, people do have to exert their rights and fight to get everything or they cannot survive. Guest workers carry their assertiveness to Palau. But the opposite is the norm in Palau where true Palauans engage in *omelengmes*, an unwritten rule of politeness and respect similar to *kokua* in Hawai'i. Palauans are at a loss to understand why guest workers cannot *melengmes*, and consider them rude. This gives rise to resentment, for example when a local family goes to the Rock Islands only to find the beaches already occupied by nonlocal people. Palauans' former freedom and privacy have been invaded.

This overcrowding also contributes to the rapid depletion of natural resources. Palauans have always lived off the land; guest workers have proceeded to harvest food wherever food can be found, on the sea and on the land. Fishermen have to go farther out to sea to harvest the amount of fish they used to catch in nearby waters. This has led both state and national governments to enact laws regulating or prohibiting noncitizens from harvesting marine resources (Palau 1994).

Palauan custom and tradition dictate that no one is denied access to and use of the Rock Islands and beaches. Yet the influx of foreigners has taken a toll on these finite resources. Koror State reacted by enacting statutes regulating the use of the Rock Islands in the interests of environmental conservation and sustainability (Koror State 1997). However, such statutes have brought an onslaught of criticism about how unfriendly and anti-tourism Palau is.

Guest workers are seen as a major drain on public services, particularly those free or subsidized public services intended for the general welfare of the citizenry. For example, guest workers take full advantage of the free health services, and it is not uncommon to walk into Public Health on maternity clinic days and find Palauan women outnumbered five to one by their guest worker counterparts. Although prenatal and postnatal medical care continues to be provided free of charge, in 1995 a medical fee schedule was imposed, allowing citizens to be charged for medical services on a graduated scale based on their ability to pay, while noncitizens must pay in full.

Another example is public education, which is compulsory and free in Palau. Guest workers began to bring in their dependent children, installing them in already overcrowded schools in Palau. Because living off the land is cheap, many have managed to live simply while sending their children

to private schools; the majority of Palauan children have to go to overcrowded public schools. Although it may be argued that guest workers pay taxes and therefore have a right to benefit from these public services, the argument does not hold firm in many cases. For instance, domestic helpers compose a large percentage of guest workers and are paid an average salary of \$150 per month, or \$1,800 annually. Palau's tax laws exempt those earning less than \$2,000 per year from the salaries and wages tax, and domestic helpers generally fall into this category. Although domestic helpers get paid low wages, they live with their employers and are provided for as members of the family, getting room and board free while remaining exempt from taxes. Yet they somehow manage to bring in their dependent children and put them through expensive private schools. How do they survive with such low income and still afford to send their children to private schools? It might be suspected that they are engaged in other perhaps illegal but gainful activities that are unaccounted for and untaxed. This situation has resulted in a recent law prohibiting guest workers from bringing dependents to Palau to live with them (Palau 1998a). Only if the combined annual income of the family, husband and wife, is more than \$10,000 a year may guest workers bring in dependents, and they are required to pay \$500 per year per dependent to the National Treasury. The rationale behind this law is that a guest worker earning less than \$10,000 per year cannot afford to support dependents in Palau.

This policy may sound cruel and inhumane to those who argue that guest workers are happiest when they have their families with them, and are therefore more productive. However, the counterargument is that Palau is not the only country in the world that allows guest workers to enter, but it is one of those rare countries that allows them to bring their families and dependents with them. Other countries, such as the Northern Marianas, employ guest workers, but do not allow their families and dependents to accompany them; the number of guest workers there far exceeds the number of indigenous residents, making resident citizens a minority in their own land. Guest workers are just that—guest workers. In Palau they are temporary guests who are given the opportunity to earn an income in exchange for their services. They are not there to establish their homes, their families, and stay forever. Besides, when guest workers bring in dependents, they often have to take time off work to take their dependents to school or hospital, or to engage in similar activities. Such absences deprive employers of working hours that should be spent on services to the employer.

Social problems are another concern. Although no hard data support this, the perception of many Palauans is that the influx of guest workers is associated with the importation, trafficking, and use of illegal drugs. No one has put a gun to the heads of Palauans and forced them to get involved with drugs, but the drug pull is irresistible to some. A number of guest workers have been apprehended trying to smuggle drugs into Palau for their Palauan counterparts. The rising drug problem has led to the recent enactment of legislation calling for stiff punishment, penalties, and fines for drug involvement, including a mandatory twenty-five-year jail term for drug importation and trafficking. Palauan taxpayers bear the entire cost of keeping foreigners in jail.

Besides drugs, prostitution has seen a marked rise in Palau. Establishments posing as restaurants and bars, or offering karaoke, are often fronts for prostitution. Women are brought in from many Asian countries as “waitresses” or some other legitimate work classification only to end up as prostitutes in these establishments. While it is difficult to apprehend offenders, the evidence is readily apparent in Koror, and the “services” are even advertised on the Internet. Again, this has led to the enactment of the Anti-Prostitution Act, which imposes severe penalties for the solicitor, the prostitute, and the promoter (Palau 1998b). Prostitution has introduced sexually transmitted diseases and is an industry that cannot be taxed. It has also led to breakup of families and loss of income that should have been spent for the welfare of the family and children in the first place. Domestic helpers have contributed to the break up of many marriages and families when they get involved with a spouse.

The increasing population of Palau has given rise to other crimes and social ills, including fraud, bribery, murder, and theft. Incidences of bribery of public officials are being investigated by joint investigative committees of the Palau National Congress and by the Special Prosecutor. Many of those involved in giving bribes are noncitizens purportedly doing business in Palau, but trying to evade payment of taxes—import taxes, gross revenue taxes, and salary and wage taxes. Others pay bribes in exchange for favors or waiver of legal requirements. In some cases of murder, the perpetrators fled the country before they could be apprehended. Employers have repatriated their guest workers, only to find that the guest workers have robbed them of cash or other tangible assets. In other incidences, trusted accountants have emptied their employer’s bank accounts and returned home, leaving the unsuspecting employer holding the empty bag.

On the environmental side, pollution has become a problem, not only

in the form of nonbiodegradable trash, but also noise and air pollution. Palauans, of course, contribute to these problems, but guest workers from Asia are not always environmentally conscious and contribute to all forms of pollution. Noise and air pollution occur primarily on the streets, where traffic congestion is becoming the norm and where inexpensive refurbished Japanese vehicles emitting sooty exhaust have flooded the market.

Poverty is another matter of concern. Due to low salaries and wages, many guest workers live below what would be considered poverty level by Palauan standards. How is this possible? Even at what is considered poverty level in Palau, living conditions for many guest workers are still higher than what they can afford in their home countries. As a result, many guest workers live in what some would consider ghettos, often called after their countries of origin, such as “Manila town” or “China town.” This problem is not confined to any one ethnic group, but is true of many of the guest workers in Palau.

While enabling Palauan women to pursue careers, the extensive use of domestic helpers has negative aspects too. The care of children has been relegated to domestic helpers, and many believe Palauan children are no longer learning the traditional values and lessons that have been passed on from generation to generation. Most of the new generation of children are ignorant of their cultural background. They have totally lost the values of respect for elders and for one another, as well as being deficient in the use of their native tongue. These issues are widely debated among Palauan leaders, and the traditional chiefs held a conference in 1999 to discuss the loss of traditional values. A lack of understanding of their own culture, as well as a lack of appreciation and understanding of other cultures, often leads to misunderstanding between Palauans and guest workers. The world has witnessed many racial conflicts—sometimes even resulting in “ethnic cleansing”—arising from a lack of understanding among different peoples, and Palau would do well to avoid this situation.

Language is another affected area. Most young Palauans are learning English and other foreign languages, and are often more fluent in English than in Palauan. Although words borrowed from other languages have enriched the Palauan language, it is not being learned at home and is becoming extinct. There is now a conscientious effort on the part of public leaders to speak in pure Palauan, rather than the new mixed dialect of Palauan English, in order for all citizens of Palau to understand what their government is all about.

Labor laws and regulations have existed as far back as the Trust Terri-

tory days, with little or no changes to reflect changing times and needs. Under existing laws, qualified Palauan citizens should be given preferential treatment in employment decisions. Guest workers are required to teach appropriate skills to Palauan counterparts, so that after a given period trained Palauans can replace noncitizen workers. Under current labor laws, a job opening may be filled with a guest worker only after the employer has advertised the position for a period of thirty days and no qualified Palauan citizen can be recruited. While there are laws governing employment of guest workers, the increasing demand for a skilled workforce has far outdistanced the recruitment process. The gap is expected to grow wider with more development activity and with the construction of the 53-mile Babeldaob Road under the terms of the Compact of Free Association. The problem is exacerbated when no Palauan is interested in work deemed demeaning. Employers waste time going through the recruitment process just to satisfy the legal requirements, but routinely employ guest workers when no Palauans apply.

In many instances, it is more expensive to hire guest workers than locals. However, many employers hire guest workers out of necessity, because Palauan workers lack proper work attitudes and other qualifications, and are prone to absenteeism. To hire guest workers, the employer must provide round-trip airfare from the point of hire, pay for recruitment and work permit fees from the Labor Bureau, room and board, and medical expenses, in addition to wages and salaries, taxes, and contributions to social security. As well, employers are responsible for the safety and security of the guest worker while in Palau. By contrast, employers who hire local workers are responsible for only wages and salaries and accompanying taxes and social security contributions.

The situation also drains the local economy, as guest workers repatriate a sizable portion of their wages and salaries to their families back home. No hard data on remittances are available, but the Labor Office estimates the total annual salaries of guest workers to be more than \$23.8 million (Anastacio 1998). It is likely that a good portion of this amount is exported annually, as evidenced by the growth of remittance companies in Palau.

So why guest workers? First, Palauans are in short supply, and there are not enough of them to meet the workforce demands of their growing economy. Furthermore, many Palauans lack training and skills in many trades. Traditional and customary obligations often require Palauan workers to leave work and attend to these obligations. Culturally, the

Palauan people place a higher value on family and personal relationships than on employment obligations. Consequently, a Palauan does not think twice about leaving work to attend the funeral of a close kin or friend, even if it means loss of employment. This is quite neighborly, but businesses cannot survive for long without a steady workforce. Guest workers who do not have such obligations are preferred over local hires.

There has been a long debate over whether or not Palau should impose a minimum wage in the private sector. Until recently, there was a minimum wage for public employment but not for the private sector. The argument was that if Palauans were paid better wages, more of them would join the workforce. Although economists advised against setting a minimum wage in the private sector, politics won out, and a Minimum Wage Act setting the minimum wage at \$2.50 per hour was passed in 1998 (Palau 1998c). This act was intended to encourage Palauans to find gainful employment and improve their standards of living. The move may have been politically correct, but the act has had the opposite effect and encouraged the employment of guest workers.

The Minimum Wage Act mandated a minimum wage for citizen workers only, but failed to close the door to guest workers. Moreover, it became law at perhaps the most inappropriate time, when Palau's economy was flailing due to the Asian economic downturn. To survive the economic hard times, employers responded to the Minimum Wage Act by reducing their Palauan workforce, by cutting their work hours, or by hiring more guest workers. As one prominent Palauan businessman said, "If I have to pay a Palauan \$2.50 an hour, I might as well hire two Filipino workers at \$1.25 an hour each. At least I'll have two warm bodies around—one to man my store and the other to run errands."

Much criticism has been made of the treatment of guest workers, and some argue that they should be given complete freedom to move around from job to job as they please. Some of these criticisms may have merit, but given Palau's small size and limited resources, and a unique indigenous culture, the people of Palau choose to control the influx of guest workers to their homeland in order for Palauans to survive as a people in their own land. A position of openness and freedom is acceptable in big countries like the United States where resources are vast and millions of people can be accommodated. By contrast, Palau cannot absorb any greater population growth while enabling its citizens to survive for long. The people of Palau definitely do not wish to follow the tragic examples of American Indians, the Chamorro people on Guam and in the North-

ern Marianas, or the Hawaiians in Hawai'i. Americans who have tried to close the door to Mexican workers trying to get into the United States can appreciate why Palauans are attempting to control their alien worker population. Palauans have an age-old saying: *Alii a rekung el beluu a motitch er a rekung el daob*. Translated simply, it means "Beware, the land crab may be displaced by the ocean crab" (CoPopChi 1997, part 2). In other words, if we are not careful, indigenous Palauans may be displaced by foreigners.

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