

# Federated States of Micronesia 2013/2014 HIES

## States income



### Executive summary

**YAP**  
**US\$15,843**

**CHUUK**  
**US\$8,415**

**POHNPEI**  
**US\$16,708**

**KOSRAE**  
**US\$15,141**

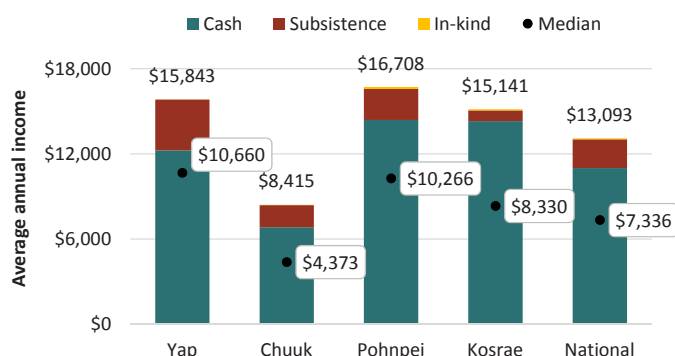
Average annual household income



### Average household income

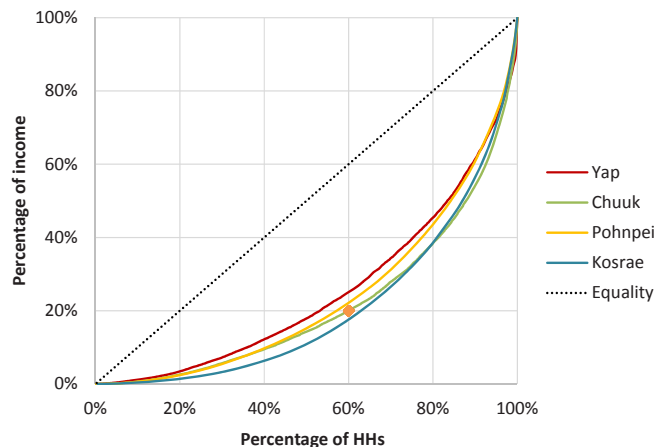
There is a large degree of difference in household (HH) income in Chuuk when compared with the three other states of the Federated States of Micronesia (FSM) (Chart 1). Average annual HH income in Chuuk is US\$8,415 while it is around US\$15,500 in other states. Kosrae has a high proportion of income in the form of cash (94%), while in all other states, cash makes up around 80% of total HH income. The large majority of the remaining income is subsistence – the value of items that are home-produced and consumed by the HH.

Chart 1: Average and median annual HH net income, by income type and state



In terms of income distribution, the comparison of average and median income (black point in Chart 1) is indicative that there are a number of high income HHs distorting the average. Due to this, the median income<sup>1</sup> is presented to give further insight into the distribution of HH income levels in FSM. For example, in Chuuk, half of the 6,819 HHs earn an annual income lower than US\$4,373, yet the average is almost double that level. Chart 2 demonstrates this high level of income inequality in all states.

Chart 2: Distribution of HH income by state



<sup>1</sup> The total annual income of the HH that falls half-way between the highest and lowest income HH when all HHs are ranked in order of income

Chart 2 shows that, across all states in FSM, there is a high degree of income inequality. That is, a small proportion of the population accounts for a large proportion of income. For example, from Chart 2 we can see that the marker shows that 60% of the population account for around 20% of the income – therefore, 40% of the population account for 80% of total HH income.

An even distribution of income among HHs is represented by the ‘equality’ line, however it can be seen that the distribution of income for all states diverts significantly from equality, showing that there is a significant degree of income inequality in FSM.

## Composition of HH income

Income is highly concentrated in FSM with wages and salaries, transfer income (pension and remittances), subsistence consumption and business income accounting for between 84% to 92% of total income in each state (Chart 3).

### Wage and salary income

Wage and salary is the most important income source in FSM, accounting for around 40 to 51% of total HH income (Chart 3). In Kosrae, transfer income (e.g., pension and remittances) is equally important to wage and salary income, however it is the most significant in the other three states.

Despite the significant contribution of wage and salary income to total HH income in FSM, not all HHs receive this income category. 70% of HHs in Kosrae receive income in the form of wages and salaries, however only 43% of HHs in Chuuk do (Chart 4).

Chart 4: Proportion of HHs earning wage and salary income and total annual wage and salary income by state

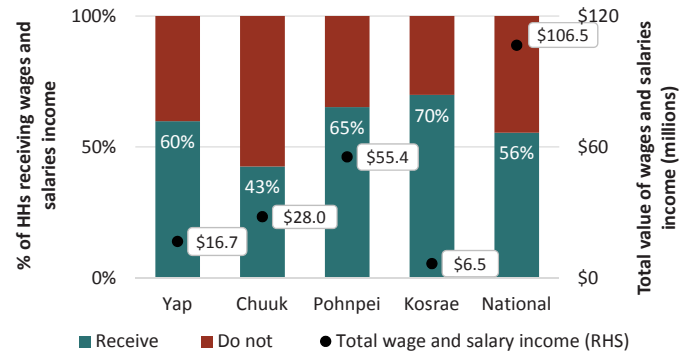
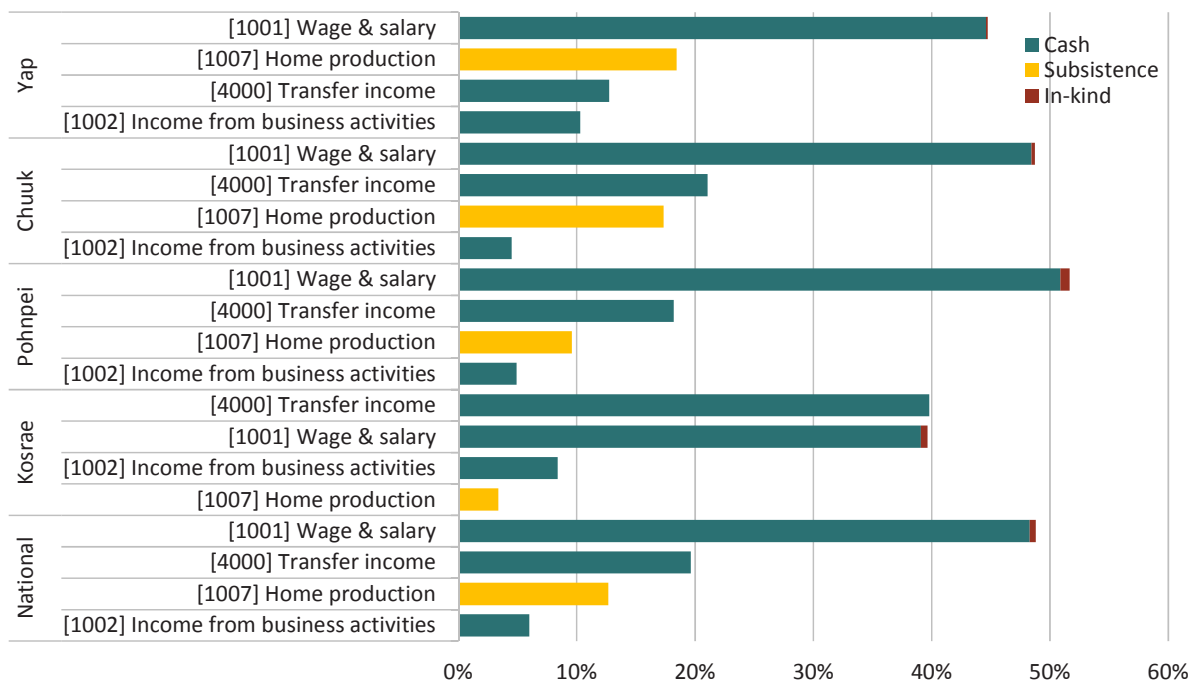
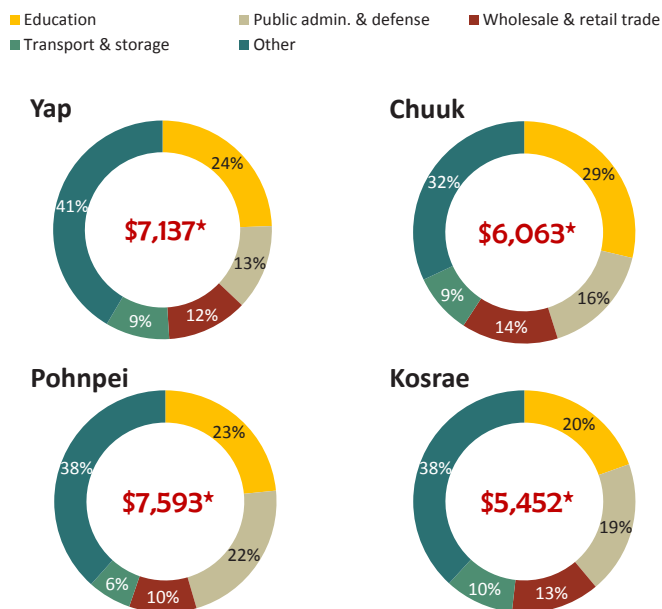


Chart 3: Proportion of total income generated by the highest four income earning categories by state and income type



**Chart 5: Composition and average annual wage and salary income by state<sup>2</sup>**



Education, and public administration and defence, rank as the highest overall (total) wage and salary earning industries in all states, except for Kosrae where professional, scientific and technical industry ranks the highest followed by education (Chart 5). Wholesale and retail trade, and health and social industries, also rank highly as industries providing a large proportion of income in all states.

There is generally a close link between the number of persons employed and the magnitude of income by industry, however there are occurrences where there is a high magnitude of income with a lower corresponding number of jobs in that industry, or vice versa. This is indicative that average wages and salaries are not equal across industries.

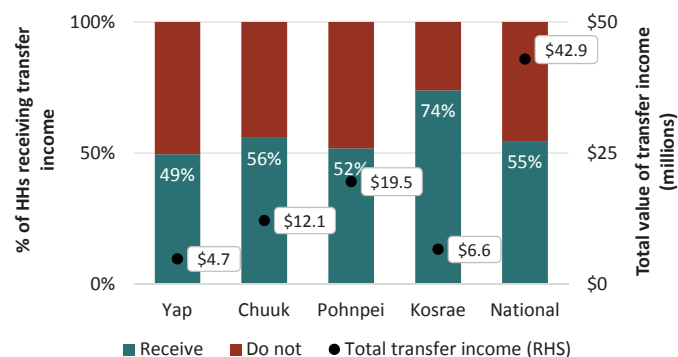
For example, finance and insurance, information and communication, and professional, scientific and technical activities generally have average annual wage and salary above US\$10,000 per job per year in all states. While in industries such as wholesale and retail trade, accommodation and food services, and arts, entertainment and recreation, are lower than US\$5,000 per year.

### Transfer income

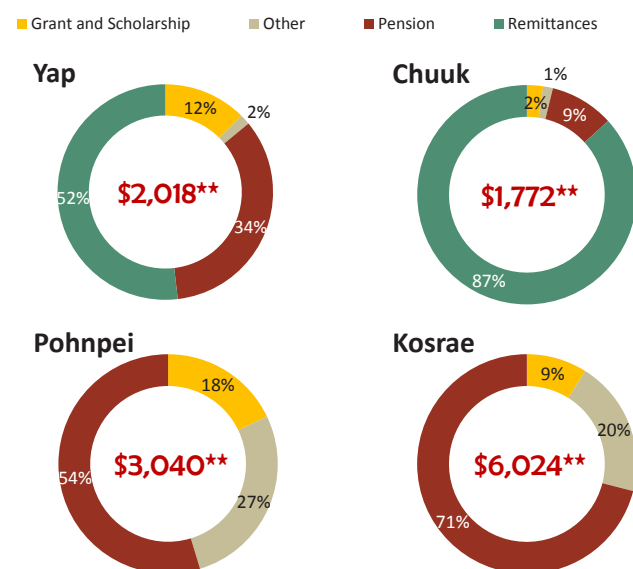
With exception of Yap, transfer income ranks the second highest source of HH income in FSM (Chart 3). In Yap, it amounts to 13% of total HH income, 18% in Pohnpei, 21% in Chuuk and 40% in Kosrae.

Although a significant proportion of total HH income is generated from transfer income, only a little more than half of HHs receive this income category. In Yap, 49% of HHs declare transfer income, while in Kosrae three-quarters do (Chart 6).

**Chart 6: Proportion of HHs receiving transfer income and total annual HH transfer income by state<sup>3</sup>**



**Chart 7: Composition and average annual value of HH transfer income by state**



Overall, remittances make up the largest component of HH transfer income in all states and overwhelmingly so in Chuuk and Kosrae where remittances account for 87% and 71% of total transfer income respectively. Of the total remittances received, 96% are sent from overseas and a similar figure exists for each state.

In Yap, Pohnpei and Kosrae, pensions (social security) make up around one-quarter to one-third of total transfer income. Grants and scholarships make up a significant proportion of HH income, especially in Yap, Pohnpei and Kosrae – in all states, 90% of this income is generated from the Pell Grant (college fund).

### Subsistence – income generated from the value of home-produced and consumed goods

Subsistence is the second largest contributor to HH income in Yap, accounting for 18% of total HH income (Chart 3). It is the third largest contributor in Chuuk (17%) and Pohnpei (10%) and the fourth in Kosrae (3%).

<sup>2,3</sup> The RHS, corresponding to the black points in the figure, represents the total HH wage and salary income by state.

\* Average annual wage and salary income per job.

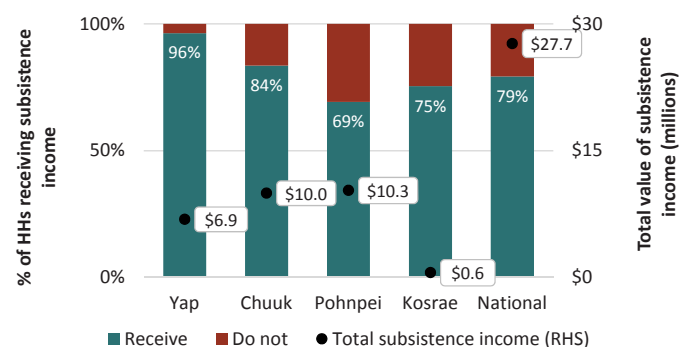
\*\* Average annual HH transfer income.

**Table 1: Highest contributors to subsistence income by state**

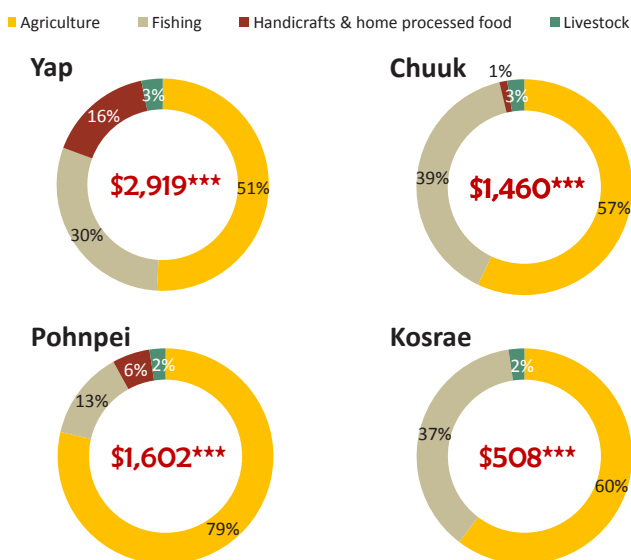
Yap		Chuuk		Pohnpei		Kosrae		National	
Reef fish	23%	Reef fish	30%	Sakau	32%	Reef fish	26%	Reef fish	20%
Taro	22%	Breadfruit	26%	Yam	14%	Banana	17%	Taro	13%
Toddy	15%	Taro	11%	Reef fish	10%	Breadfruit	16%	Breadfruit	12%
Banana	6%	Banana	10%	Pigs	10%	Taro	13%	Sakau	11%

The large majority (79%) of HHs in FSM derive income from subsistence (Chart 8). In Yap, almost every HH (96%) generates subsistence income, followed by Chuuk (84%), Kosrae (75%) and Pohnpei (69%).

**Chart 8: Proportion of HHs receiving subsistence income and total annual value of subsistence income<sup>4</sup>**



**Chart 9: Composition and average annual value of subsistence income by state**



Overall, agriculture makes the most significant contribution to subsistence income (Chart 8). In Pohnpei, agriculture accounts for 79% of the total value, followed by fisheries (13%), handicrafts and home processed foods (6%) and livestock (2%). Agriculture makes the most significant contribution to subsistence income in Yap (51%), Chuuk (57%) and Kosrae (60%), however the contribution of fisheries is also significant in these states and, in Yap, the value of handicrafts and home-

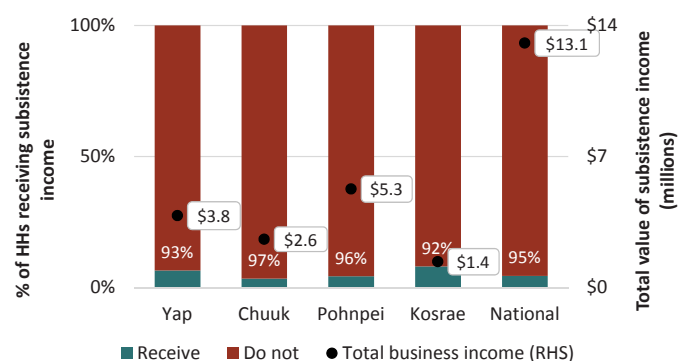
processed foods also makes a significant contribution to subsistence income.

In terms of subsistence produce, reef fish make the largest individual contribution to HH subsistence income in all states, except for Pohnpei (Table 1). Sakau (kava) is the highest valued home-produced and consumed produce in Pohnpei amounting to one-third of the total value of subsistence consumption. Across all states, the top four produce listed in Table 1 account for two-thirds to three-quarters of the total value of subsistence income, which is indicative of the importance of the items in Table 1 for food security in FSM.

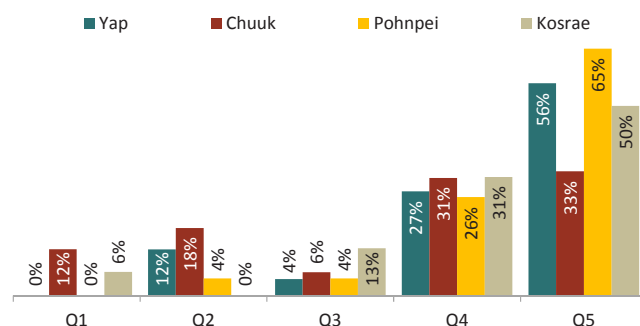
## Business income

Business income is the fourth most significant contributor to total HH income in all states, with exception of Kosrae where it is the third most significant (Chart 3). However, business income is only declared by a small proportion of HHs – nationally, only 5% of HHs generate business income (Chart 10).

**Chart 10: Proportion of HHs receiving business income and total annual value of business income<sup>5</sup>**



**Chart 11: Distribution of HHs generating business income by quintile**



<sup>4,5</sup> The RHS, corresponding to the black points in the figure, represents the total annual HH subsistence/business income by state.  
 \*\*\* Average annual HH subsistence income.

Table 2: Average annual HH business income by state (USD)

	Yap	Chuuk	Pohnpei	Kosrae	National
HHs reporting business income	154	234	277	88	752
Total business income	\$3,838,796	\$2,580,027	\$5,259,366	\$1,379,747	\$13,057,936
Average annual business income (all HHs)	\$1,631	\$378	\$820	\$1,267	\$783
Average annual business income (HHs reporting) <sup>6</sup>	\$24,960	\$11,045	\$19,004	\$15,754	\$17,371
Average annual HH income	\$15,843	\$8,415	\$16,708	\$15,141	\$13,093

Of the small proportion of HHs that receive business income, the majority are in higher income quintiles (Chart 11). With exception of Chuuk, in three states, more than 80% of HHs earning business income fall within Q4 and Q5 - business-owning HHs are typically high income earning HHs. The average annual business income, for HHs who report business income, is presented in Table 2.

Table 2 demonstrates that HHs which generate business income typically have higher income levels than HHs that do not. It shows that the average HH income for the few HHs that generate business income exceeds the total average annual income for all HHs. Therefore, even if these HHs do not have a secondary income source, they generate, on average, a higher annual income from business alone than the average HH income in each state.

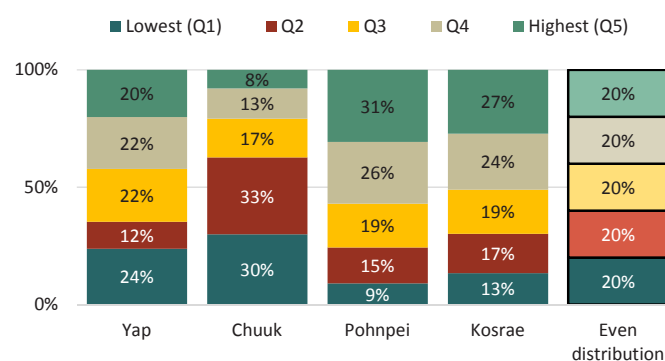
An overwhelming proportion (75% of all businesses nationally) of HH businesses operate within the wholesale and retail industry. In Chuuk, all businesses were declared to be wholesale and retail oriented, while in Kosrae it was 76%, Pohnpei (71%) and Yap (53%). Other significant business industries include transportation and storage (14% in Yap; 12% in Kosrae) and accommodation and food services (14% in Yap; 14% in Pohnpei and 6% in Kosrae).

## Income distribution

This fact sheet presents a comparison of income magnitude and composition for the four states in FSM. A clear trend is that HHs in Chuuk state have significantly lower income – average and median – than HHs in other states. The income level and composition in the other states are reasonably comparable. Chart 12 supports this statement where it can be seen that more HHs in Chuuk state fall into lower national income quintiles than the other states. For example, 63% of Chuuk HHs fall into Q1 and Q2 – the lowest cash income quintiles. An example of an even distribution of HHs among national income quintiles is presented and it can be seen that Yap somewhat resembles this, but Chuuk dominates low-income quintiles, while Pohnpei and Kosrae dominate high income quintiles.

<sup>6</sup> This is the average income of HHs that receive business income, not all HHs.

Chart 12: Distribution of population by national cash income quintile



The results indicate that average annual wage and salary per job in each state is comparable – Kosrae has the lowest at US\$5,452 per job per year, while Pohnpei has the highest average of US\$7,593 – however there is a significant difference in transfer income where Chuuk HHs have the lowest average transfer income per year of US\$1,772, while Kosrae has the highest, averaging US\$6,024 per year. Subsistence income is significant in Yap, yet quite low in Kosrae and the difference in average business income levels is large, with Chuuk reporting the lowest average business income levels.

The results are indicative that there is a need for income generating opportunities – both in the form of cash and subsistence – in order to secure food and livelihoods in Chuuk.

There is income inequality within and between the States of FSM, as it is seen that a small proportion of HHs account for a large proportion of income (Chart 2) and that there is an uneven distribution of cash income among states (Chart 12).

## In summary:

- In all states, wage and salary income make the most significant contribution to total HH income.
- In Yap, subsistence income is generated by most HHs and it contributes a significant amount towards total HH income.
- In Chuuk, average HH is low in comparison to the other states. Less than half of HHs in Chuuk generate wages and salaries income and average HH transfer and business income are the lowest of any state. Chuuk households are comparatively cash poor.
- In Pohnpei, two-thirds of households generate wage and salary income and the average wage and salary per job is higher than in other states. A lower proportion of HHs generate subsistence income in Pohnpei.
- In Kosrae, transfer income is equally as important as wage and salary income, however, average wage and salary in Kosrae is lower than in other states while average HH transfer income is much higher. Kosrae HHs generate a comparably higher proportion of cash income than the other states.

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	Yap	Chuuk	Pohnpei	Kosrae	National
Average annual HH income	\$15,843	\$8,415	\$16,708	\$15,141	\$13,093
Median annual HH income	\$10,660	\$4,373	\$10,266	\$8,330	\$7,336
Proportion of HH income that is cash	77%	81%	86%	94%	84%
Proportion of HHs generating subsistence income	96%	84%	69%	75%	79%
Proportion of HHs in national income Q1 and Q2	35%	63%	24%	30%	40%

