

AMERICAN SAMOA QUARTERLY BUSINESS SURVEY

FIRST QUARTER 2009 FINAL REPORT

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December 23, 2009

Summary of Findings

The final report on the First Quarter 2009 Business Survey selected 215 businesses while 192 questionnaires were returned, giving an 89 percent response rate. About 97 percent of businesses were in operations at the time of the survey. Local corporations accounted for 74 percent of business legal status while foreign corporations amounted to 9 percent. Only 12 percent of coverage were Individually Owned business while Partnerships accounted for only 5 percent. About 75 percent of businesses were owned by US Citizens or Nationals. The foreign owned 25 percent comprised of 11 percent other citizens; 7 percent Samoa citizens; 5 percent Koreans and 2 percent Chinese.

First quarter sales/receipts or revenues generated locally amounted to over \$244 million (if annualized equals \$976 million.) A total of 9,531 workers were employed at the 192 businesses selected and with a first quarter payroll of \$28.6 million. Over 6,000 employees were affected by the new Minimum Wage Order resulting in a \$1.1 million increase in payroll cost. A total of 420 jobs were lost due to the first two increases in the minimum wage.

General Information

In April 2009, the Department of Commerce conducted the first ever quarterly survey of business establishments in American Samoa. The objectives of the survey were to establish baseline information for monitoring the territory's economy; provide statistical inferences for expanding and diversifying the territory's economy; improve employment statistics and obtain quantifiable minimum wage impacts. Selected businesses were asked to respond to more detailed information regarding the impact of recent increases of minimum wages as stipulated in the US Minimum Wage Act of 2007 (Public Law 110-28). The Act called for additional increases in the local minimum wages of \$0.50 an hour each year on May 25, until it reached the minimum wage generally applicable in the US.

As most of us are undoubtedly aware, an unparalleled economic downturn has been experienced globally, and it has reached our shores impacting our island community and local businesses. To help counter this downturn, the federal government provided funds or stimulus grants to counter these economic hardships, support improvements in local infrastructure, and reach out to help the wider business community – especially aid to help workers keep their jobs.

But without statistics and the means to identify specific problem areas or severe and adverse economic sectors, it will be difficult for ASG to take appropriate plan of actions to quickly meet economic needs or intervene on behalf of our local business community and their workers. This survey will help ASG determine where economic assistance may be most needed and identify possible gaps in governmental services for diversification of the local economy.

The survey included information on current employment, compensation and general wage data in order to measure disbursement of income and money received by the local population. Data on gross receipts and sales, capital expenditure, inventories, goods for resale and class of customers are needed for preparation of current gross domestic products. An assessment of both past and current impacts, especially the effects of the escalating minimum wage requirements, should identified both positive and negative impacts of federal minimum wage legislation. These statistical inferences can be used to support/change further federal actions on local wages. Additional information were obtained for the Industrial Park Management in order to capture government land uses and lease information.

Temporary staff were hired and survey teams were sent out on April 13, 2009, for direct distribution of survey forms to selected businesses. The business establishments were given 30 days to respond to the survey. Despite the 30 says requirement, most businesses were able to submit the questionnaires in two weeks time. Although long-term plans call for eventually including all businesses in ongoing quarterly surveys, due to time and budget constraints, this first survey consisted primarily of businesses with high employment statistics. Only 215 establishments were selected for the first quarter survey.

Sampling

The survey sample was drawn from three different sources. First the Wage and Hour Survey listing from the last minimum wage study was included to make sure that all businesses covered under minimum wage laws were included. The second source was the Industrial Park Listing in order to capture all businesses using government use. The third listing applied was the business registration listing used in the 2007 Economic Census. The census listing was used primarily for adjusting coverage and to make sure that enough information is collected for employment and Gross Domestic Products needs. Both the Wage and Hour Listings and the Industrial Park Listings were reclassified into standard North America Industry Classification System (NAICS). Table 1 provides percentage distributions of three primary contents (sales, payroll and employment) used for preparing targeted coverage by industry.

NAICS code	Kind of business	No. of Establishments	% All establishments	Sales/receipts/revenue/shipments (\$1,000)	% all sales	Annual payroll (\$1,000)	% All Pay	Paid employees for pay period including March 12 (number)	% All workers	% Avg. distribution	Targeted 2009 QBS Coverage Range
0	All establishments with/without annual Payroll	1,061	100	993,940		120,552		11,618			

23	Construction	64	6.0 %	44,210	4.4%	8,456	7.0 %	563	4.8 %	5.4 %	4 to 7
3133	Manufacturing	65	6.1 %	503,854	50.7 %	48,306	40.1 %	5,550	47.8 %	46.2 %	40 to 50
42	Wholesale trade	27	2.5 %	86,788	8.7%	3,630	3.0 %	345	3.0 %	4.9 %	3 to 8
4445	Retail trade	287	27.0 %	154,593	15.6 %	14,608	12.1 %	1,628	14.0 %	13.9 %	12 to 15
4849	Transportation and warehousing	186	17.5 %	15,530	1.6%	4,229	3.5 %	608	5.2 %	3.4 %	2 to 5
51	Information	15	1.4 %	18,741	1.9%	3,923	3.3 %	290	2.5 %	2.5 %	2 to 3
52	Finance and insurance	12	1.1 %	28,265	2.8%	4,108	3.4 %	217	1.9 %	2.7 %	2 to 3
53	Real estate and rental and leasing	31	2.9 %	9,055	0.9%	817	0.7 %	81	0.7 %	0.8 %	.7 to .9
54	Professional, scientific, and technical services ...	61	5.7 %	53,295	5.4%	10,668	8.8 %	531	4.6 %	6.3 %	5 to 9
55	Management of companies and enterprises	1	0.1 %	D		D		a			
56	Administrative and support and waste management and remediation services	70	6.6 %	9,100	0.9%	1,693	1.4 %	215	1.9 %	1.4 %	.9 to 2
61	Educational services	6	0.6 %	3,320	0.3%	487	0.4 %	5	0.0 %	0.3 %	0 to .4
62	Health care and social assistance	28	2.6 %	27,535	2.8%	13,287	11.0 %	734	6.3 %	6.7 %	3 to 11
71	Arts, entertainment, and recreation	13	1.2 %	D		D		b			
72	Accommodation and food services	99	9.3 %	21,335	2.1%	3,598	3.0 %	536	4.6 %	3.2 %	2 to 5
81	Other services (except public administration)	96	9.0 %	16,489	1.7%	2,440	2.0 %	231	2.0 %	1.9 %	1.7 to 2

Final Selection for First Quarter 2009 Business Sample Representation

Table 2 provides final sample distribution of the selected sample by Industry for the Quarterly Business Survey covering January to March 2009. Except for Transportation and Warehousing Industry, and Educational Services which showed much lower and higher coverage respectively, the rest of the Industries were fairly represented in the sample. The distributions only dealt with coverage and not contents, and should not be assumed for weighting the data. A more detailed procedure should be adopted in order to produce weights and expanding the sample to full scale.

Industry	2007 Econ %	2009 Sample %
Construction	3.8	3.7
Manufacturing	8.3	8.4
Wholesale trade	2.7	5.2
Retail trade	32.9	31.4
Transport and warehouse	11.2	5.8
Information	2.2	3.1
Finance and insurance	2.8	3.1
Real estate, rental and leasing	3.1	1.6
Professional, scientific, technical	4.9	7.3
Management of companies	0.7	0.0
Administrative and support services	4.3	4.7
Educational services	0.9	4.7
Health care and social assistance	4.6	3.7
Arts, entertainment and recreation	1.0	1.6
Accommodation and food services	8.6	11.5
Other services	7.9	4.7

Survey contents

The three sources mentioned earlier were identified for subject matter contents in preparation of the survey instrument. The US DOL Wage and Hour survey form, the Economic Census Form and the Industrial Park Survey as provided in Table 3 were utilized. Final contents provided in Table 4 were selected based on the survey objectives.

U S Department Of Labor Wage/Hour Survey Form	U S Bureau Of Census Economic Census Form	Industrial Park and Others
	1. EIN (9 digits)	
1. Name/address/phone of establishment	2. Physical location/box/street/phone including village and location	1. Compensation – wages, salaries and benefits

	description	
2. Industry classification	3. Operation status (in operation, temporarily or seasonally inactive, ceased operation, sold or leased, other status)	2. Capital expenditures
3. Type of business activity	4. Months in operation	3. Private investments – construction projects
4. Source of materials	5. Sales, shipments, receipts, or revenue	4. Gross Sales, receipts, revenues and shipments
5. Finished products, shipped out or not and who pays for shipping	6. E-Commerce sales, shipments, receipts, or revenue	5. Operating expenses
6. Is firm tax exempted	7. Employment and payroll (number of paid employees for whom FICA tax were withheld and for whom FICA taxes were NOT withheld, Unpaid Family Members worked 15 or more hours during week of, First Quarter Payroll (Jan to Mar, 2008) Employer cost of fringe benefits (social security, Medicare, Medical insurance, etc.,	6. Net purchase of merchandize for resale
7. Copies of balance sheets income and expense statements	8. Inventory	7. Class of Customers
8. Survey pay period, begins and ends	9. Selected expenses (Operating expenses – include payroll and exclude cost of goods sold and interest)	8. Number of covered employees under FLSA
9. Total employees during survey pay period	10. Industry classification	9. Increase in payroll
10. Employees covered by this industry wage order	11. Class of customer <ul style="list-style-type: none"> • Individuals, household consumers • Fishing fleets • Retail establishments • Wholesalers • Restaurants, food service and nightclubs • Hotels • Travel agencies and other passenger transportation services • Other service establishments including truck and passenger 	10. Number of new employees

	<ul style="list-style-type: none"> • car rental and leasing • Apparel manufacturers • Fish canning manufacturers • Other manufacturer establishments and quarries • Construction contractors • Banks, insurance, and real estate companies • Government bodies • Farmers for farm use • Other (specify: _____) 	
11. Employment covered by industry wage order for the 2 most recent years	12. Detail of sales, shipments, receipts, or revenue. % of sales for products manufactured at this establishment	11. Number of jobs layoff due to new wage order
12. Fringe benefits provided by establishment: Number of paid holidays Number of paid vacation days Number of paid sick leave days Health care plan Pension plan Other (specify)	13. Describe principle business activities and percent of total sales 1. _____ 2. _____ 3. _____	12. Expected increased in payroll due to next wage increase
13. Additional remarks	14. For hotel, Motels or Other Traveler Accommodation Only: Number of Rooms Were more than half of guestroom or unit rental receipts from transient guests?	13. Expected layoff due to wage order increase
14. Name of person submitting information, title and date submitted	15. Legal form of organization and ownership	14. Expected reduction in working hours due to wage order increase
15. Name	16. Certification and person completing form	15. Has the wage increase affected other wages in your business? If so, how?
16. Address		16. Have you change any benefits as a result of the wage increase?
17. Wage order industry		17. Have you changed your prices as a result of the minimum wage increase? If

Business Community concerns with Confidentiality of Information given to ASG.

The survey is conducted under the American Samoa Statistics Act of 2003. The act mandates the collection of official government statistics by the DOC Statistics Division under the direction of the Director and Chief of Statistics. The same act protects the confidentiality of responses and the misuse of information by government officials. Two major concerns were raised by the business community regarding the survey:

1. "But are we going to trust that ASG does this type of survey correctly?"

All possible avenues were applied to make sure that the survey is done correctly. First the survey coverage has to be representative. In order to reduce response burden, contents were screened for relevancy and needs for information only that have not been provided in other government administrative products. The collected data will be summarized in aggregated form only and published by major industries. These information will be used only for the purposes as stated in survey objectives.

2. "Is ASG going to do it right and not later used the information to get back to any of the businesses, who provided information?"

The DOC-Statistics Division will make every effort to do the survey right and uphold its responsibilities according to the Statistics Law. All information collected under the Statistics Act is immune from the legal process. That is, any personal/business information will NOT be used against you for any purpose such as Immigration, Taxation or any other legal processes without the consent and approval of the owner.

Selected Topics and Survey Findings

The following statements present findings of the business survey for the First Quarter of 2009. These findings are computed, summarized and presented on un-weighted statistical distributions of survey data. Very limited imputations of missing values were applied to very specific data using information such as sales, employment and payroll by applying the SQ principle (i.e., Same Quantity-Similar Quality). In this case, imputations were applied using Same Industry – Similar Characteristics approach.

- ⊙ **OPERATIONAL STATUS** – 97 percent of surveyed businesses were in operations at the time of the survey. Only 1 percent of businesses were temporarily inactive while another 1 percent with Other Status.
- ⊙ **LEGAL FORM OF ORGANIZATION** – About 74 percent of covered businesses were Local Corporations while 9 percent were Foreign Corporations. Another 12 percent were Individual Ownerships and only 5 percent were Partnerships.

- ⊙ CITIZENSHIP OF MAJORITY OWNERSHIP – About 75 percent of business ownership were US Citizens or Nationals. Of the 25 percent foreign owned businesses, 11 percent owned by other foreign nationalities, 7 percent owned by Samoa citizens, 5 percent owned by Koreans and only 2 percent owned by Chinese.
- ⊙ TAX EXEMPTION – Only 10 percent of surveyed businesses have tax exemptions while 87 percent did not. About 4 percent of sample did not respond to this question.
- ⊙ GOVERNMENT LAND LEASE – This question was included to gather information on businesses that are on government land or leasing from government. About 28 percent of surveyed businesses stated that they are located on government land while 67 percent are not. However 5 percent did not respond to this question.
- ⊙ EMPLOYMENT, SALES/SHIPMENTS/RECEIPTS/REVENUE, PAYROLL – Information on employment, sales and payroll are presented in Table 5 below. Sales and payroll are further annualized to provide some general comparisons with the latest Economic Census 2007 results. Again these data are un-weighted and therefore should be treated with caution. The employment distribution of the sample businesses totaled 9,531. Compared to the 2007 Economic Census with 11,618 employed persons, the sample captured over 80 percent of employment if there were no drastic changes to the local economy since 2007. Sales in the first quarter of 2009 amounted to \$244 million. If annualized, total sales/receipts/revenue amounted to \$976 million (a drop from the \$1.3 billion sales in 2007). Quarterly payroll for the first three months of 2009 amounted to \$28.6 million and if annualized equals \$114 million. The 2007 first quarter payroll amounted to \$28.9 million.

Table 5. Employment, Sales/Receipts/Revenue and Payroll by Industry	Paid employment	Quarterly Sales, Receipts, Revenue	Annualized Sales, Receipts, Revenue	Quarterly Payroll	Annualized Payroll
Utilities	452	12,797,440	51,189,760	2,149,058	8,596,232
Construction	180	4,285,936	17,143,744	656,888	2,627,552
Manufacturing	4,801	133,620,870	534,483,480	10,342,578	41,370,312
Wholesale	271	23,801,079	95,204,316	874,388	3,497,551
Retail trade	991	36,082,239	144,328,956	3,030,740	12,122,960
Transportation	174	1,908,575	7,634,300	519,080	2,076,320
Information	269	7,389,693	29,558,772	1,279,295	5,117,180
Finance & Insurance	204	5,604,921	22,419,684	1,097,859	4,391,436
Real estate & rental					

	23	230,158	920,632	40,696	162,784
Professional & scientific	203	5,480,925	21,923,700	901,396	3,605,584
Administrative & management	78	1,525,193	6,100,772	227,906	911,624
Education services	566	1,909,245	7,636,980	2,037,605	8,150,420
Health care & social	587	1,617,145	6,468,580	3,820,701	15,282,804
Arts & entertainment	29	234,936	939,744	41,488	165,952
Accommodation & food services	572	7,183,186	28,732,744	1,231,075	4,924,300
Other services	131	368,000	1,472,000	312,970	1,251,880
Total	9,531	244,039,541	976,458,164	28,563,723	114,254,891

- ⊙ OPERATING EXPENSES, NET PURCHASES FOR RESALE AND CAPITAL EXPENDITURE – Business expenses, net purchases of goods for resale and business capital expenditure are captured in Table 2 below. Annualized operating expense amounted to \$316 million versus \$307 million reported in the 2007 Economic Census. Net purchases of goods for resale totaled \$47 million in the first quarter of 2009 while capital expenditure for the quarter (money spent on business infrastructure and capital outlays) equaled \$17 million.

Table 6. Operating Expenses, Net Purchases for Resale and Capital Expenditure by Industry	1 Qtr 2009 Operating Expenses (First Quarter 2009)	Annualized Operating Expenses	1 Qtr 2009 Net Purchases for Resale	1 Qtr 2009 Capital Expenditure
Utilities	14,840,749	59,362,996	-	2,111,049
Construction	2,566,592	10,266,368	154,655	11,534
Manufacturing	20,595,426	82,381,704	12,581,826	149,978
Wholesale	2,272,738	9,090,952	14,041,619	489,486
Retail trade	7,657,956	30,631,824	16,393,041	8,235,114
Transportation	1,401,502	5,606,008	-	166,894
Information	3,972,829	15,891,316	177,184	1,088,101
Finance & Insurance	4,307,545	17,230,180	58,643	52,791
Real estate & rental	224,327			

		897,308	2,000	500
Professional & scientific	4,296,408	17,185,632	41,212	96,653
Administrative & management	656,459	2,625,836	240,000	92,000
Education services	4,693,722	18,774,888	-	80,000
Health care & social	7,354,106	29,416,424	1,088,121	4,190,833
Arts & entertainment	146,863	587,452	45,399	8,000
Accommodation & food services	3,484,744	13,938,976	2,625,780	247,200
Other services	625,411	2,501,644	11,800	47,830
Total	79,097,377	316,439,508	47,461,280	17,067,963

- FLSA COVERED EMPLOYEES AND EFFECTS OF MINIMUM WAGE – One of the primary goals of the business survey was to quantify the effects of the minimum wage and to gather hard facts about the severity of the new minimum wage law. Three basic questions were selected for determining the level and magnitude of impact because of the new wage order. These questions included the number of employees affected or would be affected by the increases, the increase in payroll and the number of job loss.

Table 7 below provided these statistics as gathered from surveyed businesses. Of the 9,531 total employment enumerated in the business survey, 8,196 (86 percent) were covered under the Fair Labor Standard Act law. The first minimum wage increase went into effect in 2007. The number of employees affected was specifically asked for the 2008, while an anticipated number of affected employees were asked for the May 25, 2009 increase. After the 2008 increase, a total of 6,453 workers were affected. The majority of them were in the Manufacturing business in which a lot more employees were affected compared to the number of FLSA covered employees. The differences in the two data is probably due to reference periods in which the FLSA question was asked for the first quarter of 2009 while the affected employees were asked for the particular period of minimum wage increases. This means that a lot more people were working in the industry in 2008 compared to the early part of 2009. This is supported by the number of higher job losses in the Manufacturing industry. The anticipated effect of the third increase in 2009 amounted to 5,945 employees while the total number of job loss due to the new Wage Order accounted for 420. Over half of job losses were from the Manufacturing industry followed the second largest in the Professional and Scientific industry.

Table 7. FLSA Covered Employees, Effects of New Minimum Wage Order by Industry	FLSA Covered Employees	No. of Employees affected in May 25, 2008 Increase	Increase in Payroll	No. of Employees Affect in May 25, 2009 increase	Number of job losses due to new Wage Order
Utilities				23	-
Construction	175	72	19,237	88	-
Manufacturing	4,733	4,943	909,819	4,422	255
Wholesale	226	132	8,958	123	31
Retail trade	718	452	54,088	405	35
Transportation	121	100	45,966	87	-
Information	249	39	7,600	46	4
Finance & Insurance	199	36	1,655	10	-
Real estate & rental	21	11	360	10	4
Professional & scientific	192	161	17,665	124	52
Administrative & management	66	35	4,090	43	12
Education services	407	22	2,770	33	-
Health care & social	554	30	232	108	-
Arts & entertainment	27	25	50	25	-
Accommodation & food services	487	390	52,980	393	24
Other services	21	5	5,000	5	3
Total	8,196	6,453	1,130,470	5,945	420