

Abstract

Using household level data from the 2002 Fiji Household Income and Expenditure Survey (2002 Fiji HIES), this paper examines the effect of six income sources and other household characteristics including race on the inequality situation in Fiji. Two key results emerge. First, this paper finds that the average per capita income of Indian households are higher (by F\$206) and statistically different from Fijian households however, ethnicity is not a determinant of income inequality in Fiji. It is the differences within rather than between the two races that drives inequality. Other factors such as location near urban centers, number of income earners in a household, number of dependents and children, level of education and access to infrastructure such as electricity are important determinants of income inequality. Secondly, this study finds that out of the six income sources analyzed, permanent income is the only inequality increasing source. Permanent income alone accounts for 73% of nation-wide inequality. A 1% increase in permanent income would increase [worsen] the Gini index by around 10%. In contrast, a 1 percent increase in casual labor income would improve the Gini index by 10%. Two main policy initiatives are proposed. First, government must seriously consider the unfamiliar impact of its high wage spending levels [or civil service reform] on the fundamental inequality and poverty situations in the country. Expanding opportunities for those earning casual income is crucial. Second, the scope of the existing Affirmative Action Programme for Indigenous Fijians and Rotumans [AAPIFR] must be reviewed in light with the findings of this paper. Their can be substantial gains from an egalitarian type development approach.