



REPÚBLICA DEMOCRÁTICA DE TIMOR - LESTE
SECRETARIA DE ESTADO DE JUVENTUDE E DO TRABALHO
Direção Nacional de Informação Mercado Trabalho
Rua Palácio da Sinzas, Dili, Timor-Leste

Labour Market Outlook Timor-Leste

Edition 7, February 2018

1. Macroeconomic situation

As oil revenues decline in the coming years, the principal challenge for Timor-Leste is to diversify the economy and develop alternative sources of economic growth. IMF¹ forecasts the oil contribution to GDP to drop to 0% by 2022, though there will still be withdrawals from the Petroleum Fund.

It is critical that Timor-Leste develops alternative sectors to create economic growth, so the government can generate revenues from taxation, as well as create new employment for a growing population.

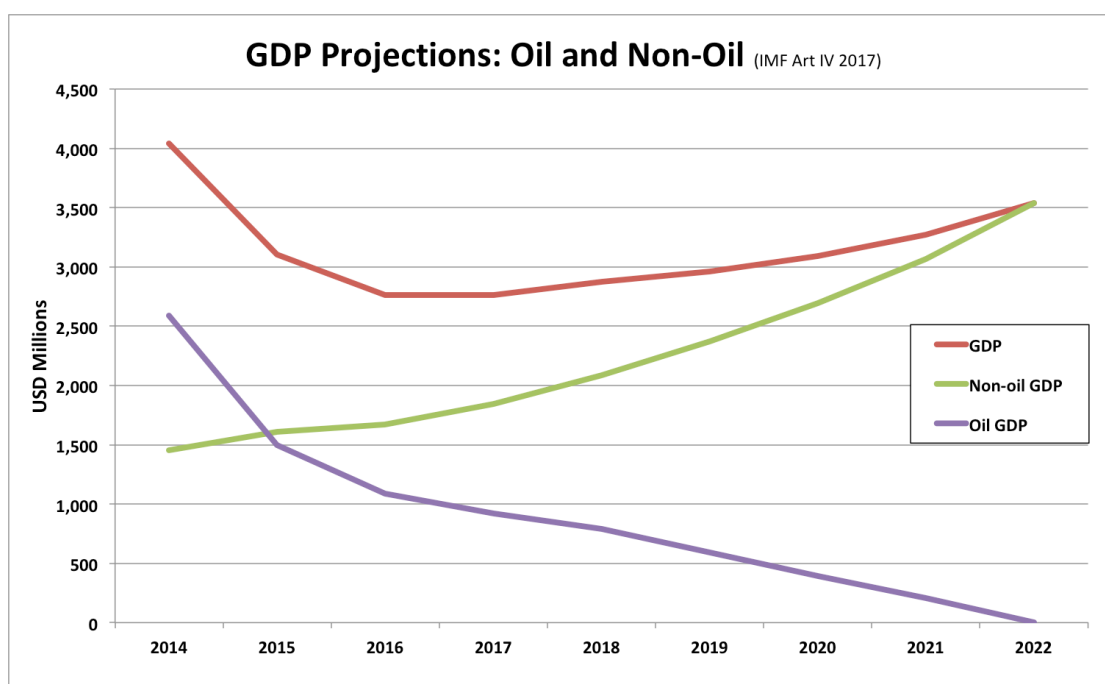
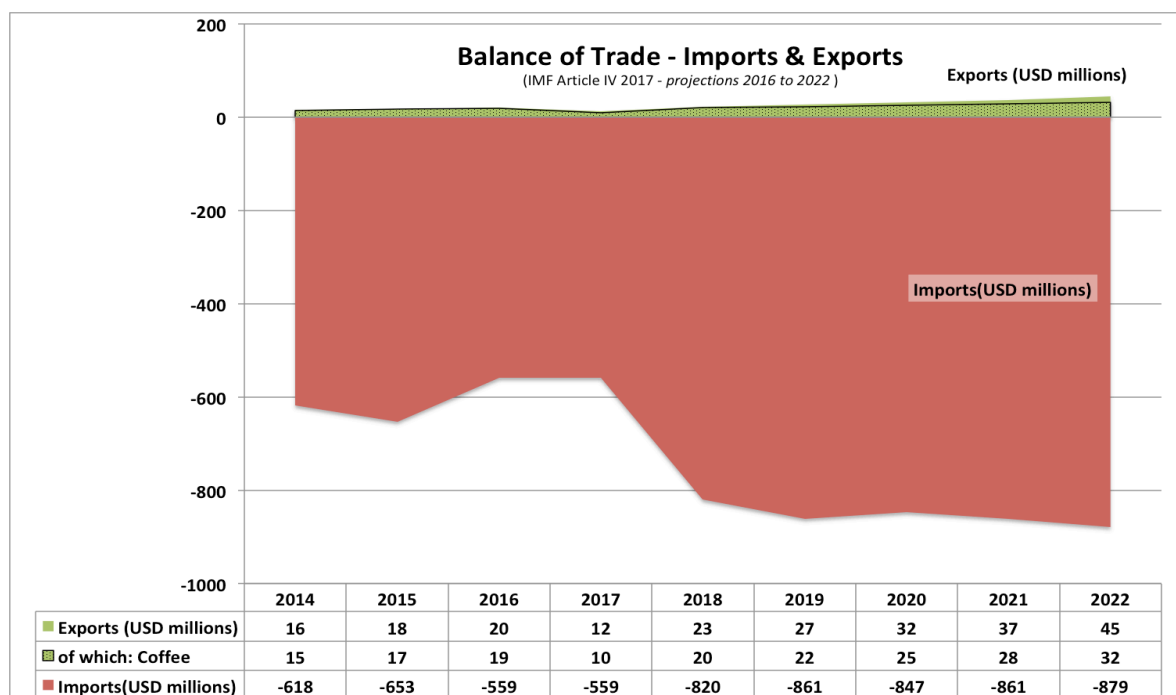


Figure 1: Oil and Non-Oil GDP Projections (Data from IMF Article IV consultation, 2017)

¹ IMF Article IV Consultation, December 2017

Balance of Trade

The trade deficit of Timor-Leste is large and growing. In 2016, imports (USD 559 million) were 28 times greater than exports (USD 20 million).



Potential for import substitution

Roughly USD 90 million of imports are foodstuffs. There are opportunities to produce some of this locally, especially rice and meat, to reduce imports. This could create employment, particularly in rural areas.

HS2	Selected import categories with potential for import substitution	USD	% of total imports
10	Cereals	35,365,000	6.9%
02	Meat and edible meat offal	14,053,000	2.7%
24	Tobacco and manufactured tobacco substitutes	10,884,000	2.1%
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	7,779,000	1.5%
15	Animal or vegetable fats and oils and their cleavage products; prepared animal fats; animal or vegetable waxes	4,972,000	1.0%
34	Soap, organic surface-active agents; washing, lubricating, polishing or scouring preparations; artificial or prepared waxes, candles and similar articles, etc.	4,657,000	0.9%
44	Wood and articles of wood; wood charcoal	3,145,000	0.6%
11	Food and beverages, primary	3,008,000	0.6%
16	Meat, fish or crustaceans, mollusks or other aquatic invertebrates; preparations thereof	2,991,000	0.6%
20	Preparations of vegetables, fruit, nuts or other parts of plants	2,538,000	0.5%
07	Vegetables and certain roots and tubers; edible	2,394,000	0.5%
	Total - potential import substitution	91,786,000	18%
	Total imports 2016	511,704,000	

Economic diversification will also help provide employment opportunities outside the agricultural sector, which currently employs 41% of the workforce, but only contributes 6% to GDP.

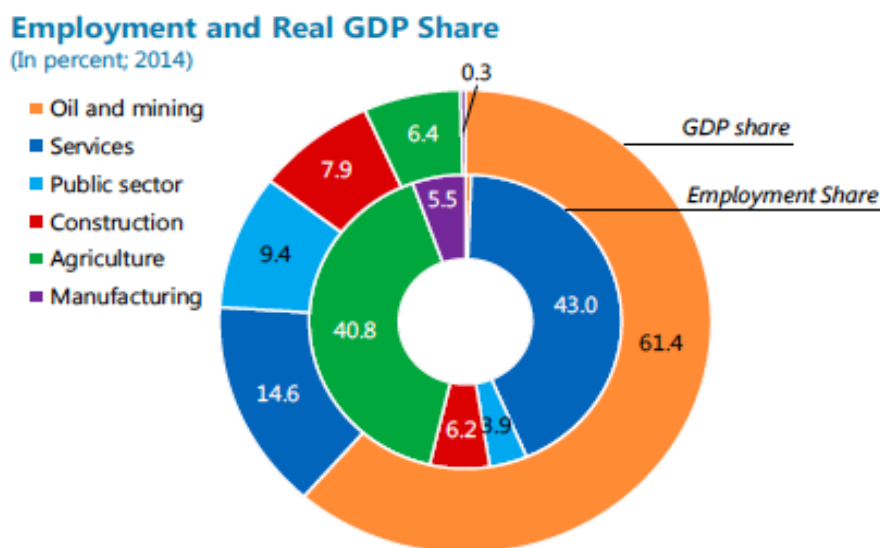


Figure 2: Employment and Real GDP Share²

It is important for both economic diversification and youth employment that young people attain the skills – in particular TVET skills – in demand by the market, and at a sufficiently high skill level.

Inflation and wages

Headline Consumer Price Inflation has been close to 0% since 2014, and while average wages remained the same between 2014 and 2016, there was an increase in average wages in 2017 of 10% to USD 256 per month³. The IMF comments that “minimum wage [ca. USD 125 per month] remains relatively high compared to regional peers, which could discourage FDI in labor intensive sectors. Keeping the wage level in line with productivity will help improve export competitiveness and attract foreign direct investment”.

Business environment

Access to credit remains a significant barrier to enterprise growth. While domestic bank deposits have been growing, and the non-performing loans have dropped sharply, access to private credit for SMEs remains difficult. SMEs need to build their skills now in business planning and financial management, to be eligible for the planned Central Bank Credit Guarantee Scheme.

As well as access to credit, businesses cite corruption and political instability as the main constraints in the business environment⁴.

Businesses registered with SERVE in 2017

Business registrations with SERVE in 2017 show an increase in registrations of Sole Traders (Empresa em Nome Individual - ENIN), compared to the average from 2013-2017.

² IMF Article IV Consultation, 2017

³ Enterprise and Skills Survey 2017, SETJ

⁴ IMF Article IV Consultation, 2017

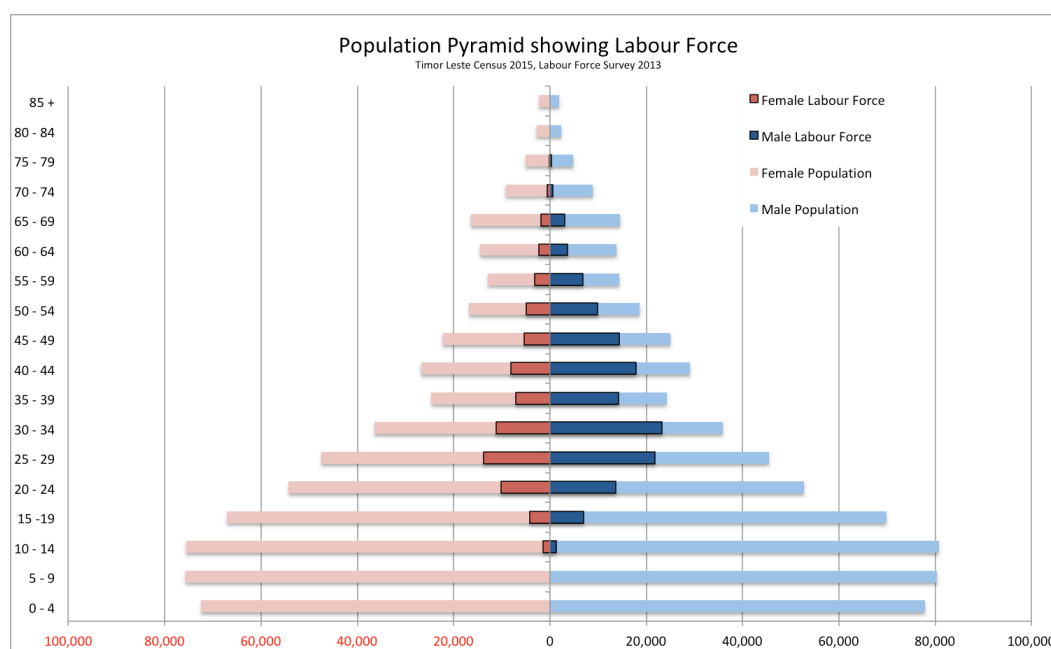
Type of Firm	2013-17	% 2013-17	2017	2017%
Empresa em No me Individual (ENIN)	9,327	45%	2,617	57%
Sociedade Unipessoal por Quotas Limitada.(Unipessoal.Lda)	7,906	38%	1,366	30%
Sociedade por Quotas Limitada.(Lda)	3,394	16%	594	13%
Sociedade Anonima(S.A)	55	0.3%	6	0.1%
Representação Permanente (R.P)	92	0.4%	12	0.3%
Empresa Publica (E.P.)	3	0.0%	-	0.0%
Total	20,777		4,595	

Demographics and the labour force

While fertility rates are dropping, the population continues to grow at about 2.2% per annum (compared to 1.28% in Indonesia)⁵. The population pyramid shows a ‘youth bulge’ in the 5 to 15 age group, with over 300,000 people joining the working age population over the next 10 years. These are the largest numbers Timor-Leste has ever experienced and this will put strain on the education system at all levels, to provide skills for these young people.

In 2018 (and each following year) over 30,000⁶ Timorese will celebrate their 15th birthday and join the working age population. Even with the low labour force participation rate of about 30%⁷ in Timor-Leste, this means 9,000 new entrants to the labour market every year. Currently only about 4,000⁸ new jobs are being created per year. While this is a huge step forward from 2008 when only about 400 new jobs were being created, 26,000 young people per year will have few, if any,

economic opportunities.



Demographics alone create a high dependency

⁵ IMF Article IV Consultation, 2017

⁶ Timor-Leste Population and Housing Census 2015

⁷ Structural Transformation and Jobs in Timor -Leste, ILO 2016. Note that under the new definition of the Labour Force, subsistence farmers are no longer included as “employed”

⁸ Enterprise and Skills Survey 2017, SETJ

rate of 81% (every 100 persons of working age are supporting 80 youth and aged persons). Combined with low labour force participation rates, and estimated unemployment of 11%, there are only about 190,000 people employed out of a population of 1.2 million. In other words, every person with a job⁹ is supporting on average over 6 people. About 485,000 people of working age are outside the labour force or unemployed.

Timorese women have a low level of participation in the workforce – only 21%¹⁰, which is much lower than regional comparators.

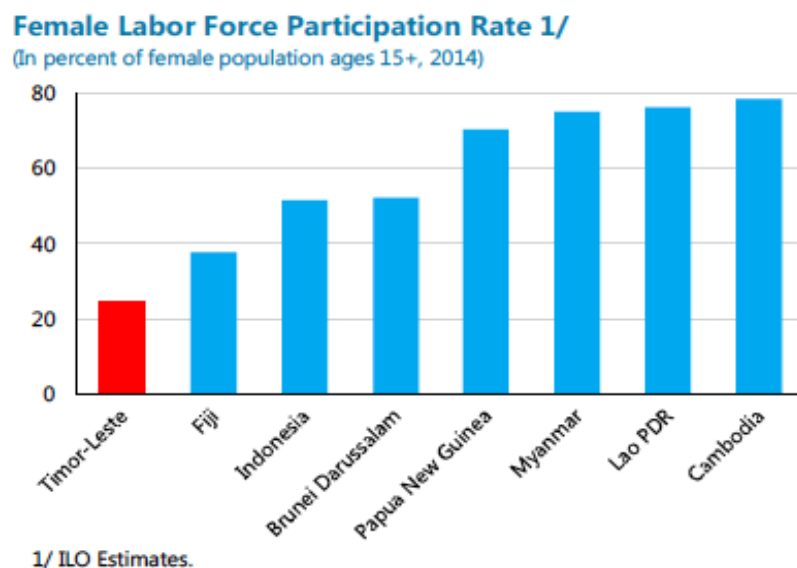


Figure 4: Female Participation in the Labour Force.¹¹

Changes in the definition of the labour force

In 2013 the international definition of the labour force changed, to exclude ‘subsistence foodstuff producers’ from the workforce. This had the effect in Timor-Leste of reducing the labour force by about 180,000. As the defined labour force is now smaller, the unemployment rate appears to increase from 3.6% reported in 2010 to 11.0% in 2013. Of this increase half was from increase in unemployment and half from the change in definition.¹²

The new definition is more suitable for Timor-Leste, as subsistence foodstuff producers often do not engage in the cash economy, or only to see excess production.

Discouraged job seekers

It should also be remembered that “unemployed” definition includes only those who were actively seeking work in the seven days before the survey and are thus part of the ‘labour force’. We can assume that the low levels of labour force participation are partly due to many “discouraged” job-seekers who have given up looking for work. In Indonesia the labour force participation rate is 69% - much greater than the 30% in Timor-Leste.

⁹ For the sake of clarity, this does not include those working in subsistence food production

¹⁰ Structural Transformation and Jobs in Timor-Leste, ILO 2016

¹¹ From IMF Article IV Consultation, 2017

¹² See Timor-Leste Labour Force Surveys 2010 and 2013 Main Trends Based on Harmonized Data, ILO, 2016 for more details

2. Employment

Enterprise and Skills Survey 2017

The 2017 Enterprise and Skills Survey is an updated version of ESS in 2016, methodologically similar with minor adjustments. It shows the changes of trends in labour demand and other relevant labour data.

The survey results show a modest growth in enterprises and about 3.7% growth in employment from January 2016 to October 2017. There were 5,229 enterprises in operations in the business sector of the economy, engaging a total of 68,256 employees. Two branches of economic activity continued to dominate the business sector in Timor- Leste. More than one-third of enterprises were either in construction or in wholesale and retail trade, repair of motor vehicles and motorcycles.

In terms of labour profile, female participation in the labour force remains low, with less than a quarter of jobs held by women.

Total number of employees	Female employees	Foreign employees	Temporary employees
68,256	16,428	6,465	Not asked in 2017
100%	24%	9%	

The size of enterprises is growing, and there is a positive outlook with many enterprises expecting to increase hiring in 2018. About two-thirds of employment growth comes from growth of existing firms, which suggests that support to enterprises to grow and expand should not be ignored in favour of creating new enterprises, though this is also important.

The average wages of employees have risen by 10% from USD 233 to USD 256 per month in 2017, having remained static since 2014.

The top five Hard-to-Fill vacancies are accounting and bookkeeping clerks, civil engineering labourers, earthmoving and plant related operators, motor vehicle mechanics and repairers, and air-conditioning and refrigerator mechanics.

The number of new hires in 2017 reflects the dominance of the construction and retail sectors noted above. The top five occupations with the highest number of hiring in 2017 are; civil engineering labourers, shop sale assistants, earthmoving and related plant operators, building frame and related trade workers, and shop keepers. Occupations with the highest number of hiring of foreign workers are; civil engineering, Earthmoving and related plant operators, and motor vehicle mechanics and repairers.

The result shows that the most demanded occupation that enterprises recruited from the TVET providers are; construction and masonry. This is followed by automotive, AC repairer, electrical, and welding. This is a significant change of demand in comparison to ESS 2016 where the most recruited area from TVET providers was electrical.

In regard to ways in which vacancies are advertised, there are 73% of vacancies that are never advertised compare to other channels of advertisements in Dili. In the same vein, similar trend occurs in other municipalities where 58% of vacancies are never published.

Job and training seekers registered at Employment Centres

In 2017 a total of 1,542 people registered seeking employment at employment centres, 45% of which were female.

There was a spike in registrations in the month of June, a very different pattern to 2016 when there was a spike in March, and higher numbers in July, August and September.

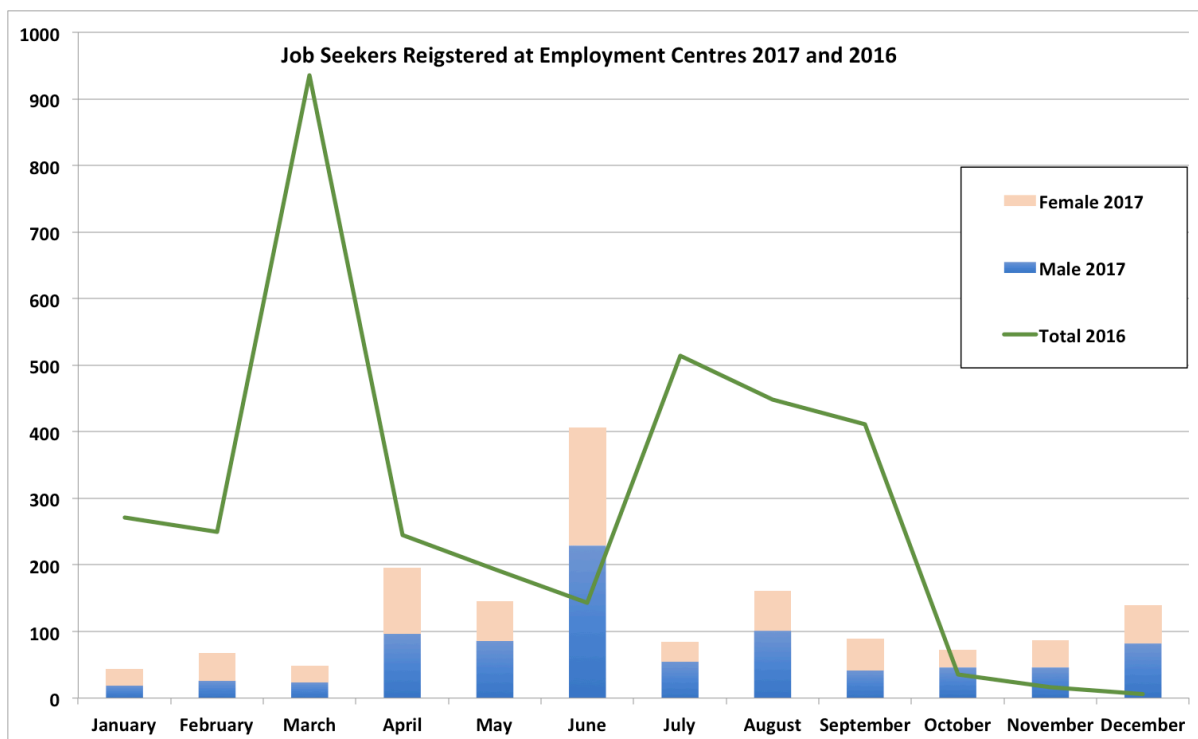


Figure 5: Registered Job Seekers

Vacancies registered at Employment Centres

A total of 121 vacancies were registered at Employment Centres compared to 217 in 2016.

No. vacancies	Occupations
14	Human Resources and Admin.
9	Waitress
7	Cashier
6	Accounting
6	Finance managers
6	Sales Manager
5	Marketing managers
5	Civil security
4	Receptionist
4	House cleaning supervisor
3	Driver (taxi/ van)
3	University professor
3	Product promotion
2	Human resource and admin assistants
2	Generator & electrical machinery repairer
2	Lorry driver

No. vacancies	Occupations
2	Mechanic/Operator, Automotive/ machine/ Motor
2	Technique, Electronics
2	Technique, Civil/ Construction
32	Other
121	Total

Self-employed registered at Employment Centres

A total of 394 people received support to become self-employed, 30% of which were female.

Sector	F	M	Total	%
Agriculture	41	85	126	32%
Fisheries	13	61	74	19%
Carpenter	16	57	73	19%
Food Production	29	32	61	15%
Tailor	19	6	25	6%
Block manufacture	1	20	21	5%
Motorcycle Workshop	0	14	14	4%
Total	119	275	394	

Municipality	F	M	Total	%
Aileu	13	20	33	8%
Ainaro	3	17	20	5%
Baucau	9	24	33	8%
Bobonaro	1	3	4	1%
Covalima	18	25	43	11%
Dili	14	27	41	10%
Ermera	4	34	38	10%
Lautem	12	12	24	6%
Liquica	5	14	19	5%
Manatuto	14	36	50	13%
Manufahi	11	14	25	6%
Oecusse	2	9	11	3%
Viqueque	13	40	53	13%
Total	119	275	394	
%	30%	70%		

Foreign workers in Timor-Leste

The Labour Inspection Division reported 3,158 foreign workers in 2017, 75% of which are from Indonesia and China.

Country	Male	Female	Total	%
Indonesia	1232	88	1320	42%
China	817	241	1058	34%
Filipina	141	66	207	7%
Portugal	56	65	121	4%
Malaysia	72	35	107	3%
Singapore	32	16	48	2%
Vietnam	30	15	45	1%
Bangladesh	29	14	43	1%
Australia	24	6	30	1%
Nepal	14	13	27	1%
India	20	4	24	1%
British	12	2	14	0.4%
America	5	8	13	0.4%
Thailandia	10	1	11	0.3%
Korea	5	5	10	0.3%
Others	47	33	80	3%
Total	2546	612	3158	
%	81%	19%		

Position	Male	Female	Total	Position	Male	Female	Total
Agrimensor	29	0	29	supervisor			
Aquaculture	12	0	12	Shop supervisor	54	21	75
Administration	25	18	43	Project supervisor	34	0	34
Accountant	43	55	98	Welding	52	0	52
Civil construction	85	0	85	"Socio/a"	237	75	312
Carpentry	72	0	72	Technique	125	1	126
Bakery	25	0	25	Technique construction	75	0	75
Cook	69	47	116	Technique information	22	0	22
Director	146	101	247	Manager	159	33	192
Engineer	97	3	100	Project manager	55	5	60
Finance	25	56	81	Restaurant manager	57	12	69
Mechanic	58	0	58	Marketing manager	33	18	51
Motor mechanics	34	0	34	Mechanics manager	58	0	58
Manager	70	12	82	Operational manager	69	22	91
Operational manager	39	2	41	Financial manager	64	14	78
Massage	26	16	42	Project manager	59	2	61
Medics	21	0	21	Financial manager	62	7	69
Earthmoving operator	31	0	31	Marketing manager	75	32	107
English professor	29	4	33	Automotive	5	0	5
Masonry	78	0	78	Doctor	18	1	19
Teacher	59	33	92	Missionary	31	19	50
Pilot	1	0	1	Consultants	16	3	19
Electrician	58	0	58	Total	2546	612	3158
Civil construction	54	0	54	% Male/Female	81%	19%	

Overseas employment

743 Timorese workers travelled overseas in 2017 to work on the South Korea Temporary Workers Program and the Australian Seasonal Workers Program. Since the start of official overseas workers programs, 89% of workers were male, with significantly larger proportion of female workers going to Australia (26%) compared to South Korea (4%).

No data are available for Timorese who look for work overseas outside these official programs, but an estimated 16,000-19,000 also live in the UK and Northern Ireland.¹³

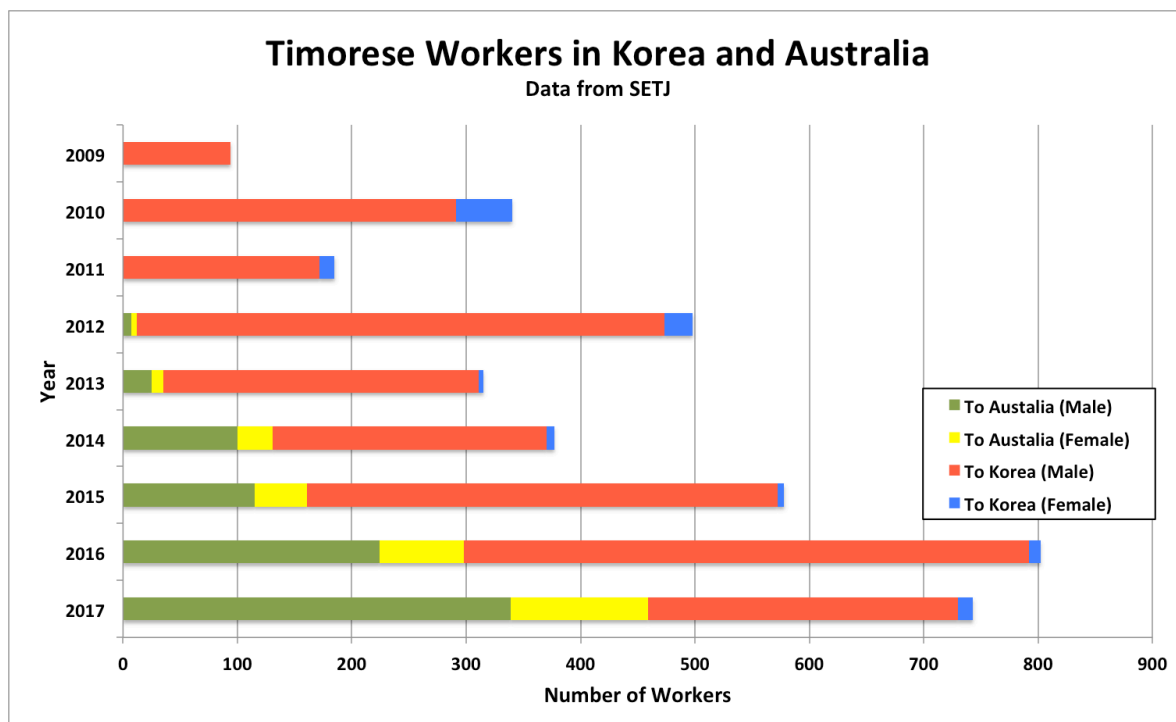


Figure 6: Official Overseas Workers Programs

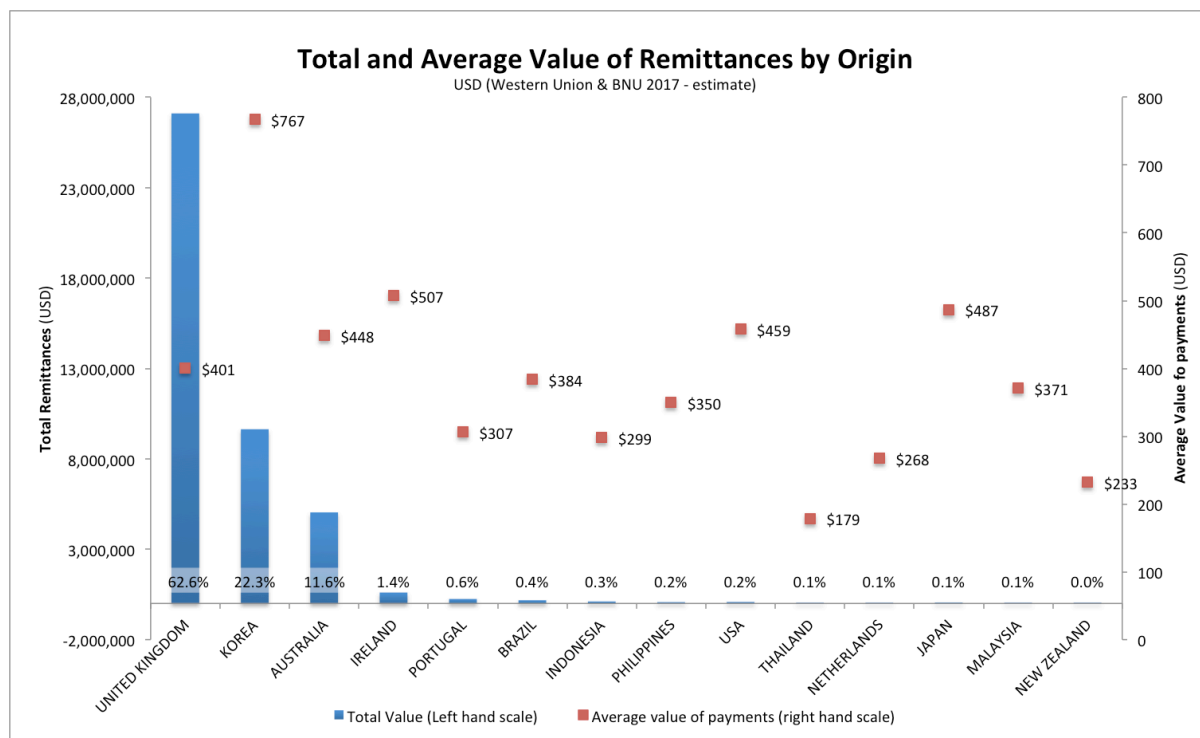
¹³ Wigglesworth-Boxer, 'Transitional livelihoods: Timorese migrant workers in the UK', 2017

Remittances

Total remittances through BNU and Western Union are estimated at over USD 40 million in 2017, made up of over 85,000 individual payments.

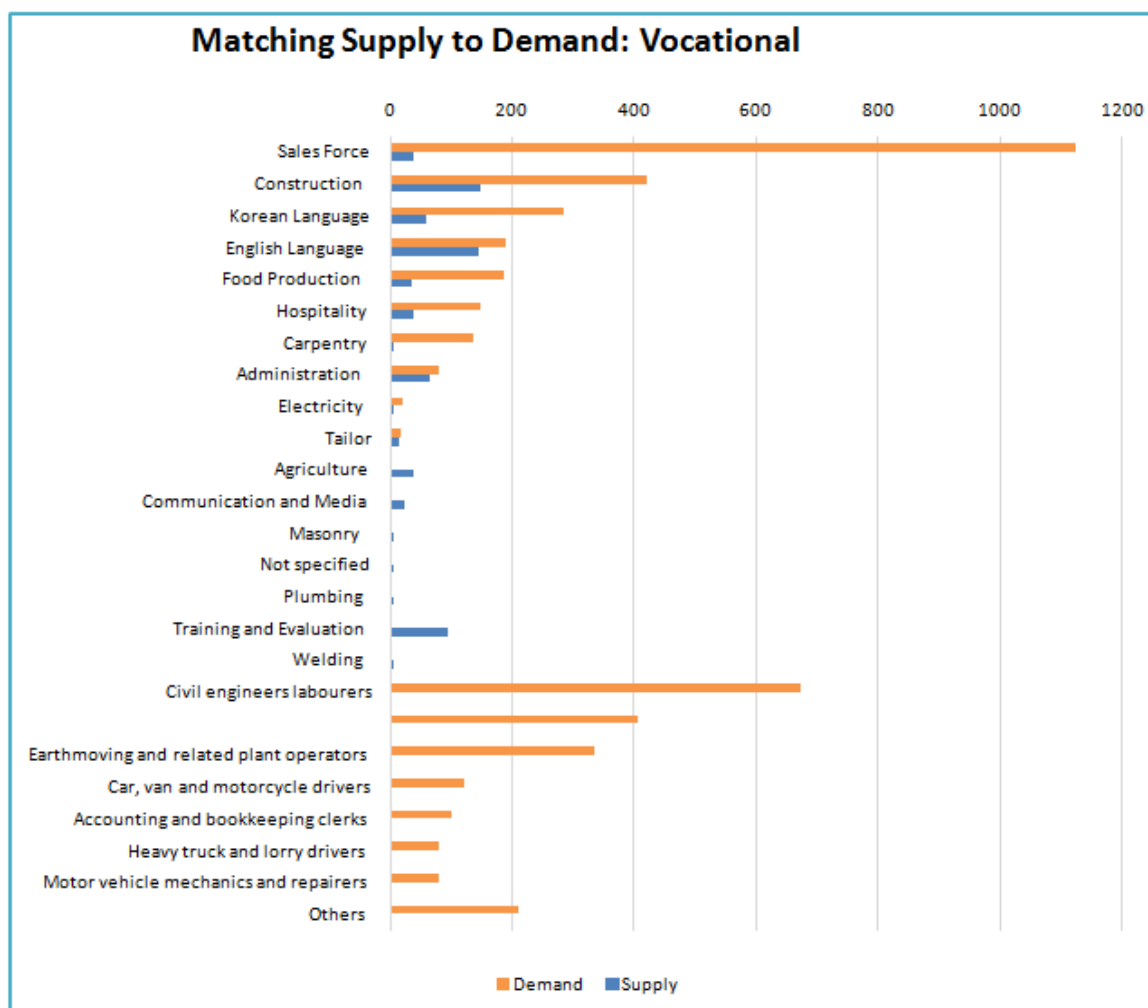
Remittances from South Korea and Australia have grown by about 22% per year since 2015, to about USD 11.2 million in 2017.¹⁴ Remittances from South Korea have the highest average value of USD 767 per transfer, compared to USD 484 from Australia.

63% of remittances originate from the UK, with an estimated total value of USD 27 million in 2017.



¹⁴ Estimate based on remittance data reported from BNU and Western Union Jan-July 2017

3. Skills development matching



This data represents first iteration of linking supply to demand. The data suggest that demand far exceed supply. SEJT will examine each of these areas one by one and considers how to link supply more closely to demand.

We are aware of number of issues with the data; the supply side data comes from INDMO which only covers accredited training providers, which yet to be completed. It does not include non-accredited; and it does not include technical secondary school. The data on skills demand is taken from ESS 2017, as it was based on the survey of private business, it does not include the skills demand in the agricultural sector and public sector.

SEJT through DNMIT is developing system to collect, manage, and analyse this data and working closely with our partners to develop more accurate estimate of skills supply. However, this is an important first step in using the data and evidence available to us, to increase kills that are in demand in the job market.

Tertiary skills demand

Based on analysis of 199 jobs advertised online in 2017, the following skills were in greatest demand in the job market for those with tertiary education. Students seeking scholarships in these areas should be preferred to match skills supply with market demand.

For more detailed analysis please see separate bulletin published as part of the Labour Market Outlook conference *Tertiary Education – Skills Demand in Timor-Leste*.

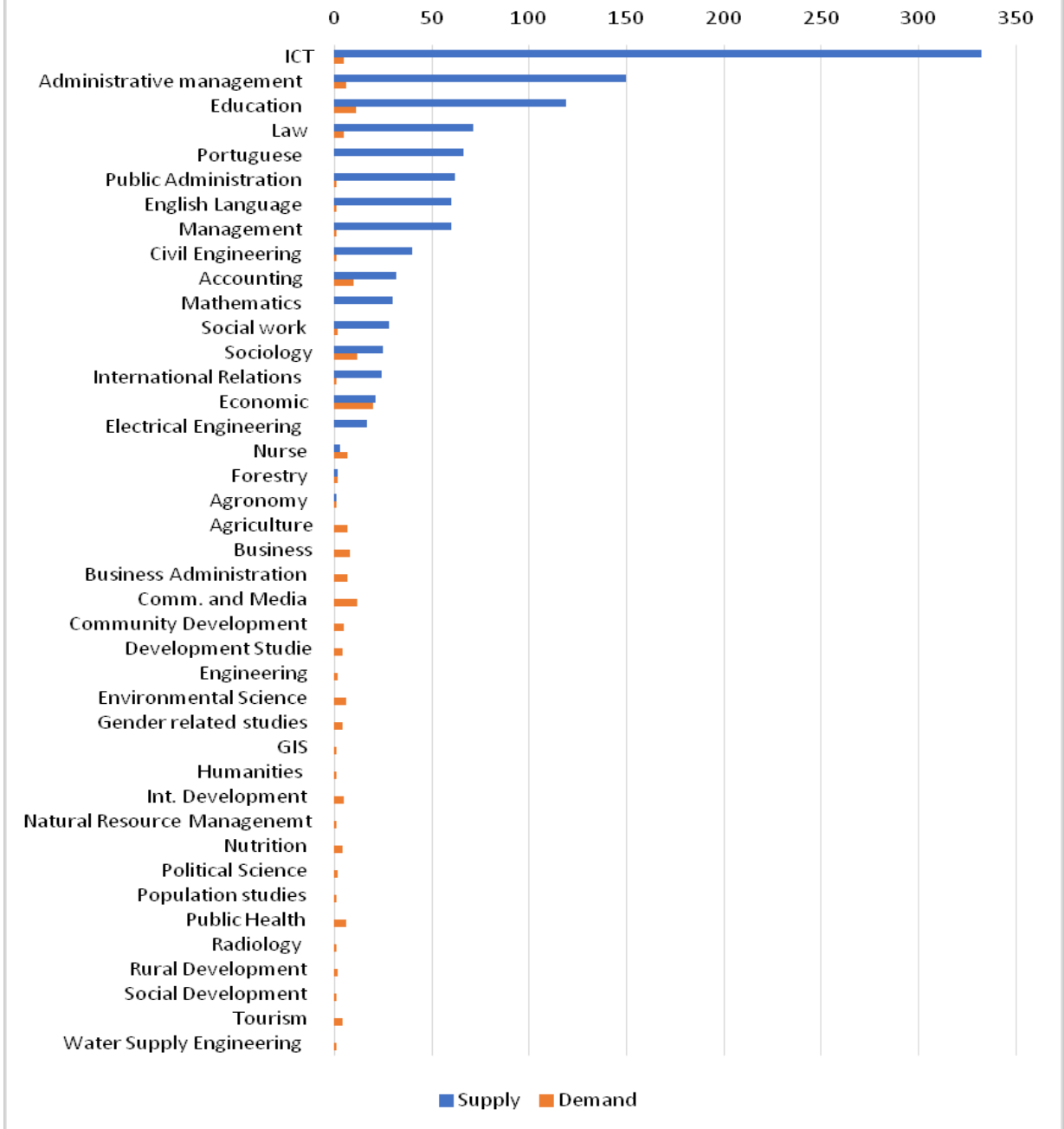
Sector	Total
Economic and finance	39
Health and social work	26
Development	25
Communication and Information	19
Agriculture	12
Administration	12
Education	9
Environment	8
Monitoring and Evaluation	8
Gender	7
Law	4
Security (Defence)	4
Tourism	4
Civil Engineering	3
Project Management	3
Infrastructure	2
Others	14
Total	199

Matching supply and demand: Tertiary Education

The following graph is showing the matching of demand to supply of labour; the graph shows that Information and Communication Technology is the highest in the labour supply, with relatively small number in the demand side. Same trends also appear in both Education and Portuguese language. However, it is important to note that the Supply-side data for this graph come from four different universities out of all the universities in Timor-Leste. Similarly, the demand-side data only comes from vacancies advertised on two online sources, particularly from the private sector. It is thus crucial to obtain data from public sector to complete data and to understand the overall demand in Timor-Leste. Total university graduate is 1143 for 2017 from three universities (IPDC, ICR, and UNITAL) and total demand is 171 from vacancy advertised online in 2017.

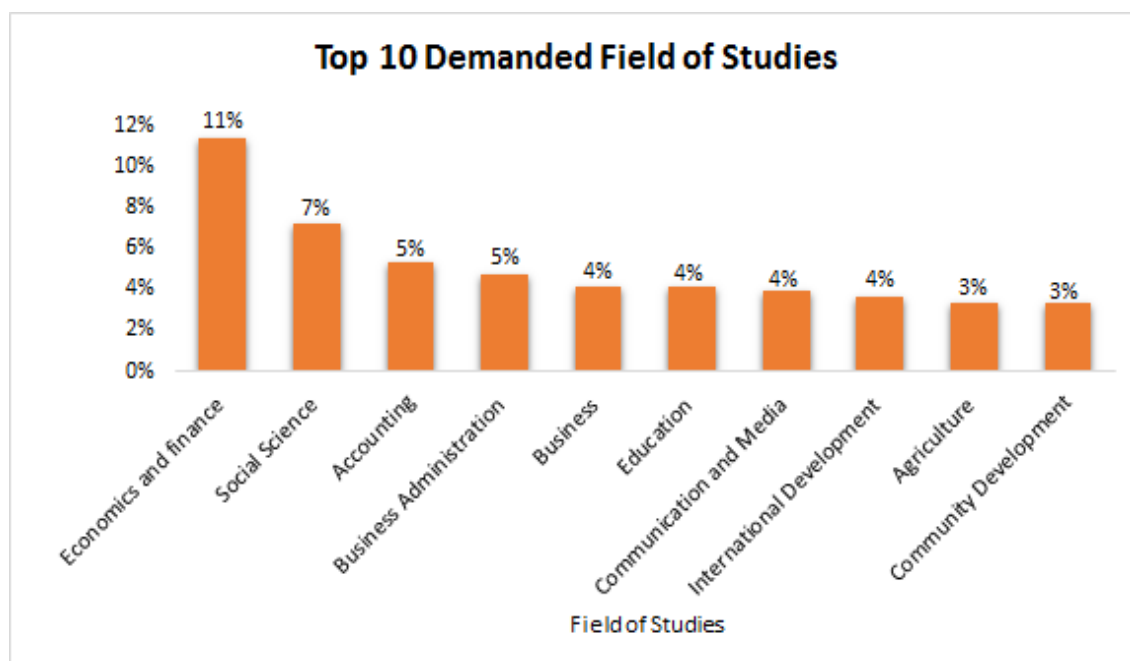
Demand and Supply of University Graduates

Supply= Graduates Reported 2017. Demand= Vacancies Advertised Online 2017



Most demanded field of studies

Based on the analysis conducted using data from online vacancy registry, the result shows that the most demanded field of the studies in the private sector, such International NGO, Local NGOs, International Agencies are Economic and Finance (11%) followed social science (7%), accounting (5%) and business administration (5%). It is interesting also to note that accounting is one of the most demanded skills by the enterprises interviewed



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