



REPÚBLICA DEMOCRÁTICA DE TIMOR - LESTE
SECRETARIA DE ESTADO DA FORMAÇÃO PROFISSIONAL E EMPREGO
Direção Nacional de Informação Mercado Trabalho
Rua Palácio da Sinzas, Dili, Timor-Leste

Labour Market Outlook Timor-Leste

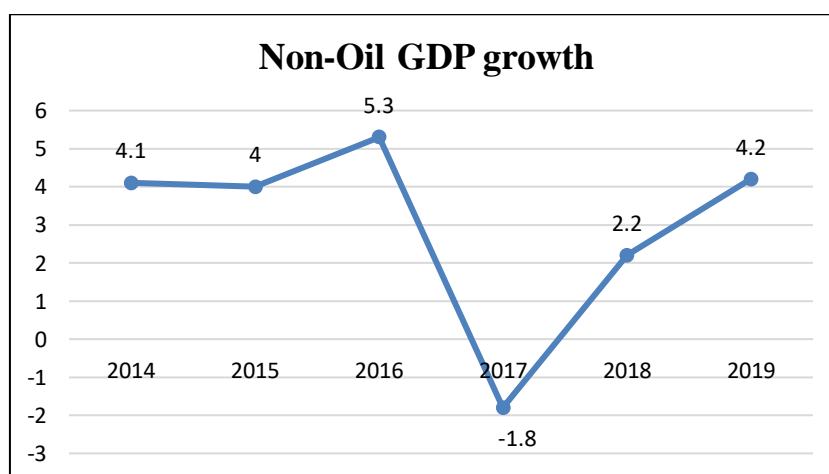
Edition 8, November 2018

1. Macroeconomic situation

Timor-Leste's low non-oil GDP growth, along with high rates of import of goods and services, contribute to continuing unemployment in Timor-Leste. High reliance on imports and on oil and gas revenue reflects low utilisation of the labour force in other productive sectors.

Growth in Non-Oil GDP

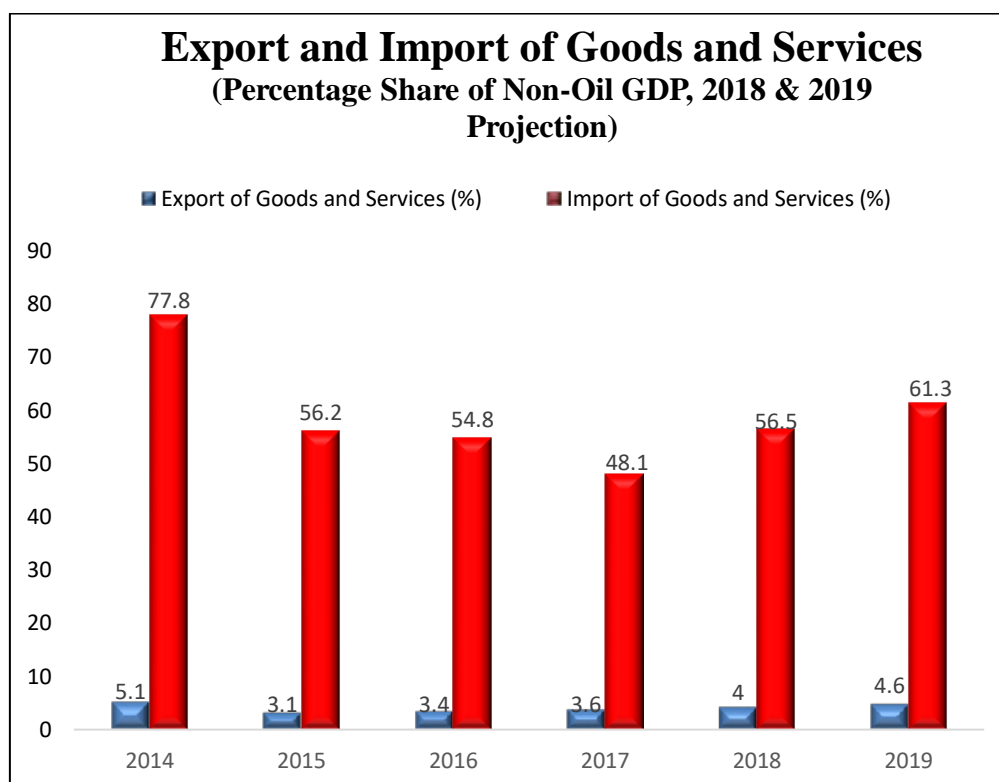
Decreased reliance on Oil GDP has the potential to absorb more of the available labor force into employment. Productive sectors such as agriculture, tourism and other manufacturing industries are sectors with labor intensive characteristics that can generate employment. Apart from a large dip in 2017 and minor projected growth in 2018, Non-Oil GDP has been relatively steady for the past few years, but not increasing. Time-series data shows that the annual percentage change of non-oil GDP from 2014-2019 (2018 and 2019 projection) reached its highest Non-Oil GDP point in 2016 at 5.3% and declined to below zero (-1.8%) in 2017. This percentage change, however, is projected to increase in 2018 and 2019, to 2.2% and 4.2% respectively. Despite the projected growth from 2018 onwards to 4.2% in 2019, this is not yet enough to ensure employment growth. It is important to note that the dip in 2017 may have occurred due to the government's reliance on the *duo-decimo* budget spending rather than the normal state budget in that same year.



Source: World Bank Economic Report, March 2018

Balance of Trade

Timor-Leste imports more goods and services than it exports, with a consistent trade deficit from 2014 to 2019 (including projections for 2018-2019). When goods and services are imported instead of produced locally, low labour market participation occurs.



Source: *World Bank Economic Report, March 2018*

In 2016, imports (USD 559 million) were 28 times greater than exports (USD 20 million)¹.

As reported in our February 2018 bulletin, there remains considerable potential for import substitution since about USD 90 million² of imports to Timor-Leste are food products. Increased agricultural and horticulture production could reduce imports and create employment, especially in rural areas.

2. The employment environment

Demographics and the labour force

Over the five-year span from 2016 to 2021, an estimated 157,072 people will join the working age population in Timor-Leste. Every year an estimated 31,000 people will enter the working age group. With the labour participation rate of around 56.1%³ in 2016, this will mean around 17,391 new

¹ 2017 data not available

² IMF Article IV 2017

³ Timor-Leste Census 2015: Labour Force Participation Rate

entrants to job market every year⁴. Note however that this number may change every year as labour participation rates fluctuate.

Age Group	Total	Men	Women
0-4	167,185	87789	79,396
5-9	160,616	84594	76,022
10-14	157,072	81412	75,660
15-19	140,876	72025	68,851
20-24	110,814	54777	56,037
25-29	94,566	46003	48,563
30-34	76,302	37635	38,667
35-39	50,624	24931	25,693
40-44	54,043	27893	26,150
45-49	49,321	26042	23,279
50-54	36,891	19464	17,427
55-59	31,912	16425	15,487
60-64	28,773	14097	14,676
65-69	22,715	11272	11,443
70-74	18,428	9085	9,343
75-79	11,206	5500	5,706
80+	9,789	4486	5,303

Source: Census 2015 (projection of 2016 population)

In 2017, an estimated 4,000⁵ new jobs were created. While this is 100% increase from 2016 when only about 2,000 new jobs were created, there remained 27,000 people who had no employment opportunities.

Employed population

Census 2015 data shows the highest number of people (64.2%) working in the self-employed Agricultural sector⁶. The second biggest employed group is those employed by the government, (13.5%). With a new definition of labour force now in place, subsistence farmers are no longer included as “employed”⁷, and so the government employs the highest percentage of labor force participants in Timor-Leste. The graph below also shows that State-Owned Enterprises (3.4%) and Private Owned Business or Farm (4.8%) both accounted for less than 10% of the labour force population.

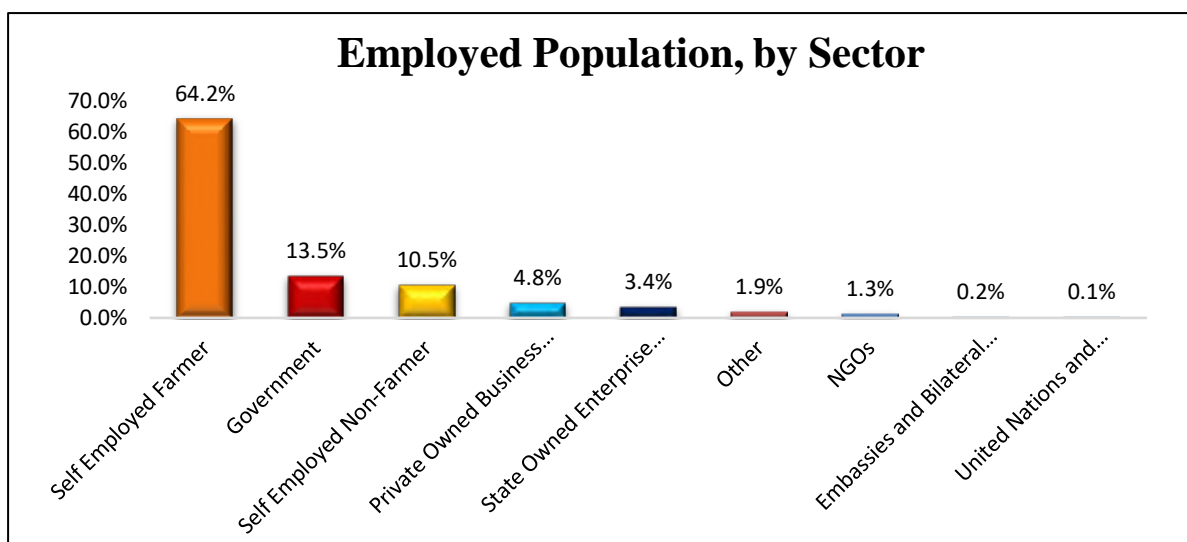
The graph also reinforces the potential for import substitution for agricultural products, with such a large number of people working in the agricultural sector.

⁴ Timor-Leste Census 2015 projection of 2016 population demographic

⁵ Enterprise and Skills Survey 2017, SEFOPE

⁶ Census 2015: Aged 20 and over

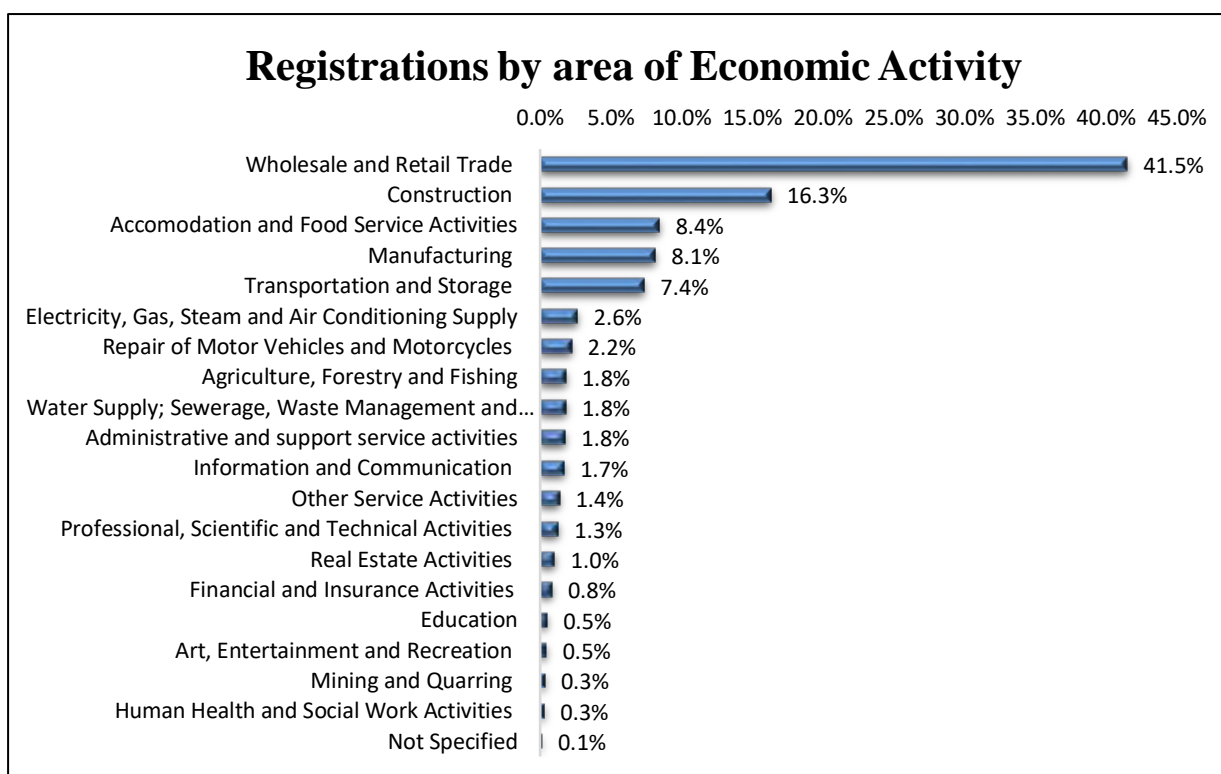
⁷ Self-employed Farmer and Self-Employed non-farmers are in the informal sector of employment. Under the new definition of the labour force, subsistence farmers are no longer included as “employed”.



Source: Timor-Leste Census 2015

Economic activity to support employment

Data from SERVE.IP⁸ registration provide information and trends on emerging economic activity in Timor-Leste. By categorising registrations by area of economic activity it is possible to identify potential labour demand in specific sectors. From January to June 2018 the total number of enterprises newly registered with SERVE.IP was 1,594 across all sectors. Included in this total are enterprises that are involved in more than one economic activity. The graph below shows the distribution of enterprises across employment sectors.



Source: SERVE.IP, Jan-Jun 2018

⁸ Servico deRegisto e Verificacao Empresarial, Instituto Publico

The sector with the highest level of new economic activity (41.5%) was wholesale and retail trade. Businesses registered under wholesale and retail trade include small kiosks, convenience stores, and supermarkets. The second highest level of new enterprises was construction (16.3%). The next highest registrations were in accommodation and food services activities and manufacturing, with 8.4% and 8.1%, respectively. Transportation and Storage comprised of 7.4%. The remaining economic activities accounted for less than 3% of new registrations.

The data was also sorted according to the nationality of the ownership of each enterprise. This showed that an estimated 88% of enterprises registered with SERVE.IP from January to June 2018 were locals while 18% of the owners were non-Timorese.

Employability skills

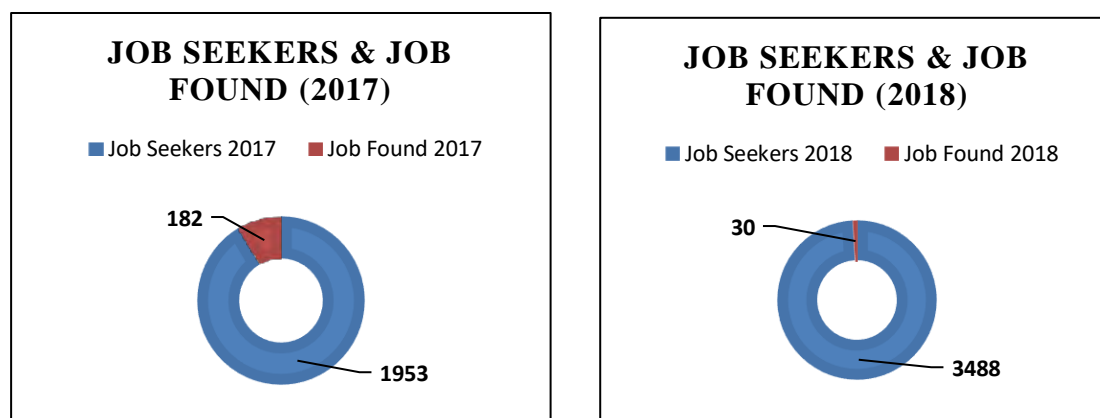
Respondents to the 2017 *Enterprise and Skills Survey* were asked about the skills most lacking in their current employees. The skills most often identified were the generic or “soft” skills that employers typically value above technical skills. These generic skills are an important aspect of employability. Extrapolating the data from the survey suggests that 20% of employers believe that their employees lack skills in oral communication, followed by team work with total of 18.10% and employees lack in management responsibility/Taking Leadership comprised of 10.40%.

Soft Skills Limitation of Employees	%
Oral communication	20.10%
Team working	18.10%
Management responsibilities/taking leadership	10.40%
Taking initiatives	9.20%
Customer handling	8.40%
Literacy	7.00%
Manual dexterity	5.60%
Numeracy	5.10%
Written communication	2.60%
Public speaking/instructing/training	2.40%
IT literacy/use of IT	1.20%
Knowledge of foreign language	0.60%
Clerical/administrative tasks	0.40%
Planning and organizing	0.30%
Others	8.50%

Source: *Enterprise and Skills Survey 2017*

Support for seeking employment

SIMU-Web is a database system used by the National Directorate of Employment to register those seeking jobs and those who have found jobs. 2017 data shows a total of 2,135 registered, while only 182 registered job seekers found jobs and 1,953 registered job seekers did not find jobs through SIMU-Web. As at October 2018, there were only 30 registered job seekers who had found jobs out of 3,488 as per registered by the system. In 2017, 8.5% of registered job seekers found jobs and in 2018 only 0.86% registered job seekers found jobs.



Source: SIMU-Web, SEFOPE 2017 & 2018

In 2018 the number of job seekers registered on SIMU-Web increased almost twofold. This may have been due to increased promotion of overseas working programs in Australia and South Korea in the first half of the year.

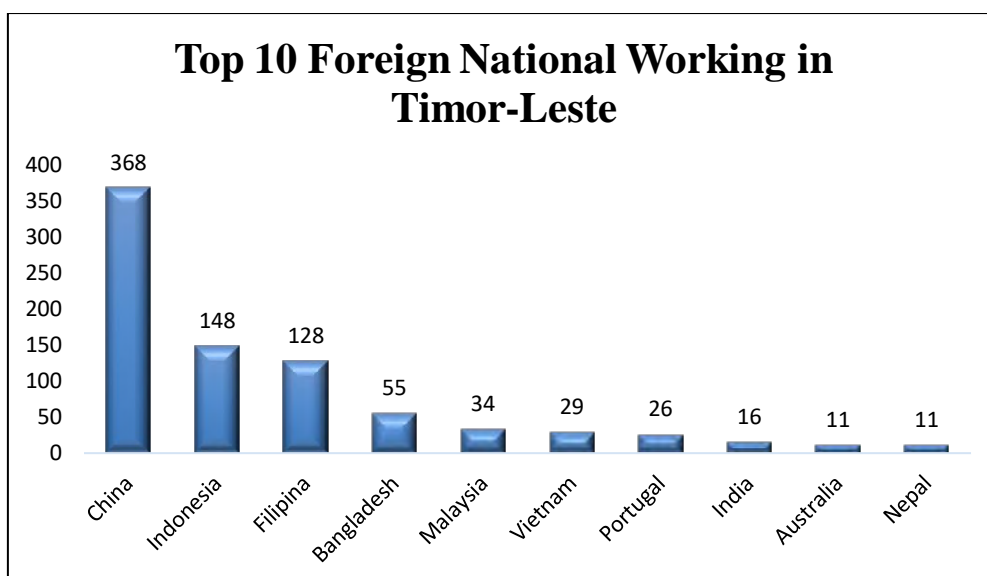
Support for filling employment vacancies

Through collaboration between SEFOPE and some enterprises, vacancies are registered in SIMU-Web targeting students graduating from the training centers as well other job seekers. Total vacancies registered in 2018 was 28 and Job Found was 23. In 2017, 101 vacancies were registered, while Job Found were 182. Job Found registered is higher than the number of vacancies, because some vacancies demand more than one incumbent. It is important to note that vacancies in 2018 were lower than those in 2017. In general, 2017 and 2018 combined numbers of vacancies are still very low by comparison with those seeking employment.

Foreign workers in Timor-Leste

From January to June 2018 there were a total of 896 foreign workers from 28 different countries working in Timor-Leste⁹. The following table shows countries with the most foreign workers in Timor-Leste (diplomats and UN employees excluded). Countries in the top 10 foreign nationals are mostly from Asia, apart from Portugal and Australia. Up to 41% (368) of foreign workers were from China. This may have been due to the increasing business investment from China in construction and wholesale and retail trade. The second largest number of workers came from Indonesia with around 148 workers (17%), followed by workers from the Philippines with around 128 workers (14%). Other countries such as Bangladesh, Malaysia, Vietnam, Portugal, India, Australia, and Nepal supplied less than 10% of foreign workers.

⁹ Inspeção Geral do Trabalho (IGT), SEFOPE 2018



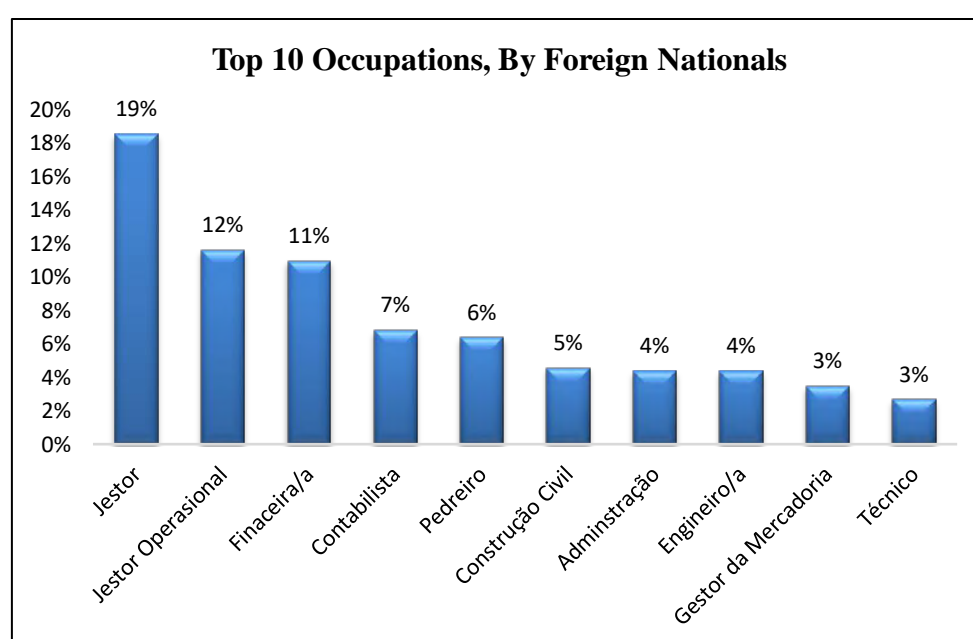
Source: IGT, SEFOPE 2018

Note that the data above represents workers who are registered with SEFOPE and does not include illegal workers.

Occupations by Foreign Workers

From the same data set, information was extracted to identify the occupations filled by the foreign workers.

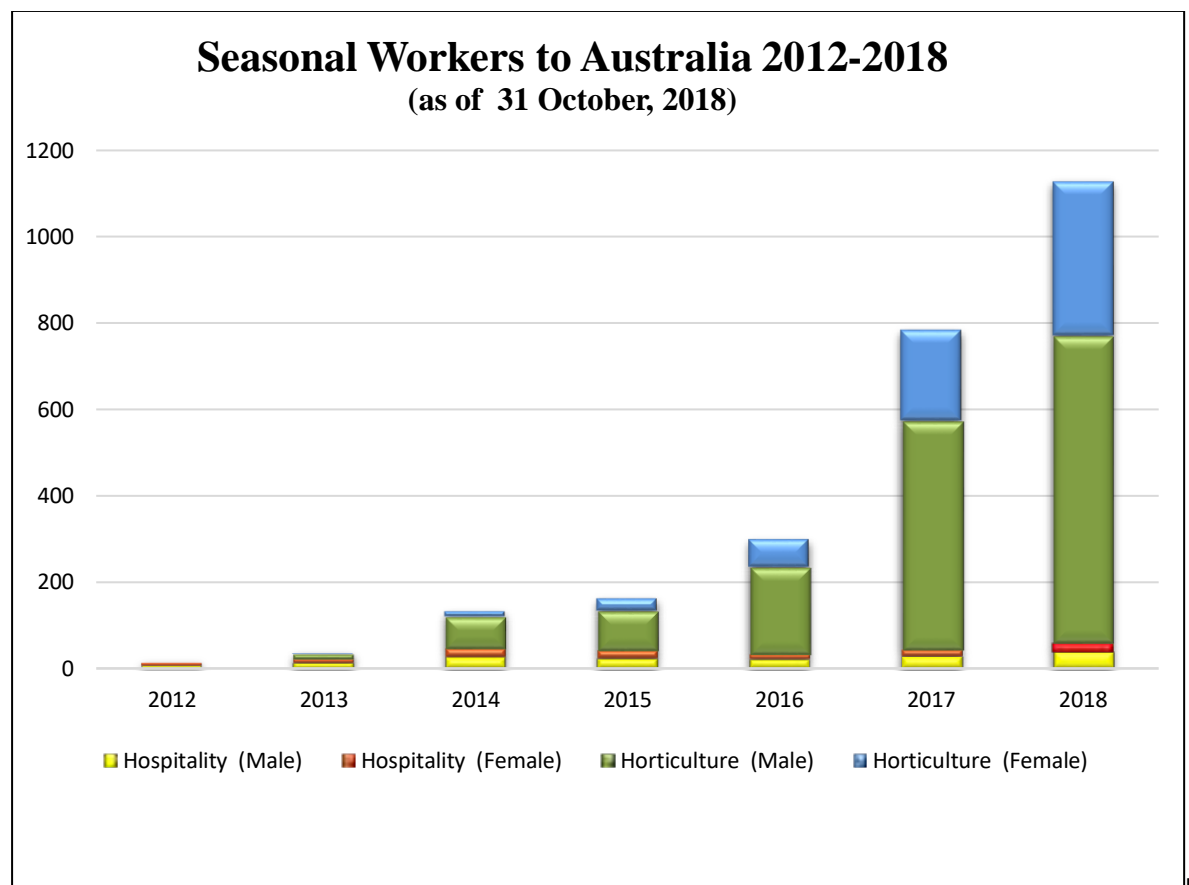
The following graph shows the top 10 occupations filled by foreign workers. This result is validated by surveys (including the Enterprise and Skills Survey) and administrative data which shows that managerial positions are mostly filled by foreigners. 19% out of 896 foreign workers are managers, followed by 12% operational manager, and 11% workers in finance positions. Some of the most basic occupations such as masonry (6%) and administration (4%) are also occupied by foreign workers.



Source: IGT, SEFOPE 2018

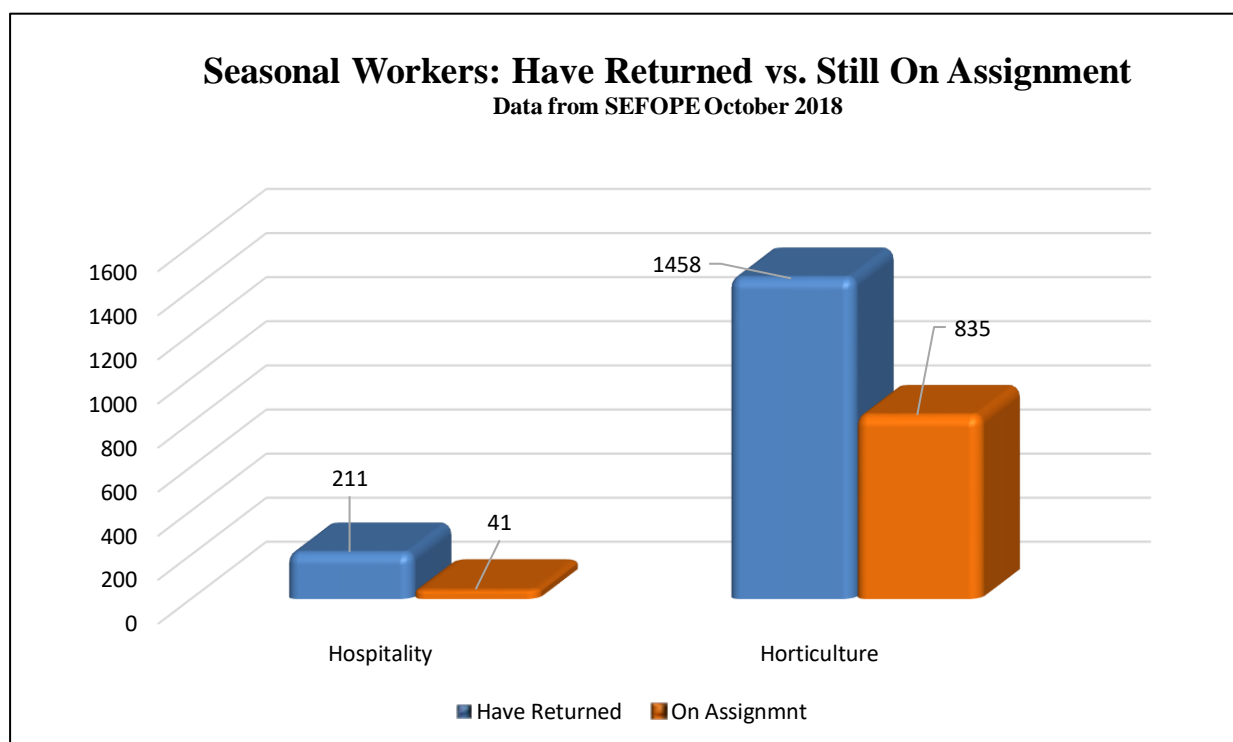
Australian Seasonal Worker Programme

Based on a 2011 formal agreement between the government of Australia and GoTL, Timor-Leste sends workers to Australia for up to six months as seasonal workers in hospitality and horticulture. As of 31 October 2018, there have been a total of 2,545 seasonal workers sent to Australia since 2012. The number of seasonal workers has been increasing exponentially every year, with 1,126 workers mobilised to Australia between 1 January and 31 October 2018.



Source: SEFOPE 2018

Most Timorese workers in the Seasonal Worker Programme (90%) are employed in horticulture compared to hospitality (10%). Of the total number of Timorese seasonal workers, 64% are males who have worked in horticulture and 6% are males who have worked in hospitality. 26% of the total are females who have worked in horticulture, and 4% are females who have worked in hospitality.



Source: SEFOPE 2018

The graph above shows seasonal workers who have returned to Timor-Leste and those who are still on assignment in Australia. From the total of 2,545, there have been 1,669 seasonal workers returned to Timor-Leste. Returned seasonal workers are permitted to return for further work after six months back in Timor-Leste, and Australian employers have a strong preference for returning workers who have been to Australia previously and developed skills and adapted to the Australian environment.

South Korean Employment Permit Scheme

In 2009 the South Korean government and the GoTL entered into an agreement to issue Employment Permits for Timorese workers. Timor-Leste workers sent to South Korea are eligible to work in three areas: agriculture, manufacturing related industries, and fisheries. The flow of workers to South Korea has fluctuated since 2009 with the highest peak (504 workers) in 2015, and numbers declining since then.

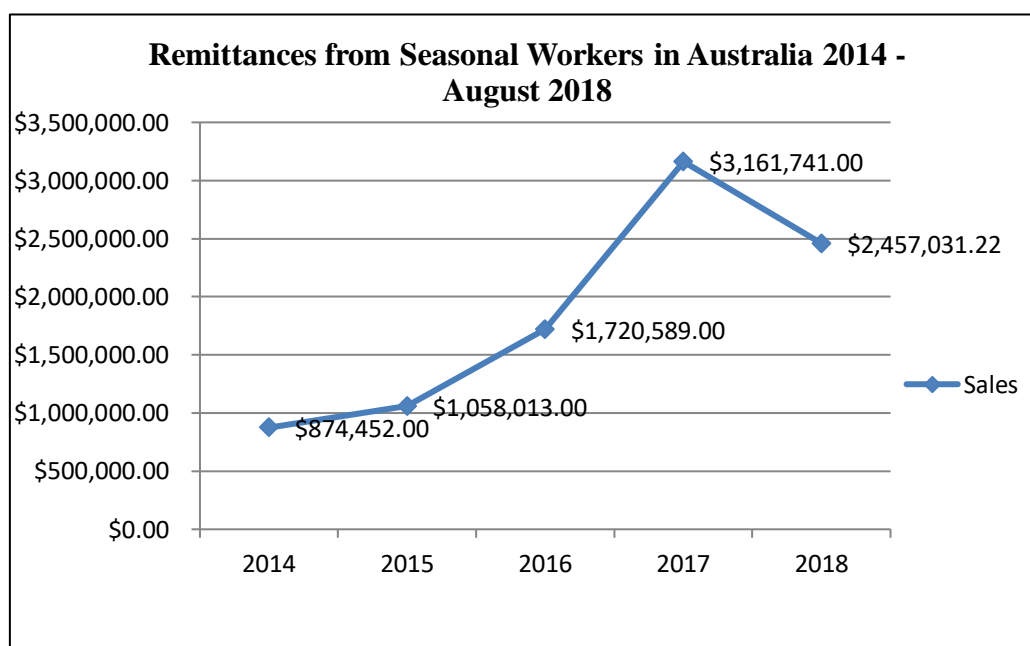
A total of 3,035 workers have been sent to South Korea, with the highest number of workers employed in fishery with total of 1,735 workers, followed by manufacturing industries with total of 1,177 workers. From January to August 2018 the number of workers employed in fishery were 77 while 122 workers were employed in manufacturing out of total 199 workers. As of August 2018, there were 2,333 workers still on assignment in South Korea, while 702 have returned to Timor-Leste.



Source: SEFOPE, August 2018

Remittances from seasonal workers

Remittances from seasonal workers in Australia reached USD3.1 million in 2017 and USD2.4 million from January to August 2018. It is important to note that remittances shown in the graph below are based on self-reporting by seasonal workers rather than on systematic and compulsory documentation or through financial intermediaries.



Source: SEFOPE 2018

Total remittances from South Korea through BNU in 2018 from January until June was USD350,379.03. It should be noted that data for remittances – especially for 2018 – has been difficult to collect and requires greater cooperation from financial institutions in order to enable meaningful analysis.

Month	2017			2018		
	BNU (USD)	Western Union (USD)	Total (USD)	BNU (USD)	Western Union (USD)	Total
Jan	90,879.56	555,883.10	646,762.66	43,849.10	-	43,849.10
Fev	85,040.29	678,161.90	763,202.19	73,155.36	-	73,155.36
Mar	123,664.80	732,547.17	856,211.97	39,970.66	-	39,970.66
Abr	92,669.22	861,298.80	953,968.02	76,010.13	-	76,010.13
Mai	98,573.07	891,778.33	990,351.40	77,080.19	-	77,080.19
Jun	195,297.35	864,691.17	1,059,988.52	40,313.59	-	40,313.59
Jul	62,723.35	863,436.53	926,159.88	-	-	-
Aug	35,599.01	-	-	-	-	-
Sept	60,758.18	-	-	-	-	-
Out	53,095.96	-	-	-	-	-
Nov	40,286.05	-	-	-	-	-
Des	72,396.26	-	-	-	-	-
Total	1,010,983.10	5,447,797.00	6,458,780.10	350,379.03	-	350,379.03

Source: BNU October 2018

The flow-on effect from remittances, along with skills and language development while overseas, mean that seasonal worker programs are a powerful tool for economic development and employment.

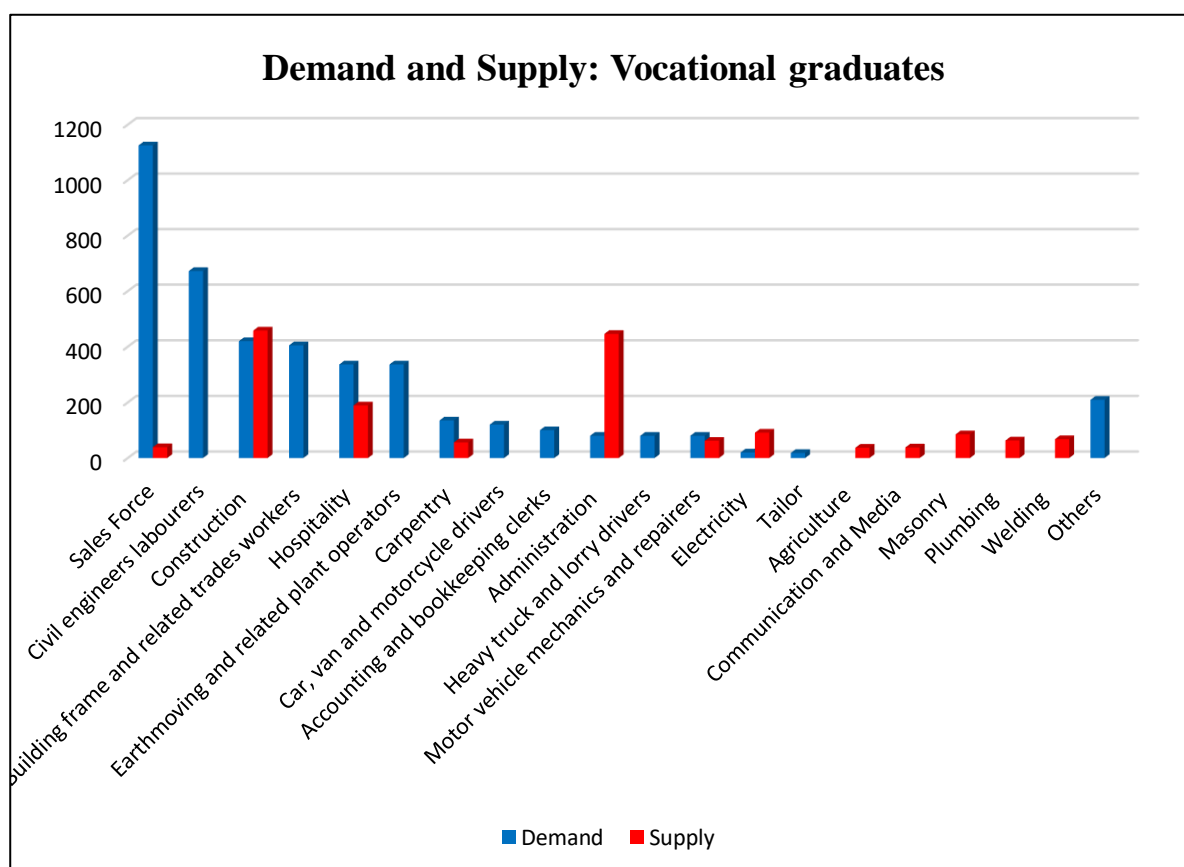
The number of Timorese workers in the Korean program is currently declining, while the number of seasonal workers to Australia is growing rapidly. There could still be potential for considerable growth across both programs.

3. Matching labour supply and demand

Matching labour supply and demand: Vocational skills

The 2017 *Enterprise and Skills Survey* indicated that there were 4,136¹⁰ vacancies at the time of the survey. The total graduates from 21 training centers was 1,632¹¹. This shows that supply of graduates with vocational skills is insufficient to meet demand.

There is also a mismatch between labour demand and supply in certain skills areas. For example, the demand for labour in sales far exceeds the supply. Similarly, supply in civil engineering labourers is zero compared to high demand, meaning that positions in this field cannot be filled. On the other hand, supply of labour in administration is way higher than the demand.



Source: Training Centers, 2017 and ESS 2017

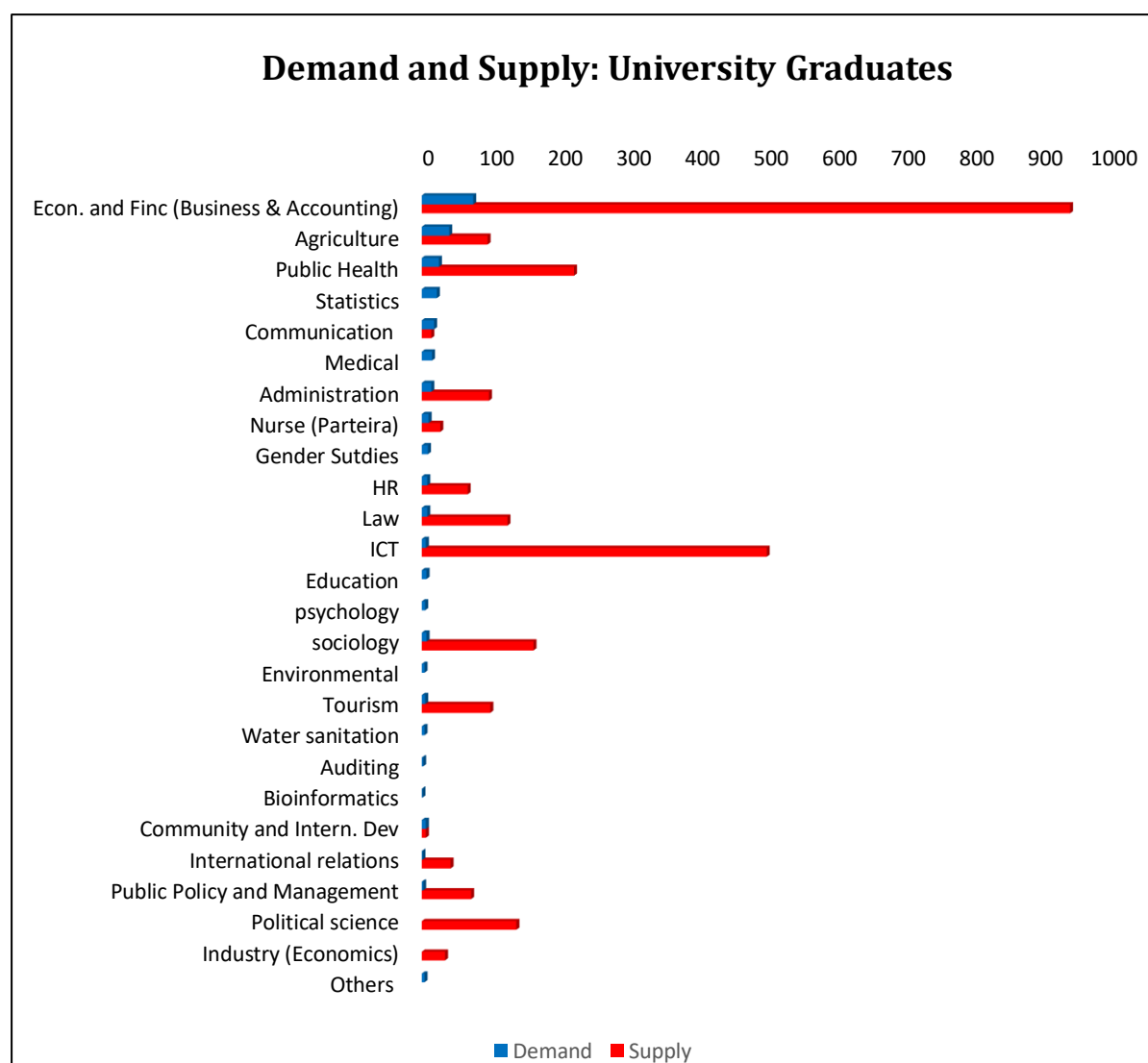
Matching supply and demand: Tertiary skills

Supply of labour from tertiary education courses far outweighs the labour demand. There is very limited opportunity for new graduates to obtain employment. There were 3,605 university graduates from seven universities in 2017 (DIT, ICR, IOB, Cannosa, UNITAL, UNPAZ, and UNTL) and only 298 vacancies advertised online from January to September in 2018 via ETANListServ. These vacancies generally represent positions available with donor programs rather than government and the private sector, but they do provide an indication of skills in demand. The field of study most in demand was economics and finance (business and accounting included) while ICT showed very limited demand.

¹⁰ Enterprise and Skills Survey 2017

¹¹ Data from 21 Training Centres

Supply and demand of community and international development positions tended to match each other.



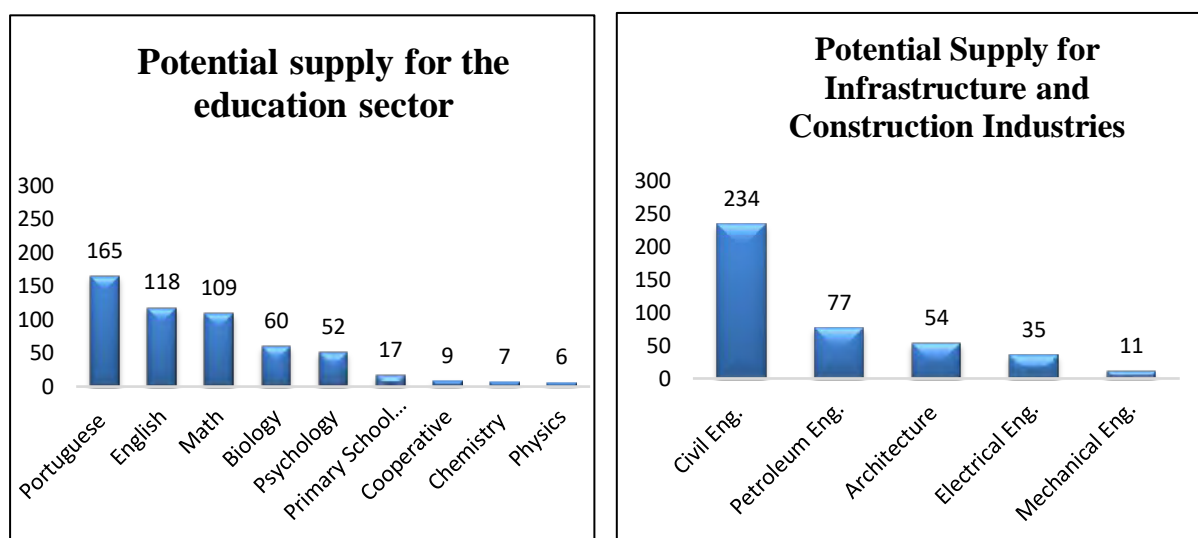
Source: Jornal da Republica 2018, and ETANListServ 2018

To complete the analysis of labour market supply and demand, and understand the overall employment picture in Timor-Leste, it will be necessary to obtain job vacancy data from the public and private sectors. Demand-side data searching and monitoring will have to be greatly expanded in order to gather more information on vacancies. It is also important to mention that the supply-side data does not include graduates from abroad.

The following two graphs show potential supply for two key areas for development in Timor-Leste: teaching, and infrastructure and construction industries. These two occupations are separated from the graph above because demand for these occupations are not advertised on the ETANListServ.

In 2017 universities produced a total 543 graduates in 2017 in fields such as Portuguese language (165 graduates), English language (118 graduates), Mathematics (109 graduates), Biology (60 graduates). It is possible that some of these graduates are existing teaching employees, and therefore already fill positions in demand.

Universities produced 411 graduates for infrastructure and construction from different fields of study, such as Civil Engineering (234), Petroleum Engineering (77), Architecture (54), Electrical Engineering (35), and Mechanical Engineering (11).



Source: *Jornal da Republica* 2018

4. Case study: Hospitality industry

Between July and October, DNIMT collaborated with TradeInvest to conduct a Labour Demand Survey for the Timor-Leste hospitality industry. The analysis of labour demand was based on information supplied by those current businesses or future investors that are likely to have the greatest impact on demand for hospitality sector labour in the near future.

The initial results of this survey were presented at the Labour Market Update on 21 November 2018. The full results of the survey will be available in a report which will be published by DNIMT and circulated to government and the hospitality industry. It is hoped that this information will inform invest in training and policy advice around labour supply for the growing Timor-Leste hospitality sector.

5. Summary

Timor-Leste's Non-Oil GDP fluctuated in recent years and declined in 2017. According to World Bank projections, Non-Oil GDP will increase in 2018 and 2019.

2015 Census data shows that population growth is 2.2% and the working age group increases 3.2% every year with around 31,000 new people joining the working age group. This means that within the five-year period 2016-2021 around 157,072 young people will join the working age group.

From January to June 2018, there were 1,594 enterprises registered at SERVE.IP, with most of these enterprises in wholesale and retail trade, construction, and accommodation and food services.

There is a need to identify both the challenges and opportunities in ensuring that the Timorese labour force can fill into the occupations currently taken by foreign workers, even with the most

basic occupations. There are also considerable opportunities for import substitution, with Timorese agricultural workers producing food sources that are currently imported.

While there is an influx of foreign workers to Timor-Leste, the country is sending some its labour force to work overseas based on agreements between the Government of Timor-Leste and Australia, and South Korea.

Current data suggests that there is a significant mis-match between labour demand in Timor-Leste and labour supply from tertiary education institutions and training centres. Much more work is required to address this.

For more information, about material in this bulletin, please contact:

Jenifer Antonio da Cruz Pui
Director of the National Directorate of Labour Market Information
Secretariat of State for Professional Training and Employment (SEFOPE)
Address: Palacio das Cinzas, Eiz Edificio UNDP, Caicoli, Dili, Timor-Leste.

jeniferantoniopui@gmail.com

+670 77188154

Related publications, including Enterprise and Skills Survey reports and previous Labour Market Bulletins can be accessed at:

<https://sefope551630446.wordpress.com/>