



SECRETARIA DE ESTADO DA FORMAÇÃO PROFISSIONAL E EMPREGO

YES

YOUTH EMPLOYMENT STUDY

TIMOR - LESTE 2007



Supported by:

STAGE Skills Training for Gainful Employment

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With soaring youth unemployment and underemployment rates, Timor-Leste is squandering the growth potential of a large proportion of its population. More importantly such a scenario threatens to destabilise any sustainable development strategy that the country attempts to embark upon.

To facilitate stability and economic prosperity in the county, it is crucial that the Secretariat of State for Vocational Training and Employment (SSVTE) is able to comprehend the employment expectations of disenfranchised youth groups. It is important that the SSVTE understands the constraints and challenges Timorese youth face when entering the labour market. Subsequently, effective policies and programmes to promote decent work for youth need to be designed and put into practice, thereby reducing possible future social destabilisation.

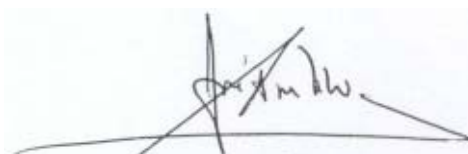
Therefore the Secretariat of State for Vocational Training and Employment together with technical support from the International Labour Organisation (ILO) and the World Bank (WB) collaborated to contribute to this effort, through undertaking a Youth Employment Study (YES) for Timor-Leste. The study was co-financed by an EU-funded GTZ-IS project, by the ILO/UNDP STAGE programme, by the World Bank and by the SSVTE itself. The analysis of the YES is based on results from a large scale survey that was conducted to collect and identify the multifaceted challenges faced by young Timorese in their efforts to seek and retain decent work. The survey findings formed the bases for subsequent key policy recommendations in the study.

Moreover the study intends to provide vital inputs for the finalization of a National Youth Employment Action Plan for Timor-Leste. This work is an integral part of the SSVTE's programmes on promoting decent work in Timor-Leste and, particularly with projects that focus on youth related issues. The study findings will help to provide useful information for activities within these projects. Furthermore it is hoped that the contents of the study will guide the Secretariat of State for Vocational Training and Employment to develop rapid interventions, targeting the needs of disenfranchised youth groups.

Acknowledgments go to Jose Cornelio Guterres who was responsible for supervising the fieldwork and data collection, to Manuel Pereira for formatting the report, and to Habib Millwala who was the study coordinator and team leader for the YES. Their excellent work was essential to the success of the study.



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And Employment (SSVTE)



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Note:

The 2007 elections formed a new Government for Timor-Leste and a subsequent Governmental restructuring. The former Ministry of Labour and Community Reinsertion (MLCR) was dissolved and replaced by the Ministry of Social Solidarity and by the Secretariat of State for Vocational Training and Employment (SSVTE). SSVTE is presently the ILO main counterpart in the Government of Timor-Leste. The drafting process of the Youth Employment Study (YES) 2007 was initiated during the existence of MLCR, and completed after the formation of SSVTE, hence the contents of the study makes reference to both SSVTE and MLCR.

Abbreviation

ADB	Asian Development Bank
ALMP	Active Labour Market Policies
BPA	Banking and Payment Authority
DESD	Division of Employment and Skills Development
EIU	Economist Intelligence Unit
GDP	Gross Domestic Product
GER	Gross Enrolment Ratio
ILO	International Labour Organisation
IMF	International Monetary Fund
LMI	Labour Market Information
MLCR	Ministry of Labour and Community Reinsertion
MSE	Micro and Small Enterprises
NDP	National Development Program
NER	Net Enrolment Ratio
NGO	Non Governmental Organisation
NPL	Non Performing Loans
OPE	Office for the Promotion of Equality
PES	Public Employment Services
SSYS	Secretariat of State for Youth and Sport
SSVTE	Secretariat of State for Vocational Training and Employment
TLC	Timor - Leste Census
UES	Urban Employment Survey
UN	United Nations
UNTL	Universidade Nacional de Timor-Leste
WB	World Bank
YES	Youth Employment Study

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INTRODUCTION

0.1 Study rationale

Young people form a crucial segment of any society. Their existing circumstances influence the course of any future development strategy a country attempts to initiate. Countries that have been ‘youth sensitive’ when designing their national employment strategies have been successful in initiating a process of sustainable development, whereas those that have failed to address the challenges of youth have embarked on development strategies that rest on weak foundations. Hence it is clear, “youth are not only leaders of tomorrow, but partners of today” in the development of a nation.

In the case of Timor-Leste, the position of ‘youth’ and their potential influence on socio-economic development of the country has a far greater relevance than highlighted above. Consider some stylised facts; 48% of the total population in Timor-Leste is below the age of 17, whereas the population that falls within the ‘youth cohort’ [15-29 age bracket] accounts for almost 30% of the Timorese people¹.

Timor-Leste therefore, is very much a ‘young nation’ and demographic trends forecast such a pattern to continue; according to the national census in 2004, the population growth rate is around 5.8%, whereas the fertility rate is estimated at 7.8 births per women. These facts can be interpreted in two ways. If the challenges faced by Timorese youth are addressed in an appropriate manner and realistic solutions are devised and implemented, the Timorese economy can benefit from the ‘youth dividend’; making productive use of the ‘human capital’ that young Timorese have to offer, and allow young people to be an ‘asset’ for Timor-Leste’s socio-economic prosperity. Alternatively, failing to address the ‘youth challenge’, can lead this young population to be a ‘liability’; a group that finds itself in the midst of conflict and disarray, thereby destabilising socio-economic growth and stability in Timor-Leste.

Unfortunately in the case of Timor-Leste, sluggish and volatile economic growth coupled with equally distorted supply-side imperfections, such as lack of skills, inappropriate training and weak human capital have had detrimental effects on the labour market and its functionality. Young Timorese women and men entering the labour market are *hardest hit* by these problems. On the demand side, lack of economic growth translates into lack of employment opportunities, between 15,000 – 20,000 young people enter the labour market every year, as a fraction of the total labour force (which was 314,000 in 2004), this implies that the labour market is growing at roughly 4-5% a year. With GDP growth rates oscillating from negative to positive from one year to the next², the formal sector remains in an *infant state*, employing only 12%³ of the labour force. On the other hand, there exists the daunting image of a vast and growing informal sector which employs a majority of the work force.

Young Timorese enter the labour market facing a mismatch between the supply of skills they are able to offer and the demand of skills and expertise required by employers. A major cause behind this mismatch is that many youth drop out of school too early or receive education and training that was not suited to the requirements of the labour market. Often, when they do manage to find a job, it is subject to low wages, in low productive activities, with little or no job security. Moreover, since very few young people can afford to be openly unemployed, the youth employment problem is also characterised by issues relating to under-employment, low pay and low quality jobs in the informal economy.

Youth unemployment problems tend to track adult unemployment problems over time; as failure to find or maintain a job after leaving school tends to have detrimental effects on occupational and income patterns over the work life cycle. Youth who have experienced long spells of unemployment, very often have difficulty in finding work throughout their working age, as without credible employment experience at the early stages of their work life, their chances of *employability* continue to slide over time – thereby perpetuating a vicious cycle of poverty and social exclusion.

¹ Data source 2004 Census Timor Leste, TLC 2004.

² GDP growth (%) was -35% in 1999, 15.4% in 2000, 16.6% in 2001, -6.7% in 2002, -6.2% in 2003, 0.3% in 2004, 2.3% in 2005; source IMF World Economic Outlook Database (September 2006) and Government of Timor Leste: *Combating Poverty as a National Cause* (Dili 2006).

³ Source: Timor Leste 2004 census data. This 12% estimate accounts for work force receiving wages, working for the government, NGOs, UN an private industry.

Introduction

The purpose of this study is to look at the ‘youth challenge’ in Timor-Leste from an ‘employment perspective’. In other words, what are the challenges that 15-29 year old Timorese face in their efforts to seek and retain employment. The study bases its analysis on a large scale-survey that collected information on Timorese youth. The survey focuses on the personal identification data of youth, their education and training, their perceptions and aspirations regarding employment and their long-term life goals. The job search process is analysed: ‘barriers to’ and ‘supports for’ when entering the labour market and seeking wage employment are considered, as well as the challenges in seeking self-employment.

The attitudes of employers towards hiring young workers are highlighted, and the current employment/working conditions that young people face; both in wage earning jobs as well as subsistence activities are examined. The ‘control’ and ‘opportunity’ that young Timorese ‘have’ or ‘do not have’ over resources are considered; such as funds to pay for specialised training or capital to start a business. Perceptions related to work, marriage and family responsibilities and gender differentials are reviewed. Information on recruitment practices, training and other labour market information was also gathered from interviewing a selected sample of employers.

The Timor-Leste ‘Youth Employment Study (YES)’ addresses a wide array of complex challenges faced by Timorese youth in their efforts to find employment, it analyses the issues from a ‘dynamic’ rather than ‘static’ perspective. After all, the employment challenges faced by youth do not simply start after finishing school and end with finding a job. It is much broader: it starts in education, proliferates when they first enter the labour market and changes in nature and complexity once they are part of the labour market. Hence the nature of the issue begs for a ‘life-cycle approach’ when analysing the youth employment challenge in Timor.

0.2 Study content

The study is divided into five chapters. The first chapter starts with an overview of the study rationale and survey methodology. Chapters two to four present the survey findings; these are spread across **3 themes**; ‘Employability’, ‘Employment Generation’ and ‘Equal opportunity’. These **3 ‘Es’** address the multifaceted challenges Timorese youth face in seeking employment, and serve as pillars around which the YES presents its policy recommendations in chapter five.

Chapter 1: Methodology:

Starts with an overview regarding the specific objectives of the study. Next, the rationale and methodology behind the sample mapping for the survey of the study is explained. This is followed by identifying the entire process of how the study was complied. Finally, limitations related to quantitative results obtained and therefore constraints to consider when drawing inferences from survey results are explained.

Chapter 2: Employability ‘Education and Training’:

Addresses key supply-side issues faced by young Timorese in making themselves ‘employable’ for the labour market, it therefore looks at whether or not any synergies exist between the skills Timorese youth acquire from educational and training institutions and whether or not these skills are applicable to those required by the labour market.

Chapter 3: Employment Generation ‘Creating Opportunity’:

Focuses on demand-side challenges. The characteristics of the labour market are evaluated namely a ‘dual’⁴ labour market which exists in a small and stagnant ‘formal economy’ where the private sector accounts for only 3% of the work force⁵, and a vast ‘informal economy’ which is not only diverse in nature, but also on which straddle most urban and rural activities, subsequently employing the vast majority of Timorese work force.

⁴ Lewis, W. Arthur (1954). “Economic Development with Unlimited Supplies of Labour,” Manchester School, 22: 139-191.

⁵ ILO, National Employment Strategy for Timor-Leste unpublished draft report, 2006 PP10

Chapter 4: Equal Opportunity ‘Perception of Gender Roles’:

Addresses issues pertaining to gender roles, it identifies problems relating to gender segregation in training and education which leads to segregation of employment opportunities in the labour market, thereby confining young women to a narrow range of occupational opportunities. Furthermore it touches upon the ‘mindset’ of youth and how some factions perceive the role of ‘women and work’ as being secondary to ‘women and family’, in other words possible ‘cultural agents’ discriminate on ‘gender grounds’ for women to work.

Chapter 5: Assessment and Policy Recommendations:

Draws key policy recommendations from the analyses of the three preceding chapters which are intended to serve as a guide to the Government in streamlining ‘youth sensitive’ policies in the country’s overall development strategies. More specifically, to facilitate the drafting of a National Youth Employment Action Plan.

0.3 Socio-economic snapshot

Timor-Leste’s development as a sovereign nation was severely tested in May 2006: what began as an upsurge of violence in Dili also spread to other districts. This led to a mass exodus of individuals fleeing from their homes in troubled districts, resulting in a sharp rise in the number of internally displaced people (IDPs) in Dili and other districts. These events had damaging effects on both the economic and political mainstay of the country. Analysts envisage a tense political scene to remain throughout the forecast period of 2007-08 fuelled largely by long running rivalries amongst front running candidates and opposing parties (EIU).

The political situation no doubt has a *causal effect* on economic prospects. A relationship confirmed by boom and slump cycles witnessed by the economy every time there is a shift from political stability to instability leading to subsequent security issues. Consider the following analysis: domestic economic activity (excluding the oil and gas sector) contracted sharply in the second half of 2006, owing to civil unrests that broke out in May that year⁶. It is estimated that real non-oil GDP contracted by 1.6% in 2006.

Furthermore, data published by the Banking and Payment Authority (BPA) identifies a contraction in outstanding domestic credit, whereas the ratio of non-performing loans (NPLs) to total outstanding loans has also risen sharply to 29.8% at the end of the third quarter of 2006, from an average of 9.8% in 2005. Such a trend is largely the consequence of disruption to normal economic activity caused by the violence in mid-2006⁷.

The five years preceding 2006 have also witnessed equally volatile economic growth. Moreover, this volatility has been coupled with steady population growth (around 3% per annum) during that period, resulting in a declining trend in GDP per capita. Estimates place the number of people living below a poverty line of \$0.55 per day at 40% of the total population.

These macro-economic developments have had a perverse effect on the functioning of the labour market. Consider some important statistics: the composition of GDP is dominated by low-productivity agricultural (including forestry and fisheries) output, latest available data places the share of agriculture to GDP at 32%⁸ rising from 26% in 2000. The employment share of the agricultural sector is around 75%⁹ with around 90% of the population relying on agriculture and subsistence activities for their livelihoods.

In comparison, the industrial base of Timor-Leste remains in an *infant* and immature state, accounting for only 14.9% of GDP output with manufacturing accounting for a mere 3.7%¹⁰. Though the service sector contributes to over 50% of GDP output, this figure is skewed by the presence of personnel from the UN and donor countries. From an employment perspective, the formal sector accounts for only 12% of the labour force (this includes wage earning individuals working for government, NGOs, UN and private sector). Hence, majority of the work force find themselves working or seeking employment in the unregulated informal sector (a sector where the poor and vulnerable groups are concentrated).

⁶ Source: IMF Country Report Timor-Leste, February 2007

⁷ Source: EIU Country Report Timor-Leste, April 2007

⁸ Source: EIU 2007 database, latest data available was for year 2004.

⁹ Source: Timor-Leste census 2004

¹⁰ Source: EIU 2007 database, latest data available was for year 2004.

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Here they are subject to working conditions of highly precarious nature with poor working conditions where they are exposed to low pay and low productive activities. The later characteristic is conformed by earlier studies¹¹ that claim almost 93% of informal enterprises are involved in trading and petty maintenance (e.g. auto, bicycle, small machinery repair) activities.

The working poor of Timor-Leste therefore find themselves in a state of *chronic poverty*; experiencing poverty for long spells or for their entire lives. Such a state of poverty is characterised not only by low income and assets, but also by illiteracy, hunger and lack of basic necessities. Moreover, with a vast majority of the workforce either exposed to precarious forms of employment in the informal sector, and/or relying on subsistence activities in agriculture as the main source of livelihood, many Timorese experience a *transitory state of poverty*; oscillating above or below the poverty line due to *recurrent and long spells of unemployment*.

¹¹ Enterprise, workers and skills in urban Timor-Leste, World Bank, November 2005

Chapter 1: METHODOLOGY

1.1 Objectives:

The overall objective of the Youth Employment Study (YES) is to look at the ‘youth challenge’ in Timor-Leste from an ‘employment perspective’. The study bases its analysis on a *large-scale survey* that collected information on Timorese youth [individuals who fall within the age bracket of 15-29 years]; identifying the multi-faceted challenges that young Timorese face in their efforts to seek and retain employment. It therefore analyzes the challenges encountered by Timorese youth in their search for employment, identifying critical issues and suggesting policy actions. More specifically the study aims at:

- 1) Identifying the key issues and challenges faced by Timorese young women and men in their transition through education to the workforce.
- 2) Providing a set of key policy recommendations to policymakers and stakeholders that can contribute to the creation of quality jobs, thereby reducing unemployment, under-employment and the number of young people living and working in poverty.
- 3) Urging the Government of Timor Leste to mainstream youth employment issues into economic and social policies strategies and programs.
- 4) Stimulating action by groups of stakeholders (Government Ministries, Employers’ Association, Trade Union, NGO, other public and private sector organisations) to take an active role in the processes and programs that directly and indirectly contribute to the generation of more and better jobs for Timorese young men and women.
- 5) Encouraging Timorese young men and women to participate in dialogue as a necessary and pre-requisite for an accurate and effective response mechanism to address their employment challenge.

1.2 Rationale and methodology for survey structure:

The sample frame that was constructed for the survey of the YES aimed to capture respondents who represent the youth of Timor-Leste from various socio-economic backgrounds and geographical locations. To achieve this, the following factors were taken into consideration when designing the sample:

- 1) Age
- 2) Gender
- 3) Geographic location
- 4) Type of economic activity
- 5) In-school and out-of-school

1.3 Characteristics of the sample groups:

The sample was constructed to accommodate *two separate populations*; namely *youth* who are ‘*In-school*’ and those who are ‘*Out-of-school*’. The geographical regions in which this target group was chosen comprised of 7 districts [*Bacauau, Manufahi, Lautem, Ermera, Bobonaro, Oecusse and Dili*].

In-School Sample: Developing the In-school sample frame involved using the ‘best available data’ that identified enrolment numbers for; lower-secondary, academic secondary, vocational secondary, agricultural secondary, tertiary education, training centres (for a full list of schools selected refer to Table 1, in statistical annex 1) and a university (the Universidade Nacional de Timor-Leste (UNTL)). Estimates were then calculated for the number of annual graduates from each level of educational institution selected. Using this mechanism the estimated annual number of graduates in 2006 for the above target population totalled 27,682. Applying a sample percentage of 2.2% to this population (which went through further statistical inferences to accommodate any discrepancies), a total of 664 youth were selected to represent the ‘In-school’ sample.

The number of young women and young men representing the ‘In-school’ sample were close to equal. Table 1.3a provides the in-school sample frame.

Table 1.3a:
In-School Sampling Frame

In-school Sample	Current Enrolment	Estimated dropouts	Estimated Graduates 2006	Number of Institutions	Number Institutions Sampled	Number of Individuals Sampled
Lower Secondary Public	44,648	14,883	13,097	134	7	294
Academic Secondary	26,433	8,811	6,873	58	7	154
Vocational Secondary	3,275	1,092	852	14	2	30
Agricultural Secondary	-	-	-	-	4	32
University	10,461	2,615	1,831	-	1	45
Tertiary	6,818	1,705	1,193	17	1	25
Training Centres	3,837	3,837	3,837	73	5	84
Total	95,472	32,942	27,682			664

Out-of-school Sample: Applying the same premise, the ‘Out-of-school’ youth sample was calculated using data that identified ‘Economically Active Timorese Youth’ [i.e. those youth who were either working in some form of employment, or were unemployed and looking for work], the source of this data was a recent census (TLS 2004)¹² used in a subsequent study (Neupert and Lopes 2006). From this data the number of Timorese that qualified for the youth-age cohort [15-29 years] and who were classified as being economically active¹³: were sub-categorised into 4 groups:

- 1) *Youth wage earners*; in the Modern formal sector’ (includes youth wage earners working in the private, government and NGO sector).
- 2) *Youth who were self-employed*; ‘own account’ workers.
- 3) *Youth working in subsistence*; agricultural and fishing activities,
- 4) *Unemployed youth*; looking for work.

The total population size for this ‘Out-of-School’ category was 107,873, applying a sample percentage of 2.2% to this population and after undergoing further statistical inferences to accommodate discrepancies, the **total sample size for Out-of-school youth** chosen was **2,336**. The sample number of young women and young men in each sub-category of ‘Out-of-school’ youth reflected the variation that prevailed by gender in the census data. Table 1.3b provides population counts of the out-of-school youth selected by category and district, whereas table 1.3c displays the sample size of out-of-school youth disaggregated by district, gender and type of category.

Table 1.3b:
Population count for out-of-school youth in and out of Dili, disaggregated by gender and type of category:

District/Category	Formal/modern			Own-Account			Subsistence			Unemployed			Total
	M	F	M&F	M	F	M&F	M	F	M&F	M	F	M&F	
Total 6 selected district out of Dili (Oequisse, Ermera, Bobonaro, Lospalos, Manufahi, Baucau)	3825	1700	5525	2380	1070	3450	1564	4292	5856	5955	2288	8243	23074
	3769	2927	6696	2885	4739	7624	33799	28019	61818	4896	3765	8661	84799
			12221			11074			67674			16904	107873

¹² Neupert, Ricardo and Lopes, Silvino (2006) ‘The Demographic Component of the Crisis in Timor-Leste: Political Demography: Ethnic, National and Religious Dimensions’, Association for the Study of Ethnicity and Nationalism, London School of Economics. Used Table 7 Timor-Leste and Dili: Economically active population by age groups according to sex and type of labor force insertion, 2004 to construct the sample.

¹³ Economically active youth are defined as those youth who are part of the labour force, either in some form of employment or unemployed and looking for work.

Table 1.3c:
Sample frame for out-of-school youth, disaggregated by district, gender and type of category:

District	Formal-Modern			Own-Account			Subsistence			Unemployed			Total (M&F) District
	M	F	M&F	M	F	M&F	M	F	M&F	M	F	M&F	
Dili	189	84	237	52	24	76	26	70	98	131	50	181	626
Oequsse	31	23	54	10	17	27	94	78	172	18	14	32	285
Bobonaro	31	23	54	10	17	27	94	78	172	18	14	32	285
Ermera	31	23	54	10	17	27	94	78	172	18	14	32	285
Lospalos	31	23	54	10	17	27	94	78	172	18	14	32	285
Manufahi	31	23	54	10	17	27	94	78	172	18	14	32	285
Ba ucau	31	23	54	10	17	27	94	78	172	18	14	32	285
Total			597			238			1128			373	2336

In summary the total sample size is as follows: Total sample-size= 3000: In-school sample = 664 and Out-of-school sample = 2336. In addition to this, a sample of 20 enterprises were also selected to allow for an analyses of youth employment challenges from an employer’s perspective.

1.4 The study process:

Preparing the Timor-Leste *Youth Employment Study 2007* involved 4 phases.

Phase 1) Design and structuring of the questionnaires.

Three sets of questionnaires were designed for each sample group:

- i) ***In-school*** targeted youth who were enrolled in a range of academic institutions namely lower-secondary, academic secondary, vocational secondary, agriculture secondary, tertiary education, training centres and University (for which UNTL served as a proxy).
- ii) ***Out-of-school*** targeted youth who were working in subsistent agricultural activities, youth who were self employed, wage earning youth in the modern formal sector, and unemployed youth.
- iii) ***Employers***: targeted 20 enterprises, which hired young workers and were involved in entrepreneurial activities ranging from hotel and restaurant, construction, banking, retail and wholesale/trading activities. The size of these enterprises varied from small to medium scale. (For a full list of enterprises interviewed refer to Table 2 in Statistical Annex 1).

Phase 2) Selection and training of enumerators, supervisors and national coordinator:

Initiation of field work: The study team comprised of 1 national coordinator whose tasks included coordination with local partner organizations as well as managing the selection of enumerators and coordinating and monitoring the field activities. The national coordinator also managed 4 field supervisors. Each supervisor was responsible for the survey field work in 2 districts. This involved monitoring and facilitating enumerators in undertaking interviews. A total of 39 enumerators were selected to undertake the field work, which involved interviewing the target youth sample of 3000.

Training of enumerators: This process included both ‘classroom’ and ‘field training’.

Classroom training involved familiarising the enumerators with the questionnaires and explaining the rationale behind the survey questions. Interview techniques were discussed, which included both theoretical and practical exercises.

The ‘field training’ involved a ‘test-run’ survey exercise whereby each enumerator undertook 2 interviews (1 for in-school youth and 1 for out-of-school youth), thereby allowing them first-hand experience on how to approach respondents and conduct interviews.

Phase 3) Design and construction of database:

This involved design and construction of a computer database which was used to record the survey results and thereby served as a platform to facilitate quantitative analyses of the youth employment challenges, the results from which were then applied to compliment the qualitative analyses of the Youth Employment Study.

Phase 4) Drafting the study:

The study content comprised of both quantitative and qualitative analysis that were based on the survey findings. Analyses emerging from the youth employment study (YES) were not only based on survey findings but also from recommendations and suggestions made during the various consultations with prominent members of Government, trade unions, employers’ association, NGOs and private sector agencies in Timor-Leste (for a full list of consultations held refer to table 3, in Statistical Annex 1).

Interpreting results

1.5 Limitations of the survey:

The survey findings for *the Youth Employment Study* are subject to certain shortcomings which should be borne in mind when drawing inferences from them.

In the case of ‘In-school’ youth, although the mechanism applied estimates the number of graduates from the targeted educational institutions, the credibility of national data that accounts for ‘drop-out rates’ and ‘repetition rates’ is questionable. Thus the estimated numbers of graduates calculated are subject to possible ‘over’ and/or ‘under’ estimation of the true numbers, resulting in inaccuracy of the subsequent sample of in-school youth chosen.

In the case of ‘Out-of-school’ youth, there was no credible data available that disaggregated the youth population by districts and type of economic activity outside Dili. The mechanism applied in the sample frame, therefore, gives an ‘equal weighting’ to the number of youth per subcategory (categorised by economic activity; wage earners in modern formal sector, self-employed, youth working in subsistence activities and unemployed youth] for all 6 districts out of Dili.

These estimates are therefore subject to likely ‘over’ and /or ‘under’ estimation of true values. More generally given the limited size of the total sample, shortcomings related to statistical ‘noise’ (weakness in estimates) cannot be ruled out either. Lastly the survey considers 7 districts out of the country’s total 13.

1.6 Justification and credibility of methodology:

In spite of the limitations and shortcomings mentioned in sub-section 1.5, it is important to note that the total sample size of 3,000 succeeds in providing a robust sample size for each of the targeted groups of youth (both ‘in’ and ‘out-of’ school) chosen. Moreover of the 7 districts that were selected, the sample is able to provide a national geographical spread that covers both the Eastern [Baucau, and Lautem] and Western [Ermera, Bobonaro and Oecusse] districts with Dili and Manufahi representing the central part of the country.

CHAPTER 01

In addition, Dili, Baucau and Maliana [in Bobonaro district] are the three largest cities of Timor-Leste. Hence the sample mapping covers parts of the country which are economically most active, where demographic characteristics are a combination of both regional inhabitants as well as a large proportion of migrant workers coming from other districts of the country in the hope of better economic gains. Such trends are confirmed by previous studies, most notably Savio and Conceicao (2005)¹⁴, which identifies youth in Timor-Leste as having a clear preference for urban areas, and validates this finding with demographic indicators that measure the number of youth per region.

Further, the selected 7 districts [Baucau, Lautem, Ermera, Bobonaro Oecusse, Manufahi and Dili] comprise of both rural and urban settings. Therefore it can be argued that the sample population was more familiar with the concept of 'traditional' and 'modern economy' and subsequently of working conditions and prospects in both the 'informal' and 'formal' labour market. Hence the sample respondents were able to answer questions related to the prevailing 'dual' labour market in Timor-Leste in an 'objective' manner.

It can be argued that this would not have been the case if the remaining 6 smaller districts [Viqueque, Ainaro, Manatuto, Aileu, Covalima and Liquica] had been selected. In these districts the scope of economic activity is largely confined to informal and subsistence rural activities, thereby introducing the element of 'subjectivity' in respondents' answers. This would have consequently made any analysis of the labour markets dynamics all the more difficult. This argument is validated by an earlier study (Savio and Conceicao)¹⁵ that states; "from a rural perspective, there is virtually no information about job or educational opportunities in the smaller districts and therefore many youth have no idea about these issues". The study also identifies a misapprehension by youth in smaller rural districts regarding the definition of 'employment' and 'work'.

¹⁴ Savio and Conceicao, Timor Leste- "Youth social mapping and youth institutional assessment", 2005

¹⁵ *ibid*

Chapter 2: Employability: 'Education and Training'

2.1 Enhancing employability, the role of the educational system:

In order to ensure a successful and easy transition of young people from school to work, it is vital that strategies related to enhancing youth 'employability' are given careful consideration. Youth need to be prepared with the appropriate skills (both 'soft'¹⁶ and 'hard'¹⁷), relevant knowledge and correct attitudes in order to improve their chances of finding work. Moreover, employability that is enhanced by quality education and training will increase the 'youth human capital value', thereby increasing their productivity and enriching them with versatile skills that can then be applied to different jobs/occupational roles.

The educational system plays a crucial role with young people's 'employability levels'. It can influence the age at which young people enter the labour force, it prepares them with relevant skills required by the labour market and subsequently facilitates the 'job-search' process and future career trajectories of young people.

Indeed these linkages rest on several assumptions. For instance whether or not the educational institutions (particularly the vocational and technical training centres), provide curricula and training that correspond to skills required by industries and enterprises. Likewise, whether or not, secondary-schools and universities have a well functioning 'careers service' centre, that assist young people in gaining work experience via internships and other work placement schemes. Thereby allowing students to gain a better insight into careers and professions that are in demand and which cater to their strengths and interests.

Such questions and others are addressed in the preceding sections of this chapter, which delve deeper into the 'employability' challenges faced by young people in Timor Leste. The key supply-side issues faced by young Timorese are reviewed, with emphasis on whether any synergies exist with the type of skills young Timorese obtain from educational and training institutions and whether or not these skills are applicable to those required in the labour market.

2.2 Educational challenges post independence:

From a historical perspective, Timor-Leste's educational system has made healthy progress. The enrolment rates have increased rapidly post 1999. Consider some stylized facts: the gross enrolment ratio (GER)¹⁸ in primary education has risen from 89 percent (before the violence in 1999) to 110 percent in 2001. Likewise the net enrolment ratio (NER)¹⁹ rose from 51 percent to 70 percent (1999-2001). Other promising indicators include an increase in the number of primary school teachers by 36% from 2001 to 2003 and a corresponding fall in the pupil-teacher ratio from 67:1 to 45:1. Similarly at the junior secondary level the number of students increased by 29% and the number of teachers by approximately 25% (WB 2004)²⁰.

In spite of this impressive progress, the educational system still remains subject to numerous imperfections. The YES identifies key supply-side issues faced by young Timorese in making themselves 'employable' for the labour market.

On a general level, survey findings reveal that although the 'quantity' of education has increased, which is indicative of burgeoning gross and net enrolment rates (at the lower secondary and secondary levels). The 'quality' of education remains weak, resulting in a high proportion of youth facing 'recurrent unemployment'. This is because the education and training mechanism offers curriculum that does not fit the needs of the labour market. Moreover survey findings reveal that many youth enter the labour force at an 'early age'. Such a scenario rarely pays off because of the low educational attainments of these youth. Consider the following trend patterns illustrated in the proceeding sub-sections:

¹⁶ Soft skills refer to the cluster of personality traits. Some examples of soft skills involve; ability to take on responsibility, capable of self-management, integrity/honesty at work, active participation as a member of the Team and exercising leadership and negotiation skills.

¹⁷ Hard skills refer to technical or administrative procedures related to an organization's core business.

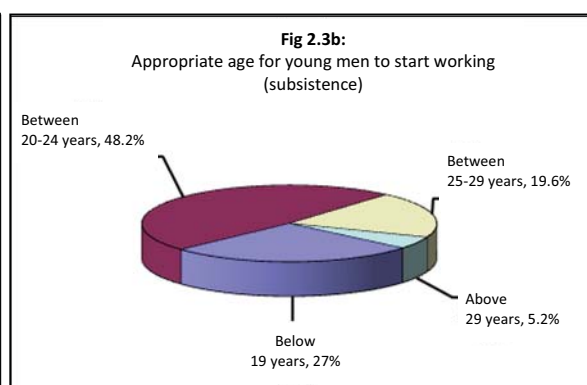
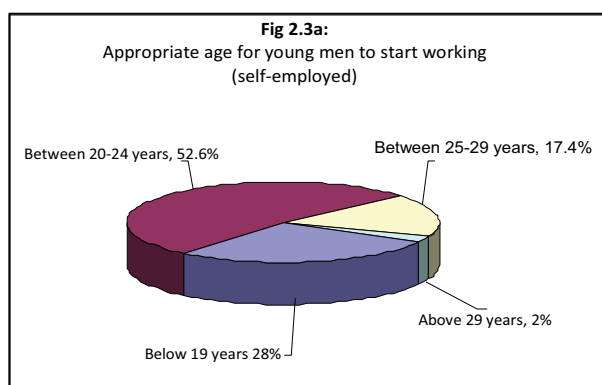
¹⁸ The definition for Gross enrolment ratio (GER) is the number of students enrolled in primary irrespective of their age, divided by the total number of primary school-age children.

¹⁹ The definition for Net enrolment ratio (NER) is the number of right-aged students enrolled in each grade of primary school.

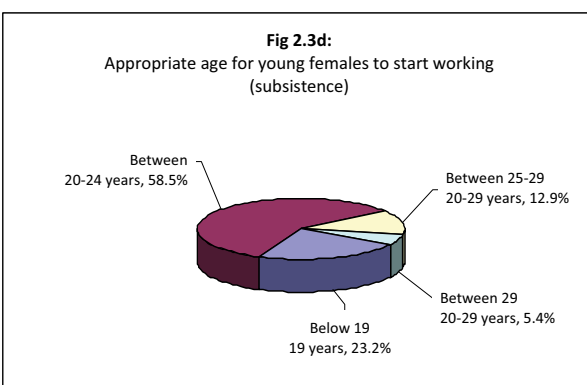
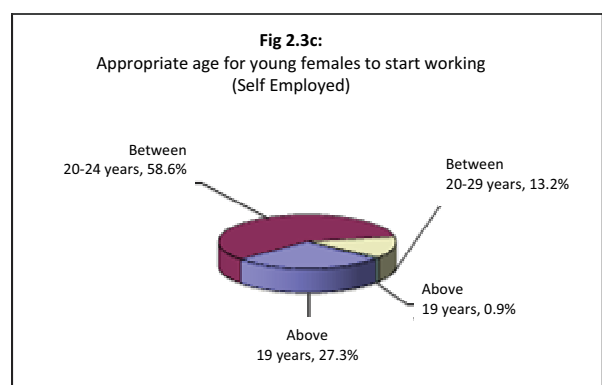
²⁰ Percentages calculated from data on primary school teacher numbers which increased from 2,992 to 4,080 (from year 2001-2003) likewise for junior secondary level, number of students increased from 29,586 to 38,180 and the number of teachers from 884 to 1,103 (from year 2001-2003), source: World Bank : Timor Leste – Education: The way forward (Dili, World Bank, 2003).

2.3 Many youth enter the labour market too early:

When asked to identify what they consider to be a good age for women and men to start working, almost 18% of in-school youth respondents selected an age group of 19 years and below as appropriate for men, whereas 20% of respondents considered such an age group to be appropriate for women. In the case of out-of-school respondents; 28% of 'self employed' (refer to Figure 2.3a) and 27% of youth working in 'subsistence agricultural and fishing activities' (refer to Figure 2.3b) considered an age group of 19 years and below as a good age for men to start working.



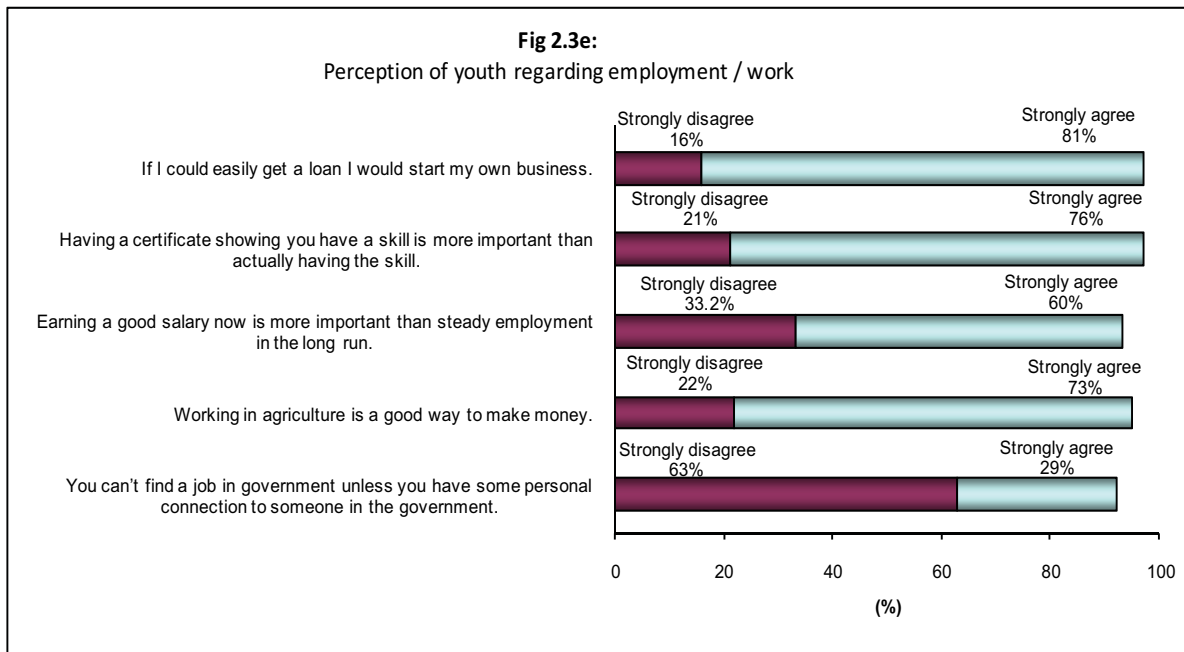
Likewise, a similar pattern could be seen from the selection of respondents regarding an appropriate age for young women to start working: 27% of 'self-employed' youth selected an age of 19 and below as an appropriate age (Figure 2.3c), whereas over 23% of youth working in 'subsistence activities' considered such an age as being suitable for women to start work (Figure 2.3d).



These results raise serious concerns on the career development trajectory and prospects of young Timorese. The rationale being that by entering the labour force at an early age (forgoing their educational attainment) rarely pays off because of the low educational attainments. These youth, on failing to acquire remunerative income in the formal sector due to the lack of formal education and skills, end up in the informal economy or subsistence activities, in low skilled professions where they are often subject to 'recurrent unemployment'. The short term consequence of such a trend pattern is the proliferation of a youth cohort that fails to develop its human capital value via sustainable and productive employment, thereby limiting the employability enhancement potential of such youth in the medium and longer run; largely because the inferior work experience they build-up fails to improve both productivity or portability of skills for finding decent work when an opportunity may arise.

The YES findings complement observations from other studies²¹ which reveal that the main reason for students abandoning school early is because they ‘don’t see the purpose’ of continuing their education. This is largely due to a ‘lack of interest’ or ‘failing to see the link’ between ‘higher wages’ and ‘higher levels of education’.

In this regard the YES survey asked respondents to rate their opinions on a number of statements regarding employment / work. Figure 2.3e displays the key results:



When asked to rate the statement: ‘Having a certificate showing you have a skill is more important than actually having the skill’, 76% of in and out-of-school respondents chose to either ‘agree’ or ‘strongly agree’ with the statement. At face value, such a response would imply a perceived positive value to acquiring educational qualifications, however, ambiguity still prevails on the level of importance that youth place on learning from and applying their educational attainment to medium and longer term employment gains. Since when asked if ‘Earning a good salary now is more important than steady employment in the long-run’, 60% of both in-school and out-of-school respondents strongly agreed with the statement (Figure 2.3e).

These findings raise concerns regarding the mind-set of young people who make the premature transition from school to work life. It appears that several youth tend to have a short-term perspective regarding their future earning capacity and potential, with many looking to make ‘quick money’ at first, even if this means foregoing their present educational attainment. In other words, youth do not have a longer term career development perspective, which should guide their pursuit for academic and skills credentials first, so that they can benefit from the ‘gains to education’ courtesy of better paid jobs in the future.

Moreover, many of these ‘early young entrants’ to the labour market do not have a clear perspective of what type of career could bring them a sustainable livelihood with a progressive remuneration trajectory. This seems evident from the response of 73% of youth who strongly agree with the statement ‘Working in agriculture is a good way to make money’ (refer Figure 2.3e). When given the existing ‘subsistence nature’ of the agricultural sector in Timor-Leste, economic rationale would argue, agriculture is a sector that offers employment in low value added production processes which offer little or no pay.

21 World Bank Timor-Leste Education since Independence from reconstruction to sustainable improvement, World Bank, Human Development Sector Unit East Asia & Pacific Region, December 2004.

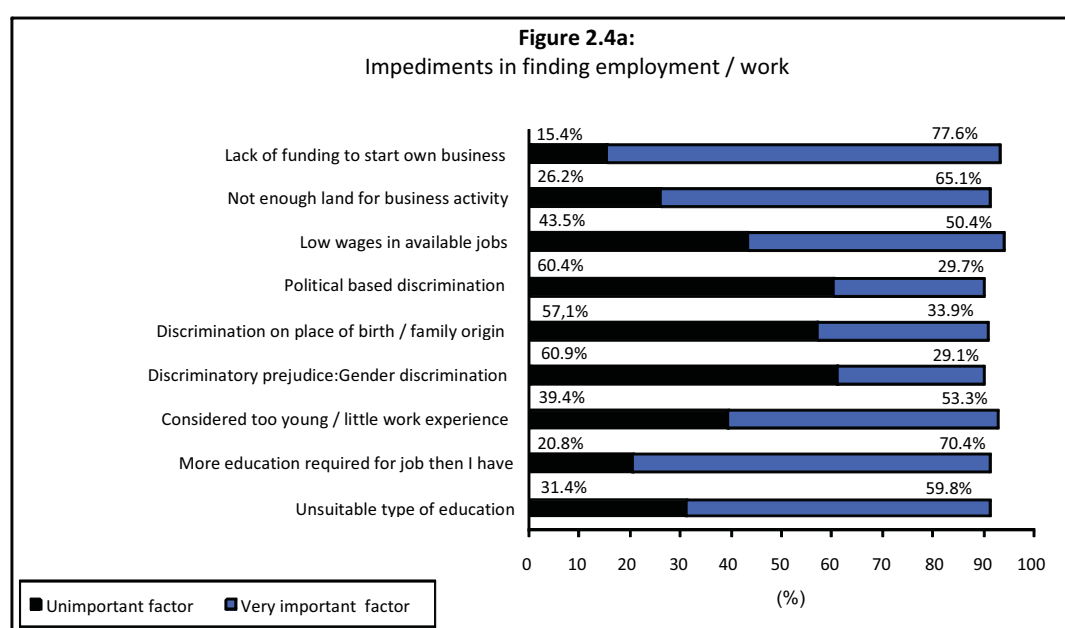
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However such a mind-set is partially understandable given that 75%²² of men and women in the labour force are working in subsistence activities in either farming or fishing and a further 11% of the work force is 'self-employed', working largely in informal activities. These activities tend to be dominated by trading of petty-goods, and to a lesser extent, in the construction and the services sector. Informal enterprises are almost entirely small trading ventures for whom the predominant source of recruitment is via informal channels; family, friends or word of mouth²³.

It is therefore evident that, given the limited scope of opportunities in the formal sector, youth who are at school often fail to comprehend the link between the type of skills that they are acquiring from education, and the career prospects / professions that this could lead them towards. Instead, they opt to enter the 'world of work' prematurely, based on irrational thinking regarding their future work status and prospects. If they see or hear of someone making quick money in a particular activity, they are lured towards such a prospect. Often trying to identify 'short-cuts' in making quick monetary gains, without rationally thinking of sustainable career development strategies and subsequent income trajectories.

2.4 Youth are unprepared for the labour market:

The YES survey asked out-of-school respondents to identify the level of significance that they placed on a series of factors that could serve as a potential obstacle in their efforts to seek work. These results are displayed in Figure 2.4a:



Note: A small proportion of respondents refrained from identifying whether the factor was an unimportant or important obstacle in their efforts to seek work, this proportion has been treated as missing data, which is why the percentages in the figure do not accumulate to 100%.

Close to 60% of respondents considered 'unsuitable type of education' as a very important obstacle in their job search. While over 53% felt that being considered 'too young/or having little work experience' served as a very important impediment in their job search. While more than 70% of respondents identified the factor; 'more education required for the job than they have acquired' as an important obstacle they face in finding sustainable work. These findings complement issues related to early entry of youth to the labour market (identified in section 2.3), in particular the difficulties in finding work because of their subsequent low levels of education. Moreover, results identify a perception amongst youth who on the one hand understand the general purpose of education and training: to serve as a tool for skills and professional development.

²² Source : TLS 2004 Census.

²³ World Bank, Enterprises, Workers, And Skills in Urban Timor-Leste, 2005

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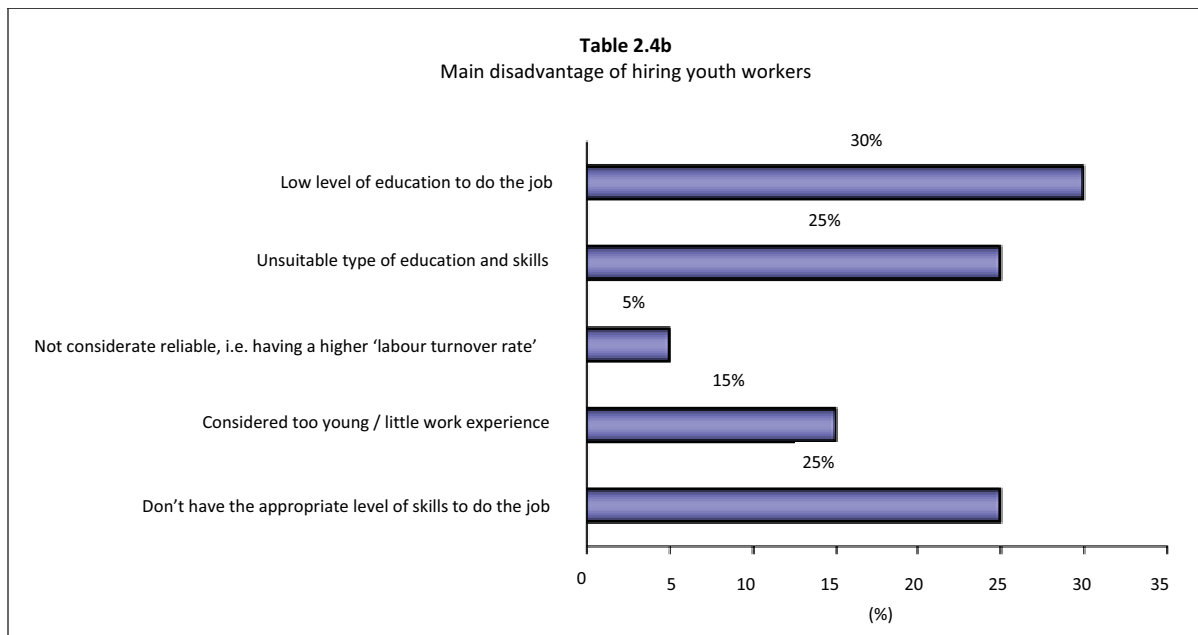
But at the same time, they recognise deficiencies in the educational system which diminishes the significance that it has for use in the labour market.

Thus many school leavers enter the labour market ‘unprepared’ and with expectations that are very different from the realities of the labour market. Consequently many young women and men experience long periods of unemployment while they are searching for their first job. Unsuccessful attempts to seek work in the formal economy often leads discouraged youth eventually to the informal sector. Where quality of job, productivity and security are low.

What are the implications of such a trend pattern? By having ‘unsuitable type’ of education youth face the challenge of being ‘structurally unemployed’; in other words there is a mismatch between the skill requirements of employers and the areas of expertise that youth have skills to offer in. The cause of this mismatch is largely driven by a ‘fragmented’ and ‘supply-driven’ educational mechanism, which lacks appropriate backward and forward linkages with the demands of the private and public sector, resulting in an unsuitable type of curricula being taught to students.

These findings confirm the overall state of affairs that the educational system finds itself in, the staggeringly high drop-out and repetition rates. Statistics for drop-out rates near 53%²⁴ at the primary school level and repetition rates are close to 25% in each grade at primary and secondary levels, hence the *quality* of skills acquired by youth who have enrolled in school seems to be inadequate because they are not in-school long enough to learn.

This statement is confirmed by the response of employers who were interviewed by the YES survey; consider Table 2.4b:

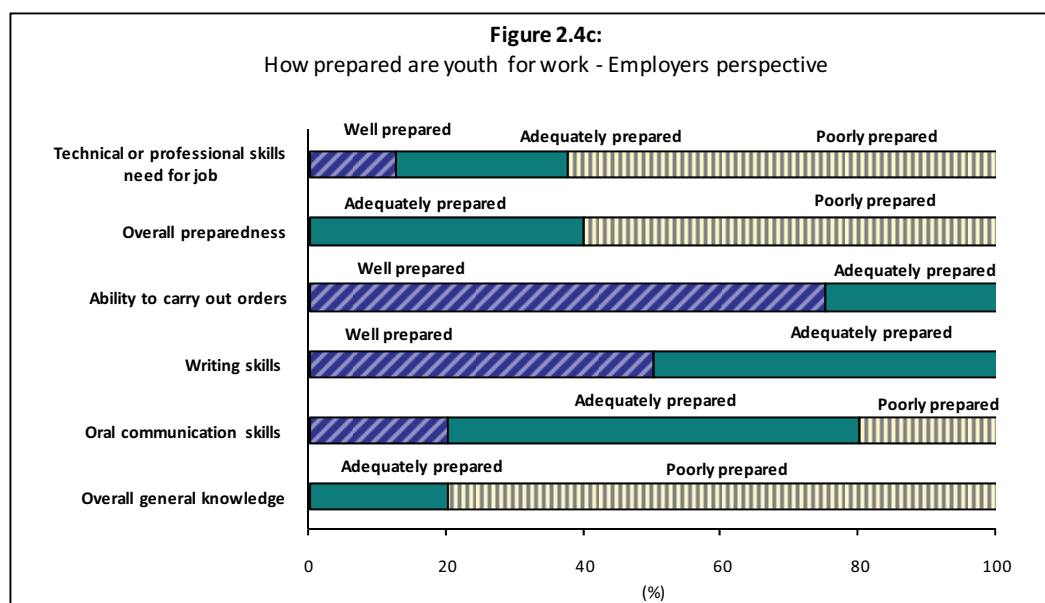


Employers/managers were asked to identify the main disadvantages they found in hiring young workers (Figure 2.4b); 25% felt youth didn't have the appropriate 'level' of skills, while 30% felt youth had 'low levels of education' to do the job'. Likewise 25% of employers identified 'unsuitable type of education and skills' as a major disadvantage in hiring young workers.

²⁴ World Bank, *Timor-Leste Education since Independence from reconstruction to sustainable improvement*, World Bank, Human Development Sector Unit East Asia & Pacific Region, December 2004.

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Furthermore, the YES survey also asked employers to indicate (based on their experience) how well (or not) prepared young job applicants were for the work they applied for. Figure 2.4c depicts the survey results; a little over 60% of employers considered applicants as being poorly prepared on 'technical or professional skills needed for the job'. Likewise 80% considered applicants to be poorly prepared with 'overall general knowledge' and 60% of employers considered the 'overall preparedness of youth' to be poor.



It is evident from these findings that youth are not appropriately prepared at both the general and technical levels for the profession / work they apply for. Moreover, the findings beg the question of whether any linkages exist between the educational institutions and the business sector. With the rationale being, if the two were appropriately linked, then this would be reflected by youth being well prepared for the jobs and professions they apply for. Likewise, if the linkage was weak or non-existent then this would be reflected by poor levels of preparation of youth when making the transition from school to work. The relationship between the educational and business sector is elaborated upon in sub section 2.5.

2.5 No bridges between the education and business sector:

Being exposed to the 'world of work' is an integral part of young people's preparation for entering the workforce. This not only assists youth in determining their educational trajectory and future profession at an early point, but also facilitates a smooth transition from school life to the world of work. Primarily because youth are then already familiar with the type of sector and type of occupation they will be working towards. Survey results show that only 3% of in-school respondents plans to enrol in an apprenticeship scheme or on-the-job training (OJT) programs after they finished school (See Table 2.5a in Statistical Annex 2).

Furthermore, when employers were asked whether their enterprise participated in any work experience/ internship program with educational or training institutions, 70% claimed they had no such arrangement (See Table 2.5b in Statistical Annex 2).

Unprepared school leavers can be a liability for employers and an obstacle to increasing productivity. It is therefore crucial for the private sector to work closely with schools, thereby ensuring future members of the work force are well prepared in making the transition from school to work.

In this regard, enterprises could offer effective work experience / internship programs that would help students to see the connection between the skills they are learning at school and how those skills can be applied to a profession. Such programs would also assist youth to develop ‘soft skills’ in the form of appropriate attitudes and work ethics to succeed at work.

Beyond work experience and internship programs there are several other mechanisms to expo-se students to the world of work. These could include career talks by entrepreneurs and busi-nessmen, apprenticeship programmes and OJT during vacations. The concept of a semester / year ‘working in industry’ could also be further integrated to college / university diploma / degree programs.

2.6 Specialised training

Whether or not young employees receive specialised training towards their occupation / profession can serve as a good indicator for the quality and career prospects of young peoples’ employment. With appropriate training, youth can be groomed to excel in the sector / profession they are employed in. However, YES survey findings reveal a rather grim picture when it comes to enterprises providing specialised training for young employees. Consider the following survey findings: when employers were asked to identify whether or not they had any regular contact with schools or training institutions, 95% responded by saying they didn’t (refer to table 2.6a, statistical annex 2).

This lack of coordination between enterprises and educational institutions can partly explain why over 50% of respondents who claimed to receive any specialised training considered the training to be of average / mediocre quality (refer to table 2.6b). Likewise when asked to comment on whether the training they received was useful in terms of improving their employability prospects within an existing profession or for any other employment prospects, 53% considered the training to be only partly useful (refer to Table 2.6c).

Table 2.6b: Quality of training		
Rate		%
Poor		2
Average		50.2
Excellent		47.8
Total		100
Table 2.6c: Usefulness of training		
Rate		%
Not useful		2.3
Partly useful		53
Very useful		44.7
Total		100

Hence it appears evident that given the weak and minimal coordination between industry and training institutions, the correlation between the quality of training programs and its application to industry remains weak. It is important to note however that the results in Tables 2.6b and 2.6c, exclude respondents who claimed to receive language training (in English and Portuguese). The response of youth who received language training was extremely positive to the quality and usefulness of the course. For instance, YES survey results reveal that 66% of respondents who received language training regarded the quality of training to be excellent, whereas 61% regarded the language training received as being very useful to their job.

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Thus it appears that language training set aside, the effectiveness and quality of training received by youth is often of average or limited use to their professions. Moreover, the lack of formal funding to pay for such training and vocational programs can also be blamed for the poor quality and ineffectiveness of training given. When asked to identify the sources youth relied upon to pay for their training, informal channels, such as parents or family were the most common source with over 37% of respondents selecting this medium (Table 2.6d).

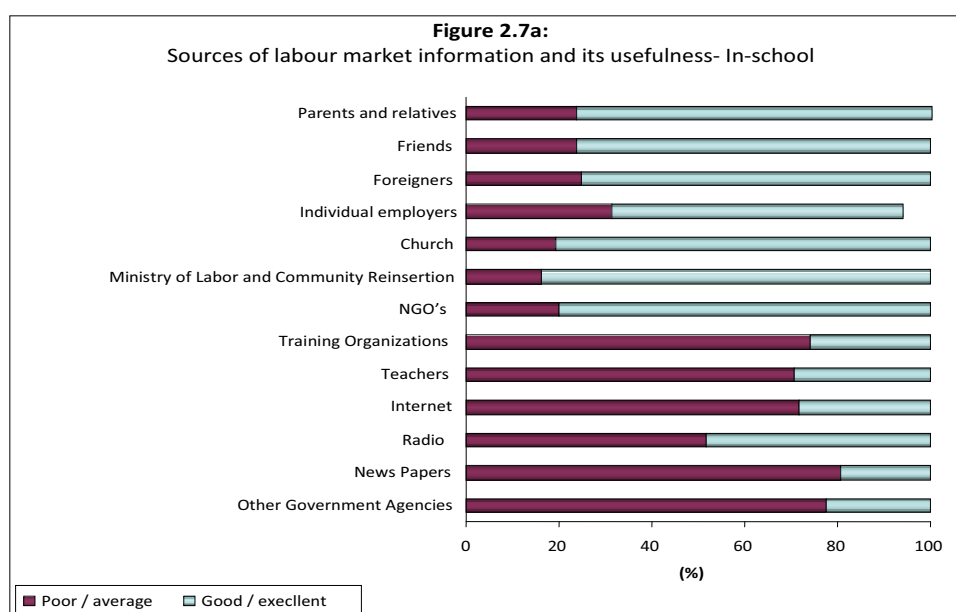
Table 2.6d:
Who paid for the training

Source	%
Parents or family	37.3
Your own money or borrowed money	14
UN	0.4
NGO	21.5
Government	12.6
Church	1.5
Employer	1.7
Other	11
Total	100

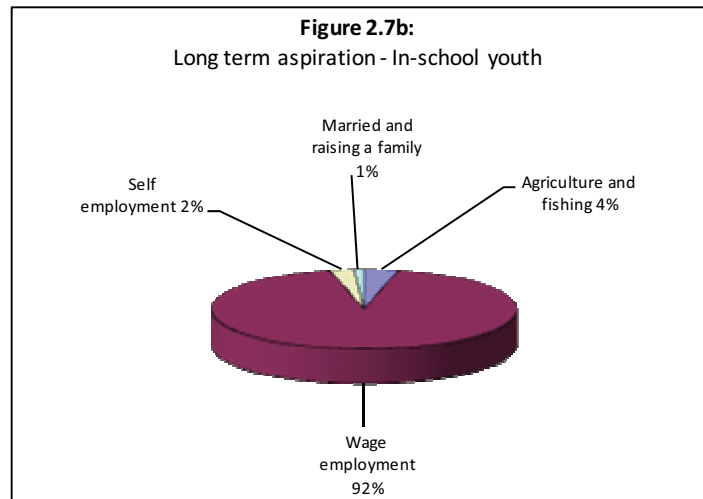
Over 21% of respondents cited NGOs as a source that paid for training programs, while a little over 12% identified Government as a contributor. A dismal 1.7% claimed employers paid for training. It appears therefore that once youth are hired for a job / profession, employers provide very limited support for young employees for enhancing and developing their human capital value via specialised training courses.

2.7 Youth are unaware of the labour market:

When asked to identify the 'sources' they use to learn about prospective/potential employment opportunities, 76% of in-school respondents mentioned informal channels: 'parents and relatives', 'friends and family' as a good/excellent source. Only 24% of respondents identified formal channels such as training centres, while 29% considered university career guidance and teachers as a good or excellent source for prospective employment and other labour market information (refer to figure 2.7a).



Hence formal labour market intermediaries (education and training institutions and public and private employment agencies) do not seem to offer any meaningful assistance in terms of careers guidance and job-search facilities to young people. A direct consequence of this is that many youth find themselves unemployed for long spells. They enter the labour market often lacking knowledge about labour market opportunities, the nature and location of jobs, wages and working conditions, and matters relating to job security and career prospects.



It is no surprise therefore to see discrepancies in the future work aspirations/expectations of youth (who are at-school) and the realities of the labour market. Survey findings displayed in Figure 2.7b illustrate that an overwhelming majority of youth who are in school, have a strong preference for wage employment (92% of respondents having long term aspirations to be wage earners), whereas only 4% of respondents show interest in working for the agricultural sector and a mere 3% desire to be self-employed.

These long term aspirations were disaggregated by both level of education (refer to table 2.7.1b, in statistical annex 2) and districts (refer to table 2.7.2b in statistical annex 2). As revealed in table 2.7.1b the desire to be wage / salary earners is a clear long term preference of youth at all levels of education. However when work aspirations of youth are disaggregated by districts certain discrepancies arise. Consider the following; from the total number of respondents who expressed a long term desire / aspiration to be involved in farming or fishing activities, the proportion in Dili was the lowest at only 4.2%, whereas the proportion for Lospalos was highest at 33.3%. Similarly of total youth respondents who expressed a long term aspiration to be self-employed, those in Dili accounted for the highest proportion at 35.3%, followed by Ermera and Lospalos at 17.6%, whereas youth in Manufahi had the lowest proportion of respondents expressing a desire to self-employed at 5.9% (refer to table 2.7.2b, in statistical annex 2).

When these aspirations were disaggregated by gender, an interesting observation that the survey findings revealed was the higher proportion of young women as opposed to young men who desired to be 'self-employed'. One possibility for such a pattern could be because young women consider self employment as a convenient employment status to continue with once they get married and or have children. In other words by being self employed, women are able 'work' and manage 'housekeeping' tasks (especially in the case where self employment activities involve running a kiosk or business activity close to or outside the house). On the other hand, young women may consider wage employment activities that require working at an office site (at a distance from the house and children) as a difficult arrangement to manage their 'work' and 'home' tasks.

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Figure 2.7c displays survey results regarding the type of sectors youth desire / want to work after completing their schooling cycle. As shown, there is a clear preference to work in the government sector, with over 53% of in-school respondents identifying so. Almost 20% of respondents expressed a desire of working in the NGO/ UN sector, while close to 15% wanted to work in private enterprises (manufacturing and service industry).

Sector	%
Government	53.7
NGO/UN	19.3
Private sector-Service/industry	14.6
Army/Police	12.4
Total	100

When asked about the likelihood of achieving their career preference, almost 58% of in-school respondents replied that they were very confident in achieving this (Table 2.7d).

Likelihood of achieving career preference	%
Very likely, I am almost certain that I will achieve my goal	57.5
Somewhat likely, there is a good chance that I will achieve this	28.8
Unlikely, there is a good chance I will not achieve my goal	13.7
Total	100

This is particularly alarming, as national statistics reveal that the bulk of job opportunities are located in the informal sector and or in subsistence related activities. Referring to table 2.7e, we see that almost 76% of the youth labour force is employed in agriculture or subsistence activities. This is followed by close to 11% being involved in self-employment activities which are largely in small and micro enterprises. Private industry accounts for less than 4% of the youth labour force, while the UN/International NGO agencies employed only 0.95% and 1.65% of the total youth labour force (table 2.7e).

Youth employment status in the Labour Force	Male	Female	Total (M+F)	% of youth employed by sector to total youth in labour force
Government	813	536	1349	2.44
UN	276	252	528	0.95
NGO	598	318	916	1.65
Private industry	950	1237	2187	3.95
Self-employed	2670	3414	6084	10.99
Subsistence farming and fishing	21,476	20,351	41,827	75.55
Looking and available	1571	900	2471	4.46
Total (in Labour Force)	28,354	27,008	55,362	100

These findings suggest that young people often have high and sometimes unrealistic aspirations. It is evident that efforts need to be made making youth more aware of the realities of the labour market, so that their aspirations and subsequent expectations are not entirely contradictory to the ground realities. Here better labour market information and educational guidance could improve the level of knowledge and awareness of the job market for young men and women.

2.8 Unfamiliar concept of Entrepreneurship:

When asked if being an entrepreneur was an appealing career option, a large proportion of respondents considered such an occupation as a ‘means of last resort’. Survey results show that only 3% of in-school and 14% of out-school youth wish to be self employed. It appears that the mindset of youth with regards to being an entrepreneur is confined to selling petty goods from a kiosk or off a road-side stall.

Education and training institutions appear to do little to promote the concept of a vibrant entrepreneurial culture. Training programs fail to appropriately advise and guide young trainees on how they can utilize the vocational skills that they have acquired by applying them in relevant productive and sustainable self-employment business activities.

2.9 Concluding remarks:

In a nutshell, the key challenges regarding youth employability clearly lie on the ‘quality’ as opposed to the ‘quantity’ of education and skills provision. There is a need for the educational system to build stronger synergies with the labour market, in other words the skills taught at educational institutions need to cater for skills that are required / have the potential to be utilized by the labour market. Involving the business sector / employers association when designing educational curricula could be one approach to better link demand with supply.

Moreover the education system needs to give particular attention to youth who are classified as ‘high-risk’ dropouts, and ensure that they stay in school until they complete at least secondary high school. In addition to this, the educational institutions need to take a more active role in providing career guidance and labour market information to students, this is critical for helping young people to enter the labour market well prepared. In this endeavour educational institutions should take the lead in linking up with enterprises in various industries, and serve as an intermediary that provides a free flow of information regarding industry demands for skills and prospective employment opportunities.

Chapter 3: Employment Generation: 'Creating Opportunity'

3.1 General characteristics

A major cause for the youth employment challenge in Timor-Leste has been the slow and volatile levels of economic growth that the economy has experienced since independence. In 1999, following widespread destruction of the non-oil sector, the economy shrunk by almost a third. With the arrival of the UN mission in late 1999 and a subsequent increase in foreign-backed expenditure towards public administration and defence, the economy rebounded in 2000 and 2001 (with GDP growth hovering around the 15% mark).

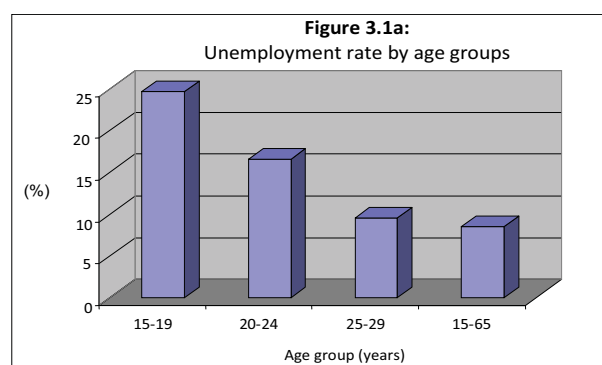
However when foreign presence began to decrease in 2002, the economy once again experienced negative GDP growth, in 2002 it was (-6.2%) and in 2001 it was (-6.7%). The proceeding years; 2004 and 2005 saw low levels of positive GDP growth. This was largely due to the re-emergence of foreign presence in the country, and an increase in agricultural output and revitalization of the banking sector. Growth in 2006 was expected to be around 1%, however civil unrest that occurred in 2006 cancelled out any such optimism (IMF 2006)²⁵.

Slow economic growth has a detrimental and direct effect on the labour market. The demand for labour is closely linked to the demand for goods and services that labour has to offer (in other words it is demand-driven). Therefore if an economy is experiencing negative GDP growth trends, this translates to a fall in the demand for goods and services that labour can produce, a scenario which can result in an ultimate rise in the level of unemployment.

It is therefore no surprise that given the slow and volatile growth patterns that Timor-Leste's economy has been experiencing over the last 6 years, the human capital potential of Timorese youth is not being fully realized. This is simply because there are not enough jobs being generated by the economy to absorb the new entrants who enter the labour market every year.

Though the above scenario represents the overall challenges faced by the labour market and work-force, young people tend to be the hardest hit from demand-side distortions in the economy. This is largely because Timorese youth enter the labour market with minimal organizational support and voice. They are often not represented in trade unions or employers' associations and have fewer channels through which they can make their voice heard. Hence given these imperfections, youth generally tend to have a higher unemployment rate than the general working age population.

In Timor-Leste youth between the ages of 15 and 19 years have an unemployment rate of 24% which means they are nearly three times more likely to be unemployed than the general working age population (15-65 years) which has a national average of 8.5%²⁶ (refer to Figure 3.1a). By the same premise young people within the age group of 20-24 years are twice as likely to be unemployed than the general working age population, having an unemployment rate of 16.6%.



Source: Timor-Leste National Census 2004

²⁵ Data Source: IMF World Economic Outlook Database (September 2006) and Government of Timor Leste: Combating Poverty as a National Cause (Dili, 2006).

²⁶ Source: TLC 2004

Moreover, Timorese youth do not have any formal representation with the country's trade union associations. The confederation of Trade Unions (KSTL) in Timor-Leste, was consulted on this matter by the YES team. They recognised the importance of youth representation in trade unions and identified efforts in the past to formulate the concept of a youth association that formally represents young people's employment challenges.

However they identified two major stumbling blocks that served as impediments in initiating such a mechanism. First, they identified the difficulty in organising a focal point (leader / committee) that can represent all youth.

Secondly, it was claimed that when discussions have taken place between students at university and secondary schools to establish a student association that can have formal representation in the trade union, there has yet to be a concrete plan of action put forth by the student associations. The main obstacle cited here was that students often tend to politicise the youth challenge, and prefer to be affiliated with political parties rather than organising themselves in other forms.

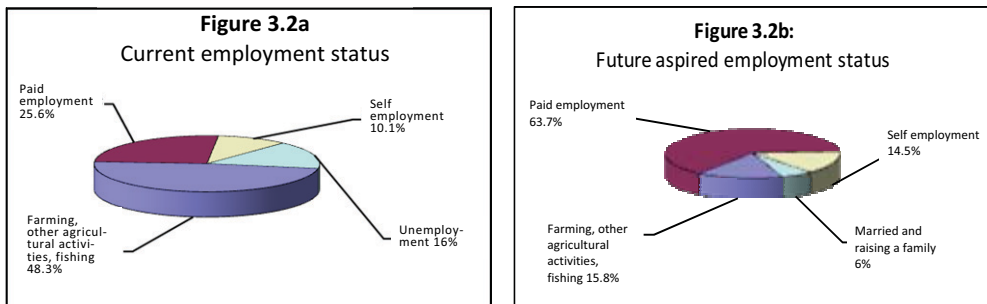
In this regard the YES team also consulted representatives from the Timor-Leste Secretariat of Youth and Sport (SSYS). The importance of organising youth to be formally part of trade unions was discussed to which the Secretariat representatives identified the existence of 'national' and 'district' youth councils. These youth councils were identified as 'umbrella' organisations whose members comprise of various youth associations. The Secretariat representatives claimed that these 'youth councils' were well organised and served as a 'consolidated voice' for youth, furthermore they supported the idea of facilitating these youth councils to establish formal representation with trade unions.

3.2 Employment status and preferences:

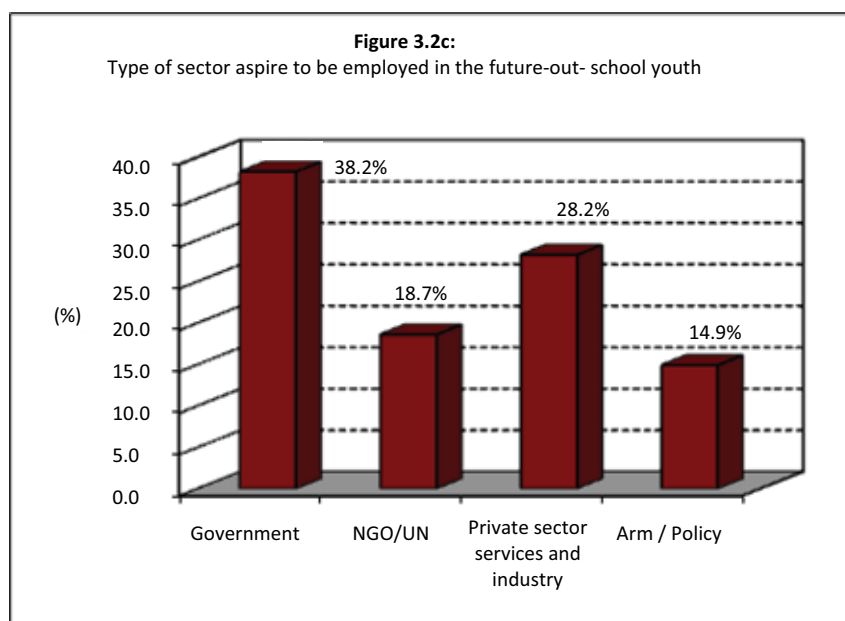
Youth unemployment trends do not fully capture the true dynamics of the youth employment problem in Timor-Leste. This is because the 'opportunity cost' of not-working is too high for most youth. In other words, youth in Timor-Leste simply cannot afford to be openly unemployed. The reason for this is that, with the absence of any unemployment insurance, young jobseekers that are unable to find employment in the formal sector, have no choice but to enter the informal economy to support themselves and their families.

The sample frame for the YES chosen to represent out-of-school youth reflects the overall employment pattern of the 'economically active' youth population. As illustrated in Figure 3.2a (pp-36), only 25% of out-of-school respondents identified themselves as being wage earners in the formal sector. Whereas close to 50% of respondents claimed to be working in subsistence (agricultural and fishing) activities and a little over 10% declared themselves to be self-employed.

Most jobs in the informal economy are characterised by low productive activities, where earnings are low and unstable. In contrast, the formal sector provides young workers with better quality jobs and higher wages and better working conditions. These characteristics are clearly recognised by youth. When asked to identify their long term aspirations regarding the preferred type of employment status that they hope to have in the future, over 63% of respondents desired to be wage earners, whereas only 15.8% of respondents wished to remain in agriculture and fishing activities (refer to figure 3.2b).



More specifically when asked to identify the type of sector they aspire to work in the future, over 38% of out-of-school respondents expressed a desire to work in government, followed by 28% wanting to work in the private sector in either the services or industrial sub sector (refer to Figure 3.2c).



Comparing the future aspirations of out-of-school youth in Figure 3.2c to those of in-school youth in Table 2.7c (Chapter 2), we see that there is a significant drop in the proportion of respondents who desire to work in the government sector (53.7% for in-school youth as compared to 38.2% for out-of-school youth), likewise there is a rise in the proportion of respondents who aspire to work in the private sector (from 14.6% for in-school youth to 28.2% of out-of-school youth).

One possible explanation for this shift in preference between youth who are in school and those who are out of school, is that youth who are at school regard jobs in the government (public) sector as being prestigious and stable in nature, moreover they are less familiar about the dynamics of the private sector and therefore of the types of jobs available.

In comparison youth who are out of school and already part of the labour market, though aware of the stable nature of public sector jobs, are more familiar with the different type of jobs on-offer in the private sector. In some cases they realise the better remuneration and growth prospects that may be attached to certain private sector jobs in comparison to the public sector, resulting in a higher proportion of out-school youth aspiring to work in these private sector jobs in the future.

This implies that an appropriate employment strategy should focus on 'job creation in the formal economy through investment in the non-oil sector, particularly in areas that have the potential to be employment-intensive without affecting productivity substantially. Furthermore efforts need to be made in initiating policy measures that facilitate the gradual formalization of the informal economy.

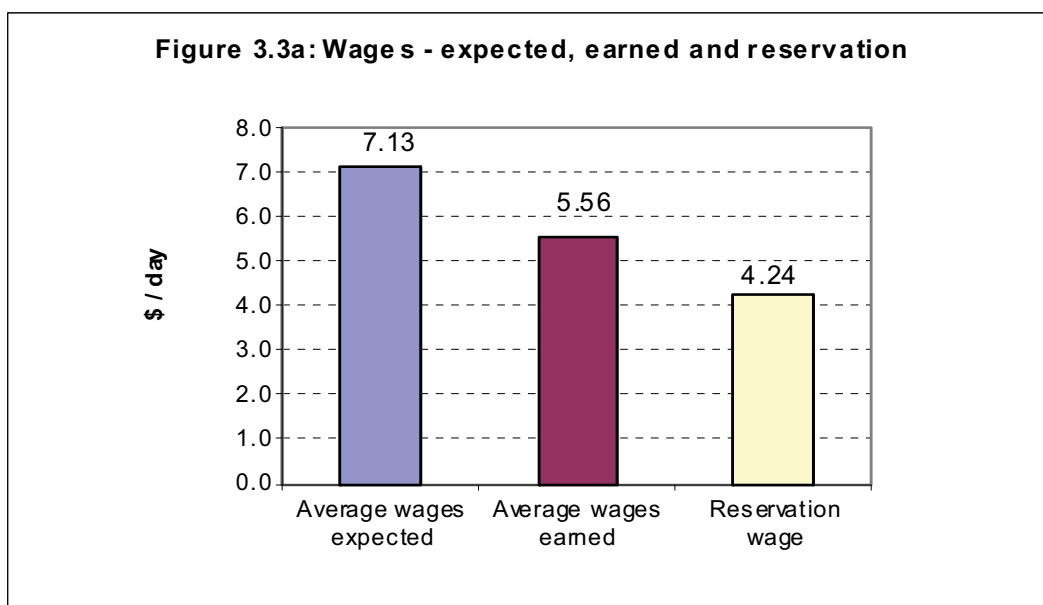
The later initiative is strongly correlated to the legal and regulatory framework. At present, the system offers little or no scope for expansion of entrepreneurial activities to micro and small enterprises (MSEs) within the formal sector, or to facilitate informal enterprises to formalise their existence.

3.3 High aspirations / unrealistic expectations

Youth in Timor-Leste face a 'double-edged sword' when looking for work. On the one hand (as elaborated upon in Chapter 2), they suffer numerous supply-side distortions, courtesy of a fragmented and supply-oriented training and educational mechanism. The subsequent provision of 'unsuitable' and 'inappropriate' skills, automatically limits their employment prospects.

On the other hand, the lack of guidance and counselling on career development is coupled with ineffective labour market intermediaries (employment centres and training institutions) as mediums for labour market information. It is evident therefore, that youth often have unrealistic and contradictory aspirations to the ground realities of the labour market.

Consider the following survey findings: when asked to identify the expected level of daily wage_earning, in-school and unemployed respondents on average defined \$7.13/day as their expected starting daily wage (refer to Figure 3.3a).



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Next, out-of school ‘working youth’, were asked to identify the approximate salary they earned per day. As Figure 3.3a depicts, the average daily wage rate of working youth amounted to approximately \$5.56, this is substantially lower than the expected wage of \$7.13/day that in-school and unemployed youth anticipate they would earn. Furthermore, when these respondents were asked to identify the minimum daily wage they would accept to work, their ‘reservation wage’ amounted to an average of \$4.24/day.

Figure 3.3b, displays the daily expected, earned and reservation wages, by gender. It is interesting to see that expectations and reservation levels of wages are almost the same for young women and young men. Moreover, there appears to be minor discrepancies regarding the level of daily wages young females and males claim to earn. Though these results seem to portray an equitable labour market regarding gender and salaries earned and anticipated, the accuracy and credibility of these results should be treated with caution, as the possibility of respondents ‘over stating’ (exaggerating) their true wages cannot be ruled out.

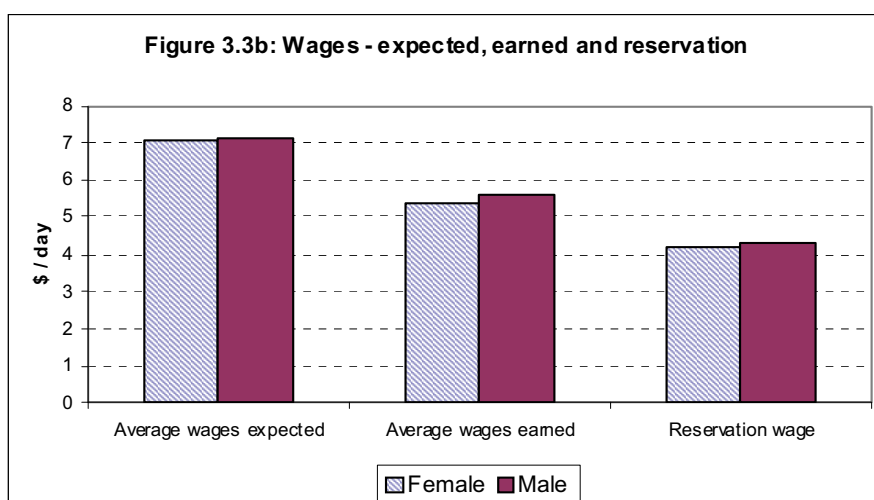


Table 3.3c displays the average level of daily ‘reservation wage’ of the sample youth respondents by district. As depicted, this is highest in Dili (\$4.94) in comparison to other districts. One possible explanation for this is that there is an evident higher cost of living in Dili in comparison to other districts, a situation that exerts ‘upward pressure’ on the minimum amount (reservation wage) youth in Dili would be willing to work for. Likewise similar ‘push factors’ to youth reservation wage could be due to the bulk of private sector enterprises, and presence of international NGO and UN agencies being concentrated in Dili, resulting in subsequent higher average daily wages earned by youth working in the capital in comparison to other districts, leading to a corresponding rise in the minimum amount that youth would be willing to work for (their reservation wage).

Table 3.3c:
Daily reservation wage rate, by district

District	\$/day
Dili	4.94
Ermera	3.98
Manufahi	3.59
Bobonaro	4.56
Oequsse	4.32
Baucau	4.56
Lospalos	3.75

A World Bank study²⁷ regarding labour market wages in Timor-Leste identifies that the median wage for youth workers is only slightly lower than that of older workers. Hence one speculative rationale that cannot be ruled out, is that when employers have to choose between paying the reservation wage of youth, or a median wage that is close to that of an older worker, they may choose not to hire younger workers. Instead they may prefer to pay a median wage (that is not significantly higher than the median wage for youth) for employing an older, more experienced worker. Based on this premise one could argue that the high expectations of wages and subsequent high 'reservation wages' of youth, may in part account for the very high unemployment rates of this age cohort.

The YES survey findings also reveal high and unrealistic expectations young people have with regards to their future work prospects. As identified earlier in Table 2.7c (Section 2.7), when in-school respondents were asked to identify the type of sectors they hoped to find work in, 53.7% identified working in the government sector as their preference, followed by almost 20% of youth wanting to work in the NGO/UN sector and just under 15% opting to work in private enterprises (manufacturing and service industry).

Likewise when out-of school respondents who were already engaged in some form of employment activity were asked to identify the type of sector they would hope to be working in the near future, over 38% of out-school respondents identified the government sector, followed by 28.2% anticipating to be working in the private sector in either the services or industrial sub sector. While a little over 18% planned to find a job in the UN / NGO sector and 14.9% in police / army (Figure 3.2c, pp-36).

²⁷ Maitreyi Bordia Das, *The labour Market Impact of minimum wage policy: The case of Timor-Leste in comparative perspective*. World Bank, July 2004.

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As depicted in Table 2.7e (in Section 2.7), the government sector only employs 2.44% of the total youth labour force, likewise private industry accounts for a mere 3.95% and NGO 1.65%, while the bulk of the youth labour force is employed in agriculture; 75%. Table 3.3d provides a more comprehensive breakdown of the various sub-sectors in which youth are employed:

Industry sector	Male 15-24 years	Female 15-24 years	Total M&F 15-24 years	Youth employed by industry sector as percentage to total youth employed
Agriculture / Fishing	21,763	20,951	42714	77.15
Forestry	28	11	39	0.07
Fishing	409	41	450	0.81
Mining, quarrying, oil	37	6	43	0.08
Manufacturing	88	196	284	0.51
Electricity	46	5	51	0.09
Construction	240	38	278	0.50
Wholesaling, Retailing, Selling	1,023	1,082	2105	3.80
Hotels, Restaurants, & Cafes	70	164	234	0.42
Transport & Warehousing	761	29	790	1.43
Communications	52	23	75	0.14
Financial	22	28	50	0.09
Real Estate, Renting Property	47	91	138	0.25
Public Administration	154	167	321	0.58
Defence	356	173	529	0.96
Education	144	98	242	0.44
Health & Social Services	61	81	142	0.26
Community Services	173	138	311	0.56
Recreational, Cultural and Sporting Activities	18	53	71	0.13
Private Households	161	1,828	1989	3.59
U N Agencies, Diplomatic	1,130	905	2035	3.68
Not stated	1,571	900	2,471	4.46
Total	28,354	27,008	55,362	100

Source: Extracted from Table 4a ILO Stage baseline study, Timor-Leste, July 2006, Data source: 2004 Census, National directorate of statistics, Timor-Leste.

Of particular interest is the 5th column (Table 3.3d) which provides the percentage of youth employed in each sub-sector to the total number of youth employed in all sectors. Over 77% of 'working youth' find themselves employed in the agricultural sector. Other notable sectors which account for more than 1% of total 'working youth population', include, wholesale and retail trading activities which employ 3.8% of the total employed / working youth population, likewise UN / Diplomatic agencies employ 3.68%, private households 3.59% and transport and warehousing 1.43% of total employed / working youth population respectively (refer to column 5 in Table 3.3d).

Sectors such as manufacturing and construction employ a mere 0.51% and 0.50% of total employed youth, with mining and quarrying (of non oil activities) employing 0.08% of total employed youth. What is particularly worrying is the small proportion of youth employed in sectors (as a proportion to total youth employed in all sectors) which would comprise largely of white collar jobs; financial 0.09%, communications 0.14%, real estate and property 0.25%, health and social services 0.26%, education 0.44%, public administration 0.58% (Table 3.3d).

Further, the data in Table 3.3d displays the composition of youth employed by gender and sector. The trend appears to be one where working female youth are largely employed in traditional 'women sectors' that generally offers low wages, i.e., the hotel restaurant, and café, the private household, the wholesale retail and selling and the recreational cultural activity sectors. Whereas the employment of male youth tend to be concentrated in sectors such as fishing, mining, quarrying and oil, electricity, construction, mining, transport and warehousing, communication, defence, education, and UN agencies.

Sectors that report relative gender parity, include agriculture, finance, public administration, wholesaling, and community services. It can be inferred from this that when jobs requires little or no skills and when the job is not traditionally gender marked as 'men' or 'women' only, young women have relatively equal opportunities to obtain employment in these sectors as their male counterparts. However, given that the potential for future growth is expected in technical and industrial sectors (oil, electricity, construction, communication), and if the employment composition that tends to be more male oriented remains the same in these sectors, then greater gender disparity in earnings and employment opportunities for male and female youth can be expected to emerge. The existence of inequitable segregation and perceptions based on gender that influence stratification in educational acquisition, employment preferences and employers' recruitment preferences as determining factors for such gender disparity in the employment composition of the youth labour market cannot be ruled out (an issue elaborated upon in chapter 4).

These findings, as a whole, indicate that many young people have high, sometimes contradictory and unrealistic aspirations. Clearly on the supply-side, lack of credible labour market information is a key factor, along with high 'reservation wages' that may discourage employers from hiring young people. However more importantly on the demand-side, the economy is simply not generating enough jobs to create sufficient employment to accommodate the new 'youth' entrants who join the labour market every year.

3.4: Realities of the labour market:

According to estimates, a growth rate of 7% or more per annum is required in the non-oil sector, in order to absorb the total number of new entrants that join the labour force every year, as well as to avoid a rise in unemployment (IMF 2005)²⁸. However at an aggregate level from 2000 to 2006 growth in the non-oil sector has been minimal. In 2000, total GDP of the non-oil sector was 316.3 million and in 2006 it was estimated to be USD 325.7 million (measured at constant 2000 market prices), with minimal year on year increases. (Refer to Table 3.4a in Statistical Annex 3, for breakdown of sectoral origin of non-oil GDP from 2000 to 2006).

Table 3.4b displays the sectoral composition of the non-oil sector as a percentage of total non-oil GDP. The dominant sector is agriculture, which contributes close to 32% of total output from the non-oil sector, having

²⁸ Data source: IMF country report 2005, extract taken from Economic development in Timor-Leste, 2000-2005, Country economic report, SIDA 2006:4

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risen from 25.8% in 2000. This does not mean however that more and more labour should be mobilised into agriculture, as this will not solve the employment problem. This is because eventually diminishing returns to labour productivity would occur, resulting in low or even negative output per worker. Rather, strategies need to focus on expanding the magnitude of the ‘non-oil’ and ‘non agricultural’ sector.

Sector / year	2000	2001	2002	2003	2004	2005	2006*
Agriculture, Forestry, and Fishery	25.8	24.0	27.3	29	30.6	31.8	32.3
Mining and Quarrying (non oil)	1.2	1.0	0.9	0.8	0.8	0.8	0.6
Manufacturing	2.8	3.0	3.2	3.4	3.4	3.4	2.6
Private Construction	5.0	4.4	4.4	4.3	4.3	4.3	3.2
Transport and communication	7.2	6.9	8.0	9.1	9.4	9.7	8.2
Whole sale and retailed trade	7.8	6.9	6.9	7.2	7.2	7.1	6.6
Financial and other services	7.1	7.1	7.8	8.2	8.2	8.1	7.2
Government services	7.2	13.9	16.8	20.4	21.9	23.0	22.8
Public utilities	0.9	0.4	0.8	1.1	1.2	1.4	1.4
Public construction	8.7	7.6	6.3	4.6	4.3	5.3	5.2
United Nations	26.4	24.8	17.5	12.0	8.6	5.1	10.0

Source: Percentages calculated using constant USD 2000 market prices, from table 3, pp44, IMF country report 2007 Timor Leste
Data Source: Data provided by Timor Leste authorities; and IMF Fund staff estimates. *, * = estimates

As can be seen from Table 3.4b, the manufacturing base of Timor-Leste’s economy is virtually non-existent, and for the little that is, it exists in a premature / infant state. Mining and quarrying of non-oil minerals account for a mere 0.6% of total non-oil GDP, with manufacturing accounting for only 2.6%. What is equally worrying is that both sectors have diminished in output since 2000, comprising of a smaller percentage to total non-oil GDP in 2006 relative to their 2000 proportions.

The contribution of private and public construction to total non-oil GDP output has also diminished from year 2000 proportions. This trend is a cause for concern as these are sectors that have the potential to be employment-intensive. A similar story exists with the services sector involving wholesale and retail trade. This is a sector which tends to have the potential for high ‘employment intensity’ to growth²⁹, however it has also shrunk in terms of its contribution to total non-oil GDP since 2000.

Another observation that can be drawn from Table 3.6c, is the size and scope of the public sector, the combined contribution of government services, public utilities and public construction accounts for 29.4% of total non-oil GDP, higher than its 2000 contribution which was 16.8%.

Given the limited supply of skilled workers, the public sector is making strong efforts to build up capacity. Foreign donors are also facilitating this endeavor, with funds being allocated towards capacity building of government personnel. It is likely that this effort will continue for a number of years to come, which in turn could have implications on the growth of a modern private sector. The risk here is that, the nascent private sector will have to compete with the government bureaucracy for skilled workers, and thereby put upward pressure on the skilled wage level, with the possibility of the public sector crowding out the private one (SIDA 2006)³⁰.

³⁰ Employment Intensity means the level by which employment increases when growth occurs, a high employment intensity to growth implies a high level of employment growth when output growth occurs.

At the policy level, strengthening and expanding the scale and scope of the non-oil sector is vital, efforts need to be made in not only promoting the employment-intensive sectors, rather sectoral promotion needs to be complemented with measures to encourage greater participation of young women and men. Again as discussed earlier, the importance of career guidance, internships, and on-the-job training can serve as useful intermediaries that help to channel young people into industries and professions that will compliment a sustainable development strategy.

Moreover, policy makers should consider the feasibility of offering employers 'wage subsidies' to encourage them to hire inexperienced young workers. These subsidies could be time bound, such that it allows the young workers to gain sufficient industry specific work experience so that they are able to compete with older more experienced workers on productivity grounds. Similarly, the concept of establishing 'age specific minimum wages' should also be reviewed by the Government, so as to prevent employers from being discouraged in hiring young workers if they have to pay a youth median wage which is very close to the adult median wage (as highlighted in Section 3.3).

The public administration should serve in actively complimenting the private sector, by providing rules and regulations that reduce impediments towards private sector development. To mention a few; ownership of property is still ambiguous, investment laws need to provide incentives for both local and foreign businessmen to establish enterprises in Timor, these could include rebates and tax incentives. Steps to speed up and streamline the process of registering a business are essential, enactment of an insurance law and licensing of insurance provision companies is crucial to provide investors with security and encourage them to invest. Furthermore by building and developing physical infrastructure and improving education, the public sector could serve as a 'lubricant' for expanding the private sector.

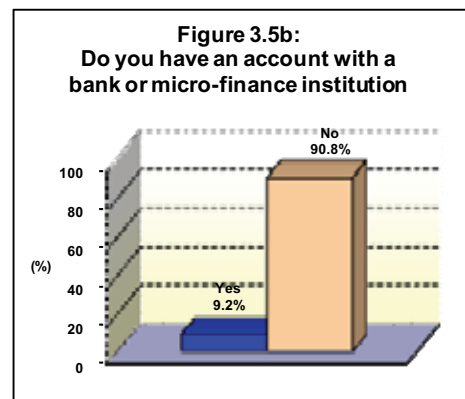
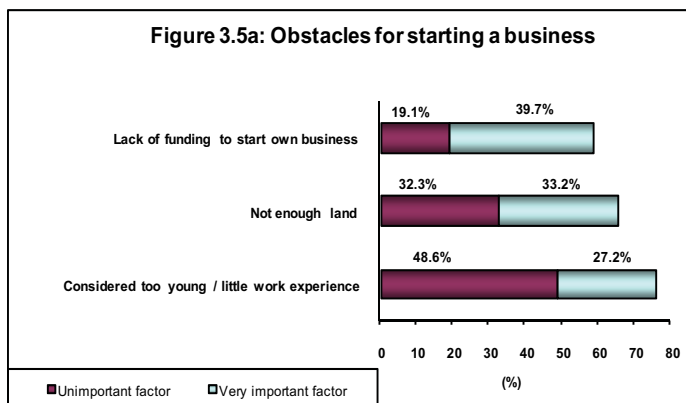
3.5 Self-employment, barriers to entrepreneurship:

From the proportion of respondents who expressed an interest in starting a business, when asked whether they would succeed in implementing their business ideas, most responded with pessimism. Major obstacles identified were: 1) Lack of formal credit institutions, and 2) a long and cumbersome process to acquire a business license.

Referring to the issue of a lengthy time process for acquiring a business licence, the negative effect that this has is it discourages many ‘would-be’ young entrepreneurs to consider starting up a business, resulting in the true potential of youth entrepreneurial activity to remain untapped or underutilized.

Figure 3.5a, displays the relevance that youth place on a selection of potential obstacles they may face in starting a business. Almost 40% of youth respondents identified the ‘lack of capital / funds’ to start an entrepreneurial activity as a very important obstacle. Whereas over 33% of respondents claimed that ‘not having enough land’, served as a major impediment in starting a business.

In addition to this, the YES survey asked out-of-school respondents whether they had a bank account or if they were associated with any micro finance institution / scheme. As depicted in Figure 3.5b, over 90% of respondents claimed not to have either a bank or micro finance account. This confirms the obstacle regarding lack of formal credit facilities identified earlier.



Note: A small proportion of respondents refrained from identifying their opinion to the question, this proportion has been treated as missing data, which is why the percentages in figure 3.4a do not accumulate to 100%.

More specifically, when micro finance institutions were consulted on the credit lending programs they had to offer, almost all of their clients were identified as being women. The reason for this was because micro finance institutions considered men to be a ‘higher risk’ group that was more likely to default on loan repayments, than women. It is evident therefore that apart from the ‘age specific’ constraints young men face in attaining credit, they also face ‘gender specific’ challenges, that limit the possibilities for them to gain micro finance or seed funding to start a business.

When self employed youth were asked to identify the sources of credit used to start their business; the majority selected ‘informal mediums’; ‘family and friends’, or ‘informal money lenders’. The damaging effect that this has is: i) it limits the scope and size of entrepreneurial activity due to limited funds, and: ii) most entrepreneurial activity remains in the informal sector.

The limited mechanism of formal credit and seed funding available to young people is a major-set back for them. They are already at a disadvantage given the lack of collateral they have to offer banks in return for a loan.

EMPLOYMENT GENERATION 'CREATING OPPORTUNITY'

This causes many youth to borrow money via informal networks for 'start-up capital'. Such a system immediately limits the size and scope of micro and small enterprise (MSE) activities that youth entrepreneurs may consider to undertake, thereby diminishing the magnitude of growth prospects for young entrepreneurs, and potentially reducing the prospects of them expanding their business and hiring more workers. Such analysis is confirmed by other studies which disaggregate small and micro enterprises by sectoral composition.

Consider Tables 3.5c, and 3.5d:

Industry Sector	Percent Formal Enterprises
Wholesale/Retail Trade & Maintenance/Repair	40.7
Construction	19.8
Health, Education & Other Social Services	17.8
Other	12.8
Hotels & Restaurants	12.4
Transport, Storage Communication	5.4
Mining, Quarry, Electricity, Gas	3.1
Manufacturing	2.5
Agriculture & Allied	0.8

Source: Urban Enterprises survey , Timor-Leste, World Bank,2004

As can be seen from table 3.5c, the bulk of urban formal enterprises are involved in trading activities; either in wholesale or retail and or in maintenance / repairs; 40.7%, followed by construction 19.8%, and to a lesser extent in the hotel and restaurant trade 12.4%. Based on results of an Urban Employment Survey (UES), a World Bank study³² claims that over 72% of formal enterprises have less than 10 workers. Thus given the informal means of access to credit, the scope of activity by enterprises is often limited to a few trades. This is usually linked to activities which require low 'sunk-costs', e.g., trading of goods (which can be bought on sale or return basis, or investment that is immediately recovered once goods are sold), or by working as sub contractors in construction, whereby labour is employed on an ad-hoc basis when needed, and machinery is hired as and when required.

In the case of informal urban enterprises, the vast majority of activity is concentrated in trading of petty maintenance (refer to table 3.5d), where close to 53% of enterprises have only 1 worker (WB 2005)³³. Again given the limited availability of formal credit facilities, it is evident that informal micro enterprise activities are also concentrated in low investment, low sunk-cost activities, and since the size of enterprises remain small due to limited capital, they are unable to take on more work, often confining the trade to a 'one man show', where the proprietor is also the sole employee.

Industry Sector	Percent Formal Enterprises
Trading and petty maintenance (e.g. auto, machinery repairs)	93
Hotels & Restaurants	3
Finance, Insurance and real estate	2
Other	2

Source: Urban Enterprises survey , Timor-Leste, World Bank,2004

³² Enterprises, workers and skills in urban Timor-Leste, World Bank 2005

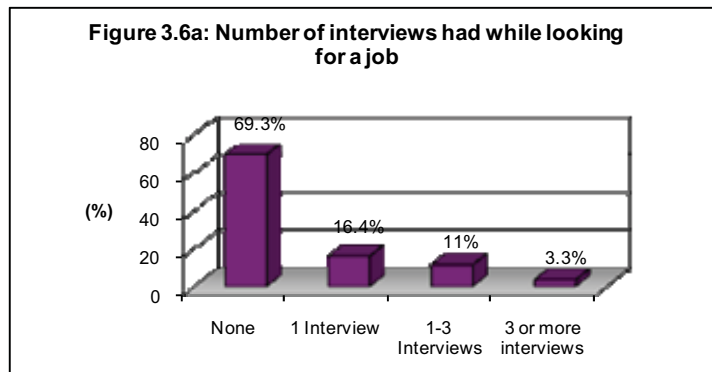
³³ ibid

3.6 Job search process:

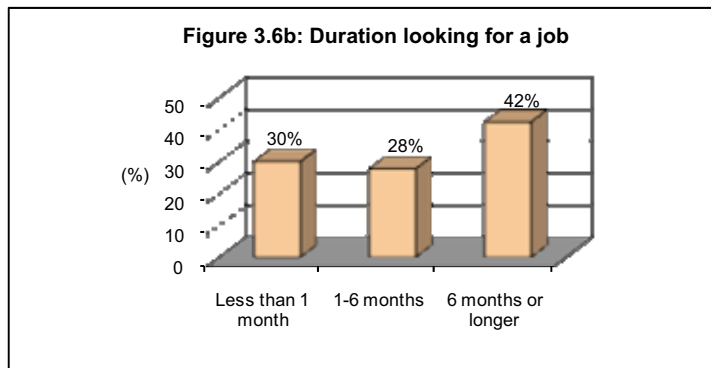
This section elaborates on the responses of youth regarding their job search process, it also identifies the recruitment practices adopted by employers.

The amount of time spent in looking for a job, along with the number of interviews young people have had while looking for work, can serve as good indicators on the efficiency of the labour market in amalgamating the 'supply of' and 'demand for' labour.

In this regard, the YES survey asked young job seekers the number of interviews they had encountered while looking for work. As Figure 3.6a displays, the overwhelming majority of respondents (69.3%) indicated that they had yet to have an interview, with less than 12% claiming to have had between 1 and 3 interviews and a mere 3.3% claiming 3 or more interviews. Disaggregating these findings by gender, the YES findings reveal that the percentage of female respondents who claimed to have 'no' interviews (while looking for work) was 71.4 %, moderately higher than the equivalent young male respondents 66.8%, likewise there was a lower percentage of females compared to males who claimed to have had either 1 interview, between 1-3 interviews, and 3 or more interviews (refer to Table 3.6.1a in Statistical Annex 3 for breakdown of results by gender).



In addition to this young job seekers were also asked to identify the approximate time frame they had been looking for work. Figure 3.6b depicts the results of the YES findings; 42% of youth identified a time frame of 6 months or longer since they have been searching for work, while 30% claimed to spend less than one month looking for work.



Looking at the duration of job search by gender, as Table 3.6.1b (in Statistical Annex 3) reveals, the percentage of youth female respondents who claim to have been looking for a job for a period of less than 1 month was 34%. This is higher in comparison to the youth male percentage of 27%. However, when longer job search durations are considered, such as periods of 1-6 months, the percentage of female respondents claiming to be looking for a job was lower in comparison to the percentage of young males looking for a job. Similarly, when job search durations of 6 months or longer were considered, the percentage of youth female respondents was 39%, lower than the percentage of youth male respondents of 45% (refer to Table 3.6.1b Statistical Annex 3). Based on these results one cannot rule out the hypothesis that young females have perhaps lower 'job search' durations compared to young males because they are relatively less selective when accepting employment offers made to them.

In other words, young females are less demanding / more flexible with terms and conditions of work, and perhaps also more open to accepting low pay / less productive professions. This argument can be supported by the results of Table 3.6.1a (statistical annex 3) that indicate a higher level of female respondents claiming to have had 'no' interviews in comparison to young male respondents, while looking for work. Likewise a lower level of females claim to have had either 1 or more interviews than male respondents, the rationale here being that the jobs young females accept or 'go for' often tend to be 'informal' in nature requiring low skill, and thereby do not involve a formal interview process for recruitment (The issue of gender stratification with employment is addressed in more detail in chapter 4, section 4.1).

These results are particularly daunting; it appears that the majority of youth job seekers spend long periods looking for work, moreover during these long durations of job search only a handful of respondents claim to have had 1 or more interviews. Long spells of job search and lack of job interviews can cause young people to get discouraged and disheartened. They are likely to lose confidence in their abilities and potentially give up their career aspirations. With an eventual state of desperation ultimately leading them to taking up professions in the informal sector where they are neither able to utilise their specialised skills nor recognise their true potential.

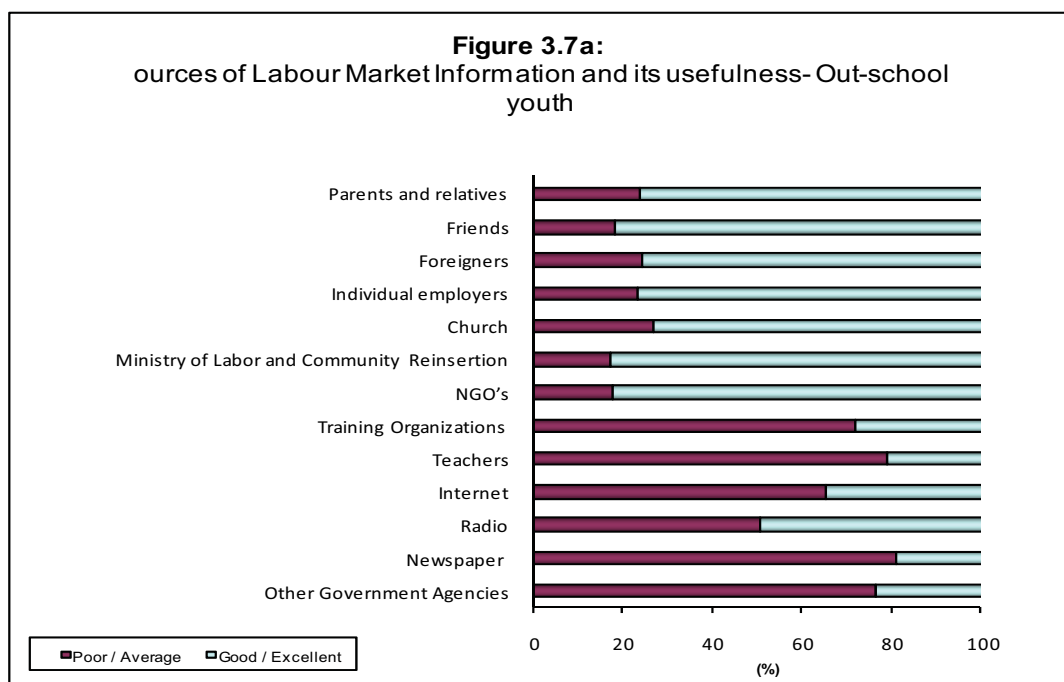
Long periods of job search can also lead to problems related to long term unemployment, such as the potential 'de-skilling' of young job seekers who are unable to utilise their expertise after graduating from the educational system. This can cause youth to lose proficiency in the skills they were initially trained for, making them unemployable in the profession / career that they had originally specialised towards.

Such a scenario also sends a wrong signal to future vocational training and university graduates. They begin to question the 'returns' on the extra years they are contemplating on spending in further education specialising in skills and disciplines. They get disheartened by the prospect of having to spend long periods of time looking for suitable employment and eventually settle for a job that doesn't necessarily require them to have spent the extra years in education. On an aggregate level, such signals could have an adverse affect on future enrolment numbers for higher education, resulting in a potential fall in Timor-Leste's future human capital value.

3.7 Finding work, informal recruitment procedure:

As has been explained in section 2.4, when respondents were asked to identify the major impediments in finding employment, close to 60% identified 'unsuitable type of education' and over 70% stated that 'more education was required for the job than they had' as very important obstacles (refer to Figure 2.4a, in Section 2.4). These impediments were also echoed by employers when they were asked to identify the main disadvantage in hiring young people (refer to Figure 2.4b, in Section 2.4). Where 'more education / skills required for the job', 'unsuitable type of education', and 'lack of skills to do the job' were identified as major disadvantages in hiring youth.

However putting aside these supply-side distortions, those youth who do not suffer from being ‘structurally unemployed’ (i.e., having skills deficiencies, or expertise that are not required by industry) face a recruitment process that is largely informal in nature. Figure 3.7a displays survey findings on the sources of labour market information that out-of-school youth use for their job search, along with the relevance of use youth place on the individual sources.



When out-of-school respondents were asked to identify and rate the sources of labour market information (LMI) that they used in finding work, over 78% of respondents considered informal networks such as parents and relatives to be either a good or excellent source of LMI. While 82% of respondents considered friends as a very useful source for labour market information. Other informal or semi-informal mediums that were identified by respondents as being either good or excellent sources for providing information on prospective employment opportunities and or information regarding the labour market were foreigners, whom 76% of respondents regarded as being a good/excellent source of LMI, followed by church (73%) and individual employers (72%).

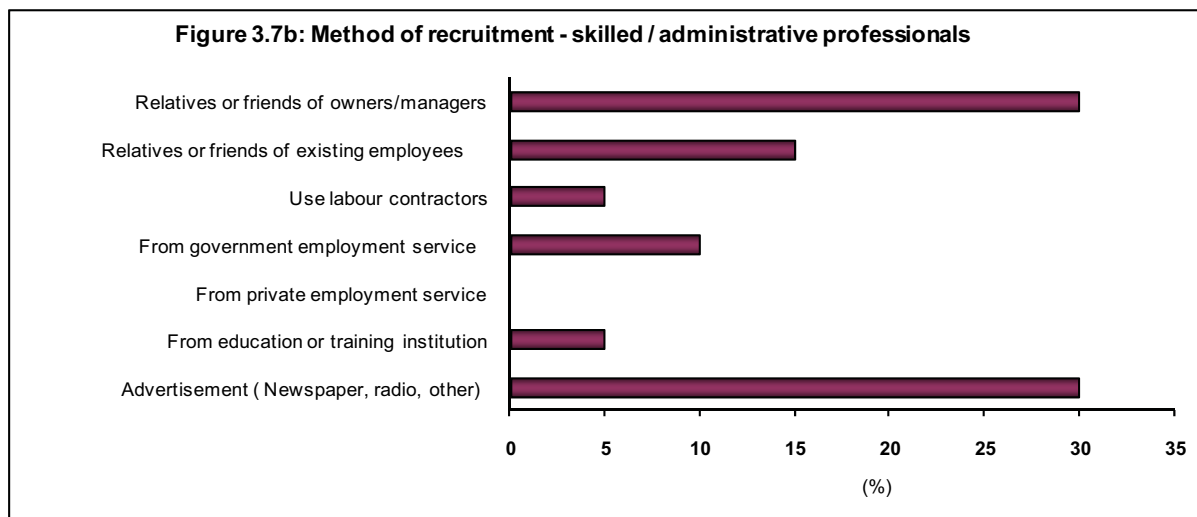
From what can be classified as formal mediums of LMI; 83% of respondents regarded the ‘Ministry of Labour and Community Reinsertion’ as being a good source of labour market information, whereas 82% of respondents had the same opinion of ‘NGOs’. The vast majority of respondents rated other formal intermediaries as being poor or average sources of employment and labour market information. This list included ‘training organisations’, that were regarded by 71% of respondents to be of poor or mediocre use, while ‘teachers’ and ‘other government agencies’ were considered by 78% and 76% of respondents to be of poor/average use. Other formal LMI intermediaries such as newspapers, radio and internet were also considered by a vast majority of respondents to be of either poor or average use as a source for labour market information (refer to figure 3.7a).

The ineffectiveness of formal labour market intermediaries (such as education and training centres, teachers, government agencies and other formal mechanisms), in offering meaningful assistance to first time job seekers, partly explains the dilemma of long durations of job search and lack of interviews that youth job seekers experience (as identified earlier in section 3.4).

EMPLOYMENT GENERATION 'CREATING OPPORTUNITY'

Young job seekers in Timor-Leste have to rely upon their personal devices / networks to find a job, hence it is obvious in such circumstances for them to rely on informal mediums (family, friends, relatives) as a source to learn about employment prospects and also as a means of getting recruited.

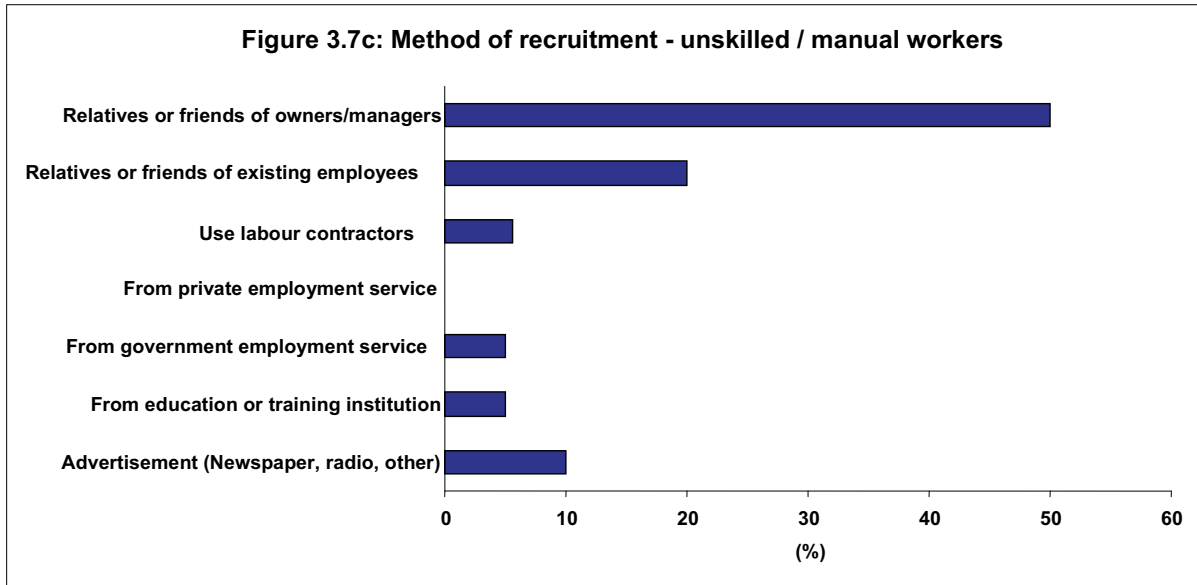
The informal channels identified by youth for seeking employment and LMI information, are mirrored by an equally informal recruitment process adopted by employers when hiring people. Consider Figure 3.7b that displays the method of recruitment adopted by employers / managers for skilled / administrative professional positions.



In the case of administrative and professional jobs, 'advertising' (either newspaper, radio and other media sources) was used by only 30% of enterprises as a medium to search for perspective employees, whereas 45% of employers cited combined informal mechanisms such as 'relatives or friends of exiting employees' and 'relatives or friends of owners / managers' as mediums used to locate and recruit individuals. Only a handful of employers identified other formal methods of recruitment such as private employment services, education or training institutions and labour contractors as mediums used to fill job openings (Figure 3.7b).

This informal recruitment practice is even stronger in the case of recruitment for unskilled / manual workers (refer to Figure 3.7c, pp 46), with 50% of enterprises identifying informal methods; such as 'relatives and friends of owners/managers', and close to 20% mentioning 'relatives or friends of existing employees', as means of identifying and subsequently hiring new employees. Whereas formal means of recruitment such as advertisement was used by approximately 10% of enterprises. Other formal mediums such as government employment services, education and training institutions, were used by a small percentage of employers in their recruitment process.

Figure 3.7c: Method of recruitment - unskilled / manual workers

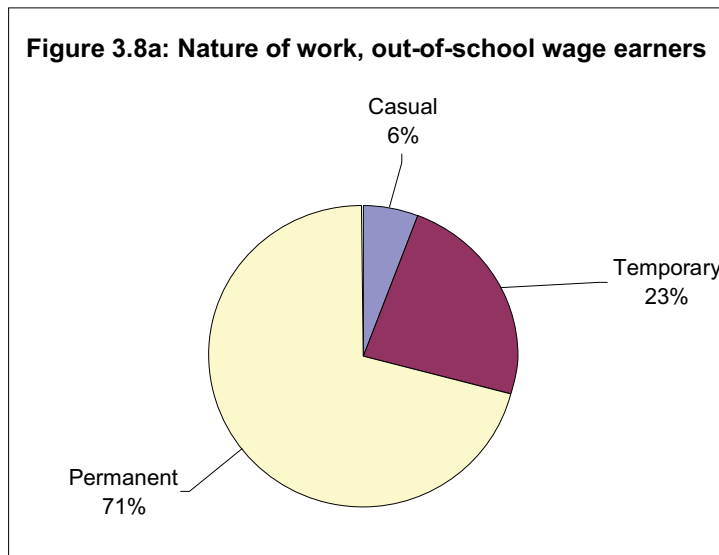


Such informal practices in both job search and recruitment process can also partly explain the high levels of school drop outs (identified in Chapter 2). The informal means of job search and recruitment can have an adverse affect on the number of youth who choose to remain in education. The more youth feel nepotism and ‘who you know’, rather than ‘what you know’ are factors that determine ones future work status, the less they are likely to be motivated to use education as a tool for better employment prospects.

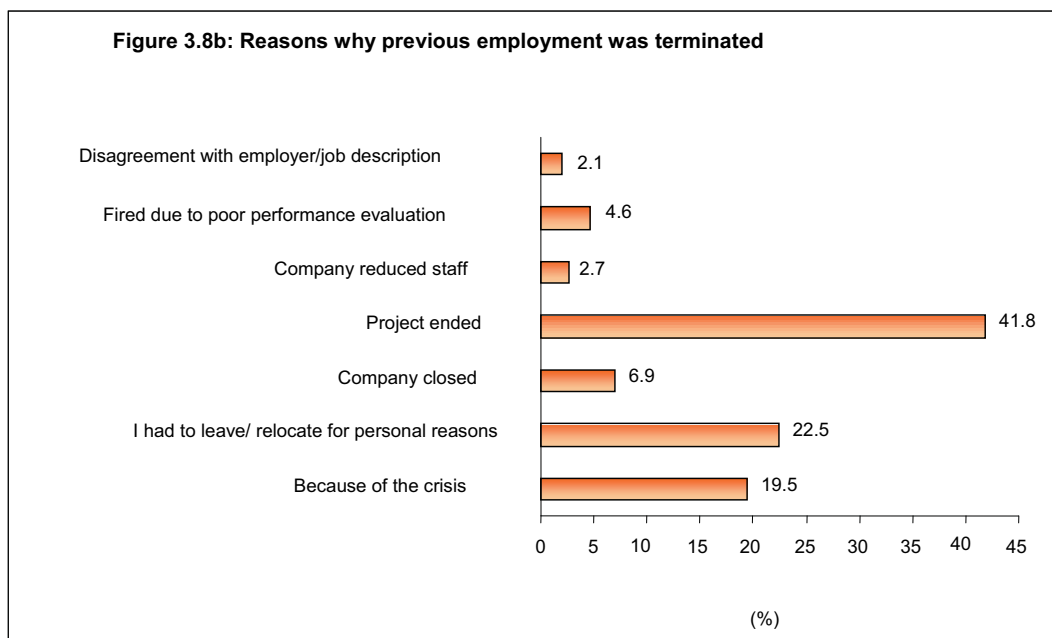
Hence from a policy making perspective, it is vital that measures are taken to improve the effectiveness of formal mediums that young people can use to learn about employment opportunities and to provide them with better labour market information. Efforts need to be made in strengthening the capacity of employment agencies both public and private, to serve as agents in linking job seekers with employers, thereby reducing the informal practices adopted in recruitment and encourage a more transparent recruitment process. Educational and training institutions also have a key role to play in this endeavour by working closer with industry and enterprises, whereby they should serve as active intermediaries in facilitating young people with perspective employment opportunities and putting employers in contact with graduates.

3.8 Work characteristics

When out-of school wage earners were asked to describe the nature of their job, 6% described their job as being casual (work when needed for a few hours), 23% identified themselves as temporary workers (work regular hours for a few days a week), whereas 71% of respondents claimed to be permanently employed (Figure 3.8a).



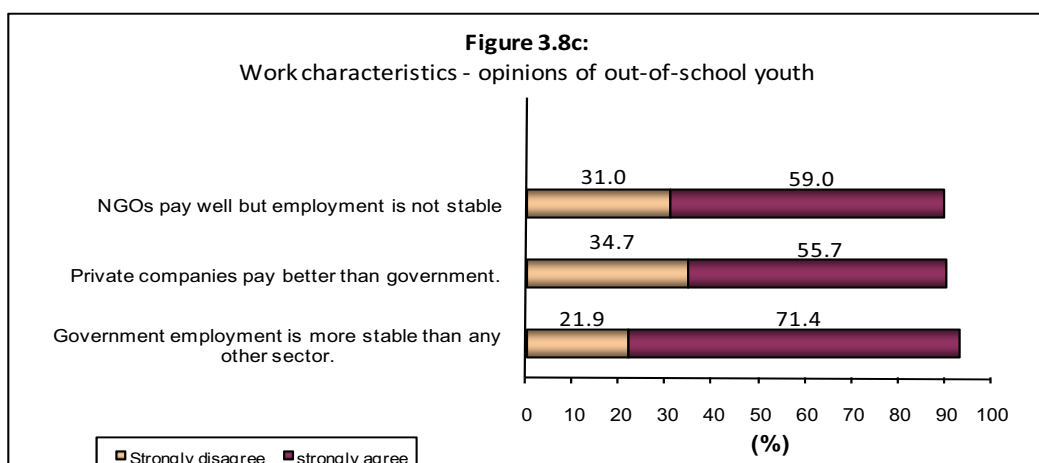
However when respondents who were either exiting wage earners or those looking for wage employment, were asked to identify the reasons for termination of any previous employment, over 41% (refer to figure 3.8b below) described the reason 'as being the end of a project', whereas just under 20% blamed 'the crisis' for their employment to end, while 6.9% claimed the company closed down.



CHAPTER 03

Looking at these results, it appears that many wage earners who claim to have (or had) a job that is (was) permanent in nature, actually have jobs which are seasonal or time bound. This is likely to be the case with youth who are employed in the UN / NGO sector, where jobs are linked to project duration.

Such a scenario is confirmed by the response of out-of-school respondents when they were asked to comment on statements related to work characteristics. As can be seen from Figure 3.8c, when asked to either agree or disagree with the statement ‘NGO’s pay well but employment is not stable’, 59% of respondents strongly agreed with this. Likewise, when asked if ‘Government employment is more stable than any other sector’ over 71% strongly agreed with the statement.



Note: A small proportion of respondents refrained from identifying their opinion to the question, this proportion, has been treated as missing data, which is why the percentages in figure 3.8c do not accumulate to 100%.

The characteristics of working conditions are such that many youth working in the private sector find themselves in precarious forms of wage employment. It can be argued that this is largely because of the informal way in which individuals are recruited, whereby it is likely that many enterprises have no official contractual agreements with their employees, making it easy to terminate employment when they want.

In the case of youth working in farming or fishing activities, YES survey findings found that only 6% of respondents claimed to get regular pay. A little over 15% stated they received some money when crops were harvested, whereas close to 66% claimed to not being paid at all (refer to Table 3.8d, in Statistical Annex 3). This implies that at an aggregate level the large percentage ‘total working youth’ who are involved in agriculture, receive little or no pay for the work they do, and therefore live a subsistence life-style.

With regards to self-employed youth, when asked to identify the nature of their work, the majority described themselves as either working in small shops or kiosks in market places or on the streets, often in shifting locations and workplaces, which are either inside or attached to a home. Furthermore as Table 3.8e depicts, close to 80% of self-employed youth claim to work 5 or more days a week.

Table 3.8e:		%
How often do you work? - self employed		
A couple days a month		9
2 or 4 days a week		11.1
Five or more days a week		79.9
Total		100

This is likely because of the precarious and low increments in which they earn a living, many self-employed youth need to work long hours just to make enough money to sustain a basic living standard.

3.9 Concluding remarks:

The lack of productive and quality work opportunities represents a serious cost not just to the young people themselves but also to their families, societies and economies. The cost of lost production and wasted human potential to economic and social development is extremely high. Work deficits for young people are associated with dysfunctional behaviour, high levels of crime, violence and political extremism.

It is therefore vital that development strategies comprehend the demand-side distortions prevalent for youth in their efforts to gain and retain employment. In general terms the Government needs to explore and pursue expansion of existing and new sectors which have a high 'employment intensity'; e.g. public works projects in infrastructure development, services, tourism, construction and agro-business activities and initiate strategies to expand these sectors.

However it is important to ensure appropriate institutional support is in place to ensure such activities are not short lived due to budgetary and financial constraints, resulting in efforts being unsustainable. Further to this a core component of a national employment strategy must be to accommodate 'youth friendly' policy measures so as to improve the correlation between growth and youth employment creation. Two forms of active labour market policies (ALMPs) that policy makers could consider to help alleviate the youth unemployment problem are:

- ◆ Initiatives that promote wage employment, generally through a combination of subsidized work placement and vocational training schemes.
- ◆ Policies that encourage young people to become entrepreneurs, usually involving a combination of training in business methods, facilitated access to credit or grants and access to work space.

Chapter 4: Equal Opportunity 'Perception of Gender Roles'

As far as legislation is concerned, the Government of Timor-Leste has made considerable efforts to ensure equal opportunities and treatment of young women and men in education, employment and society affairs. In this regard, the Government has adopted some elements of Gender Mainstreaming Policy within the broader framework of the Timor-Leste's National Development Program (NDP). The NDP recognises gender mainstreaming and women's empowerment as critical aspects of Timor-Leste's development strategy and makes clear commitments to gender mainstreaming in poverty reduction in four core sectors, namely: education, health, justice and police (ADB 2005)³⁴.

To ensure that gender sensitive rhetoric is transformed into policy and implemented in practice, an Office for the Promotion of Equality (OPE) has been established, which serves as an advisory body on gender relating matters and reports directly to the Prime Minister's office.

However, perceptions of gender roles remain deeply rooted in many segments of society, with appropriate roles and responsibilities for women, often formed, at an early age through the influence of family and education. While the gender gap in the educational system is decreasing, this does not necessarily imply that educational opportunities are equal for women and men. Gender segregation in educational courses still plays an important role in channelling a large number of women to a narrow field of study. For example, studying social sciences tends to be dominated by female students, and technical sciences by male students. Consider the following YES survey:

4.1 Segregation in education leads to small window of employment opportunities:

When asked if certain fields of study were better suited for women, many young men responded by selecting courses related to professions such as teaching, secretarial and administrative jobs or retail sector activities, as best suited for women.

Furthermore, young people were asked if they felt there was equal opportunity for both women and men in educational attainment. As can be seen from Table 4.1a, when respondents were asked whether young women and men had equal opportunities in attaining 'general education' over 90% of in-school respondents and 88% of out-of-school respondents claimed that there was no gender discrimination. However when the same sample of youth were asked whether this equal opportunity of educational attainment prevailed at 'vocational education' over 29% of in-school youth respondents and over 23% of out-of-school youth reported a perceived gender inequality.

Table 4.1a
Opportunity to attain Education

Type of education	General education		Vocational education	
	In-school (%)	Out-school (%)	In school (%)	Out school (%)
Level of opportunity				
Have equal opportunities	90.0	88.8	66.9	71.8
Do not have equal opportunities	7.0	6.8	29.3	23.7
Not sure	1.1	1.0	1.7	0.9
Don't know	1.9	3.4	2.1	3.6

The YES survey findings are confirmed by observations from other studies related to gender issues, most notably an ADB gender assessment report on Timor-Leste (2005). The report states that though it is widely acknowledged that gender based disparities in enrolment rates are not significant at the primary and lower secondary levels, this is undermined by high repetition and drop out rates.

³⁴ Gender and nation building in Timor-Leste, Country gender assessment, November 2005

EQUAL OPPORTUNITY 'PERCEPTION OF GENDER ROLES'

The report goes on to explain that the educational sector is characterised by an 'over age' and 'late starter' problem, which is attributed to the rising share of rural and female children aged 13-15 years.

Moreover it is claimed that the large drop in gender gap ratio between junior and secondary and senior secondary, from 128% to 58%, is accompanied by a 50% drop in net enrolment levels, suggesting that a higher proportion of girl students are dropping out of school at this level³⁵. Using best available data from secondary sources³⁶, the total number of individuals (aged 20-29 years, male and female) enrolled in tertiary education accounted for 6,086. Out of this only 27% were women, whereas the vast majority (73%) were males.

Similarly, between April and May 2007, the Division of Employment and Skills Development of the Ministry of Labour and Community Reinsertion undertook a preliminary survey on 51 vocational training centres in Timor-Leste. Preliminary results providing characteristics of the type of vocational centres surveyed are displayed in Table 4.1b:

Table 4. 1b:
Characteristic of Vocational Training Centre

		Administration and IT	Agriculture	Local product	Sewing	General Construction	Mechanical	Electrical/electronics	Metal Engineering	Language and Literacy	Tourism and hospitality	Health	Culture and Arts
Number of training providers		23	11	13	13	11	6	6	4	12	4	1	1
Type of training providers	NGO	11	5	4	4	2	1	0	1	8	1	1	0
	Church	6	3	8	8	5	3	3	3	3	2	0	1
	Government	2	3	1	1	3	1	3	0	0	1	0	0
	Private	4	0	0	0	1	1	0	0	1	0	0	0
Number of courses		54	14	16	16	23	7	9	5	20	5	1	1
Graduates	Male	802	386	50	3	286	78	117	78	440	22	17	0
	Female	853	227	167	187	34	0	4	0	369	94	8	15
Total Graduates		1637	613	217	190	320	78	121	78	809	116	25	15
Percentage of females to total graduates		50.1	37	77	98.4	10.6	0	3.3	0	45.6	81	32	100

Note: In some training centres, there were no clear records of the exact number of graduates disaggregated by gender, per program. In which case the centres administration provided percentage estimates of the number of graduates by gender. These were then used to base estimates on the number of graduates by gender using data available for total number of graduates.

As can be seen from Table 4.1b, women tend to be channelled into 'specific' vocational training programs, such as sewing, arts, tourism / hospitality and administration. While technical areas like metal engineering, electrical and construction, tend to have a majority of male graduates.

This stratification in education leads to stratification of opportunities in the labour market. In the case of Timor-Leste, the situation is confining young women to a narrow range of occupational opportunities in comparison to young men. For example, young women have the highest representation in agriculture and service activities, which tend to be least formalized and low paid, relative to other industries. Moreover, the role of women in these sectors tends to involve jobs at the lowest level of the production process, for instance in agriculture this often involves cutting, threshing, carrying water and tending livestock.

Using results cited in the ADB gender assessment report for Timor-Leste(2005)³⁷, Table 4.1c, provides a breakdown by gender, on the number of employees for a selected number of industries (based on a sample of enterprises).

35 Country gender assessment report Timor Leste 2005 ADB; According to UNICEF participants at a country gender assessment workshop in Dili (2005), preliminary findings from UNICEF research indicate that girls 'drop-out' rates are higher starting as early as the primary school levels onwards.

36 Data source: UNTAET, 2001, figures for tertiary enrolment rates taken from table 14, ADB country assessment report Timor-Leste 2005.

37 ADB, Country Gender Assessment, Timor-Leste 2005 using results from an Ireland Aid study: "Ireland Aid, Situation Analysis: 2002, Research commissioned by the gender affairs unit, office for the promotion of equality, Dili".

CHAPTER 04

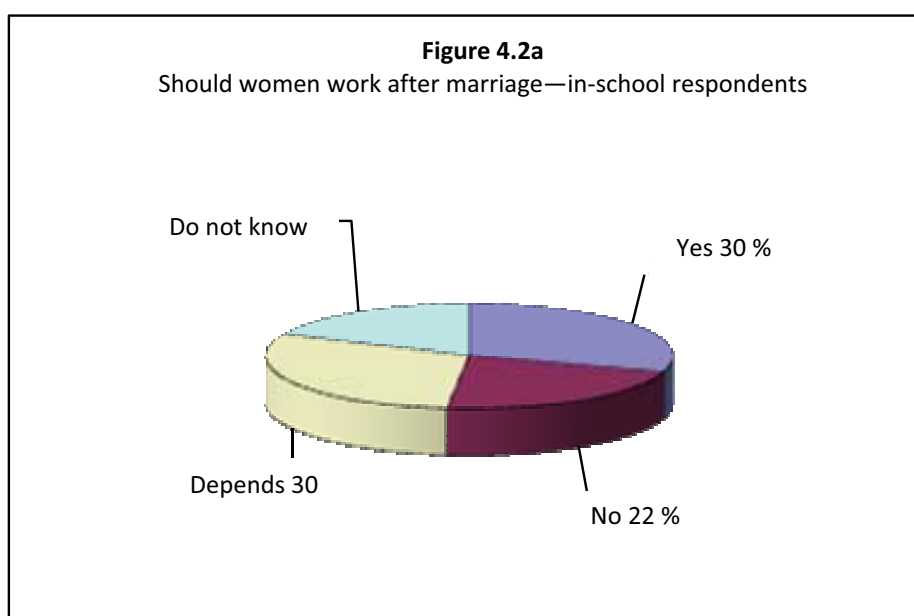
It is evident that women tend to be concentrated in a selected stratum of occupations and sectors, such as handicraft, weaving, salt making, bakeries, and tailoring. Likewise they tend to be concentrated in lower income generating activities such as sitting at small kiosks selling fruit and vegetables, confirming the YES analysis that young women face gender stratification in their educational attainment leading to stratification in their employment prospects.

³⁷ ADB, Country Gender Assessment, Timor-Leste 2005 using results from an Ireland Aid study: "Ireland Aid, Situation Analysis: 2002, Research commissioned by the gender affairs unit, office for the promotion of equality, Dili".

4.2 Perception of gender roles, household responsibilities:

The response of youth, regarding the appropriateness or not of women working at different stages in life provides interesting insights into a young woman's career path. Consider the following YES findings: when asked whether women should work after marriage or after having children, a large proportion of young men responded by saying they should not.

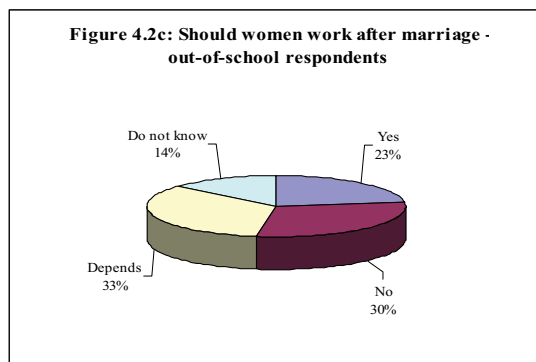
As depicted in Figure 4.2a, YES survey findings reveal that only 30% of in-school respondents felt women should work after marriage, while 22% felt that women shouldn't work after marriage. A further 30% of respondents felt that their opinion on women working after marriage depended on certain pre-conditions such as; 'only if the woman has a well paid job', 'if the family approved', or 'if the husband couldn't find appropriate work'. Hence it appears that many youth are of the opinion that a woman's career / employment prospective are contingent on a number of factors.



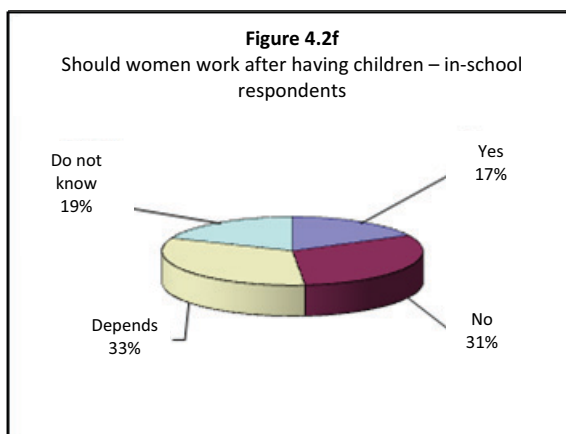
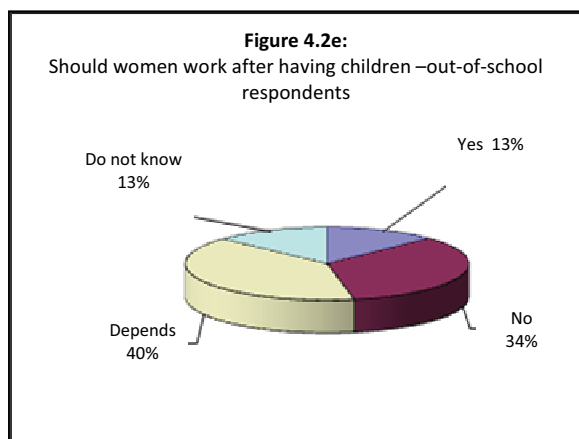
On the subject of women and work, survey findings also found discrepancies in the opinions of young in-school respondents by different levels of education. For instance while over 25% of respondents with pre-secondary level education felt that women shouldn't work after marriage, only 7% of university students and 11% of students at the secondary vocational level had such reservations (refer to Table 4.2b in Statistics Annex 4).

It is evident that youth with higher educational attainment levels are more open-minded when it comes to women and work. They are likely to have a modern perspective regarding the role of a woman after marriage, whereby they are not simply confined to child bearing and house-keeping. Furthermore, it is likely that youth with higher educational attainment see the economic rationale in terms of 'double income' if both husband and wife work, as opposed to the man being the only 'breadwinner'. Hence, they are more supportive of women working after marriage, given the potential monetary gains and thereby improvements in living standard the extra income could bring the married couple.

Similarly, as depicted in Figure 4.2c, only 23% of out-of-school youth respondents felt women should work after marriage, while 30% were of the opinion that they shouldn't. This gender insensitive response was stronger from youth working in subsistence activities and those who were unemployed, where over 30% held such an opinion. In contrast, youth who were wage earners had a lower cohort of individuals with the opinion that women shouldn't work after marriage (refer to table 4.2d in statistical annex 4). It is likely that wage earning youth work in an environment where they have several co-workers, who are women and are likely to have a broader mindset regarding women and work.



The YES survey also asked the opinion of respondents both 'in' and 'out-of' school on whether or not they felt it appropriate for women to work after having children. The corresponding results were as follows; 34% of out-of-school respondents felt women should not work after marriage, while 31% of in-school respondents held such an opinion (refer to Figure 4.2e and Figure 4.2f below).



Moreover, 40% of out-of-school and 33% of in-school respondents claimed their opinion (on whether women should work after having children) 'depended' on certain circumstances (Figures 4.2e and 4.2f). The two most frequent reasons given were: i) "if the women's job had flexible working hours and / or was part-time in nature, such that it didn't interfere with housekeeping chores", then there was less reservation for women to work after having children, and ii) "women should pursue their career and continue working after having children if the husband or male partner did not have a sustainable job and was not able to support the family financially on his own".

Understandably such opinions were held more strongly by youth involved in subsistence activities (farming and fishing) where over 43% of respondents felt women shouldn't work after having children, in comparison to those in paid employment, where only 22% of respondents held such an opinion (refer to table 4.2g in statistical annex 4).

It is evident that youth in rural settings have a different mindset in comparison to those in urban dwellings, where the former have a more traditional opinion and mindset regarding women's responsibilities after having children, where raising kids and housekeeping are more important than pursuing a career. In contrast, urban youth tend to have, a modern perspective that is more supportive of women working after having children.

In this regard, respondents were asked if women and men in a family should share equal responsibility for contributing to family income. Survey findings, as shown in Table 4.2h display a trend pattern where a significant proportion of young men (45.4%), felt that 'men' should have greater responsibilities in contributing to family income, in comparison, in comparison, only 34% of young women felt that men should have greater responsibility. A significantly higher percentage of women (58.8%) than male respondents (45.4%), held the opinion that equal responsibilities should prevail for both women and men regarding contribution to family incomes (refer to Table 4.2h) This implies a scenario whereby young women have a strong desire to contribute financially towards family welfare, but where such a desire is often disregarded by traditional attitudes and mindsets.

	Female	Male
Response	(%)	(%)
Women and Men should have equal responsibilities	58.8	45.4
Men should have greater responsibilities	34.0	45.2
Women should have greater responsibilities	0.6	0.9
Depends	2.8	3.3
Do not know	3.9	5.2

Looking at the response of youth regarding responsibilities towards contribution to family incomes by type of employment status, those in subsistence activities had a higher percentage; 46% of respondents who felt men should have greater responsibilities in comparison to youth in paid (wage) employment where only 33% of respondents held such an opinion (refer to Table 4.2i Statistical Annex 4).

4.3 Concluding remarks:

As identified earlier in the chapter, perception of appropriate gender roles and the division of responsibilities between men and women which consider a woman's career secondary to her role as a mother or in managing the home, can severely distort the employment options for young women, narrow their employment opportunities, and their career pursuit. Survey findings reveal that such discriminatory mindsets prevail largely amongst youth who are working in either the traditional economy (in subsistence activities) or in the informal sector. In contrast, wage earning youth, working in the formal sector or those enrolled in higher secondary levels of education have a contrary opinion. This implies that raising the educational attainment levels of young Timorese will help promote more equitable thinking among youth on gender matters, which would facilitate in reducing discriminatory perceptions regarding women and work.

However, if efforts to eradicate discriminatory mindsets regarding women and work that are influenced by both social and institutionally formed factors are not addressed in a proactive manner, there is likely to remain a continuation of low female (youth) labour force participation rates and low human capital value of young Timorese women.

Chapter 5: Assessments and Policy Recommendations:

Based on the analyses of Chapters 2, 3 and 4, Chapter 5 of the Youth Employment Study provides a set of key policy recommendations. These recommendations are intended to serve as a framework for the Government in drafting a National Youth Employment Action Plan.

The results of the YES can be assessed around **four pillars**:

- 1. Preparing Youth for Work:** ensuring quality basic education for all young men and women, and developing a demand-driven vocational and technical education system.
- 2. Creating Quality Jobs for Young Men and Women:** focusing on the generation of formal sector jobs, with specific interventions to address the needs of the vulnerable and disadvantaged youth groups.
- 3. Fostering Entrepreneurship:** facilitating the entry of youth into business, and assist the gradual transformation of the informal economy to formal sector activities thereby creating more and better jobs for young women and men.
- 4. Ensuring Equal Opportunity:** giving young women and men the same opportunity in education, skills and employment attainment.

In this regard the following key recommendations are made:

Key Recommendations Chapter 2, Employability : 'Education and Training'

- ◆ *Recommendation 2.1: Reduce the number of youth who enter the labour market early*
The educational system needs to deploy active measures to reduce the 'drop out rates' at primary level. Special attention should be given to youth who have a higher chance of dropping out early, and ensure that they stay in school until they complete their educational cycle. In this regard a body of student councillors should be appointed who are in close contact with vulnerable students and who have the capacity to advise them on the gains of remaining in education. Schools could also allocate a 'support budget' for students from needy families for whom the opportunity cost of remaining in education is too high. Incentives could include bursaries and scholarships. Local communities, NGOs and Government could partner together to set up a 'fund' that provides grants and scholarships for needy students, allowing them to pursue higher levels of education and reduce their early entry to the work force.
- ◆ *Recommendation 2.2: Build bridges between educational institutions and the business community*
Educational institutions (particularly technical secondary schools, vocational training centres and universities) need to establish stronger linkages with enterprises and industries to establish effective internship / work experience and apprenticeship programs for their students. This would help students to see the connection between learning and work, and to understand how specific knowledge and skills are applied to a real world context. This could also encourage students to remain in school longer as they would see a 'linkage' between 'educational attainment' and 'employment prospects' and therefore be compelled to complete their educational program with the motivation to find a corresponding profession thereafter.

Employers can also support educational institutions by advising them on technology and industry standards, and improving curriculum.

ASSESSMENTS AND POLICY RECOMMENDATIONS:

This would also benefit employers, as it would better link the ‘type’ of skills supplied by educational institutions to the needs and demands of industry / enterprises, reducing the ‘skills mismatch’ problem. In this regard, the Employers’ Associations have a key role to play as intermediaries between educational institutions and employers to initiate such partnerships.

- ◆ *Recommendation 2.3: Develop a national vocational training institute*
This Institute would serve to accredit vocational training providers, establish (in partnership with the relevant ministry sectors) national competency standards and develop the national qualifications framework. This will enable young people to acquire institutionally defined and nationally recognized skills that are portable within occupations they receive training for, allowing for a smoother transition of school leavers to the labour market. The Ministry of Education together with the Ministry of Labour and Community Reinsertion could be the lead Government agencies in this effort.
- ◆ *Recommendation 2.4: Improve the effectiveness of training centres*
Carry out an impact assessment of existing training program offered by institutions on the careers of graduates. Such tracer studies will help evaluate what type of training programs and training centres are effective in facilitating young people to improve their employability and finding work, and which were not / less effective. This would provide more accurate information about the market for skilled workers and about the ‘content of’ and ‘returns to’ different types of training. These impact assessment / evaluation studies could be conducted independently by training institutions or in partnership with NGO / UN agencies, with the subsequent analyses disseminated to all stake-holders (Government agencies, donor agencies, training institutions, and to the general public).
- ◆ *Recommendation 2.5: Improve the preparation of school leavers and young job seekers for labour market entry*
Provide labour market information and career guidance to in-school youth through the education and training system and to young jobseekers through public employment services (PES). This in turn requires the establishment of in-school career guidance services, which should be available in all secondary, vocational and higher education institutions. The Ministry of Education, in cooperation with the Ministry of Labour and Community Reinsertion, are encouraged to develop a national program for strengthening of in-school career guidance services at educational institutions.

For out-of-school youth, provision of accurate labour market information and employment counselling should be provided by public employment services, here the Ministry of Labour and Community Reinsertion should take the lead in further strengthening the capacity of its ‘employment centres’, maintaining a database that registers the skills of young job seekers and tries to match these with vacancies notified by employers / enterprises. In this regard, the employment centre should try to encourage more employers / enterprises to use the employment centres as an intermediary for their recruitment process. The ‘employment centres’ could also provide counselling services for young job seekers with the aim to align the expectations of youth with the realities of the labour market. This could be done by providing youth with the latest, realistic information about the type of jobs obtained by people with similar levels of qualifications, and provide up-to date information about current and future job prospects.

Key Recommendations Chapter 3, Employment Generation: 'Creating Opportunity':

- ◆ *Recommendation 3.1: Exploit new opportunities in agriculture*
Given that the Agricultural sector employees over 70% of young workers in Timor-Leste, it is crucial that policy measures are devised to improve the prospects for rural youth working in agriculture to have the opportunity to engage in more productive activities within this sector.

In this regard, the Ministry of Agriculture should partner with the Ministry of Labour and Community Reinsertion to devise and initiate policy measures that can provide training in modern agricultural techniques to youth and encourage them to grow ‘cash crops’. In this regard, mechanisms that provide technical and financial support for rural youth to establish ‘agro business’ activities should be considered. This could include support for establishing cottage industries that process raw agricultural produce, enabling youth to make higher monetary gains from the subsequent higher value agricultural produce, thereby enabling them to move away from purely subsistence agricultural activities.

◆ *Recommendation 3.2: Exploit the potential for new emerging sectors*

Identify current and prospective job opportunities for young people in emerging sectors such as tourism, media, education, services, and construction. These are sectors which tend to be ‘employment friendly’, i.e., those with the potential for adopting labour intensive techniques in their production processes.

In this regard, efforts to expand the size and scope of ‘public works’ programs linked to construction and infrastructure development should be considered. Such programs can create employment for unskilled and skilled labour directly through the construction process (e.g. restoration, maintenance and construction of roads, bridges, buildings, irrigation and drainage), but also creates employment indirectly through the linkages with services that emerge from public works development. For example, the expansion of transport networks (via new or restored roads) leading to creation of jobs within the transportation sub-sector, similarly the likelihood of restaurants and shops propping up alongside ‘trunk’ roads will lead to more jobs being created in subsequent services.

Improvement in roads and infrastructure can improve access between rural and urban areas subsequently reducing transport costs. This can have a positive impact on ‘widening the market’ for rural products, making it easier for farmers to transport their produce to urban areas and also allow consumer goods from urban enterprises to be marketed in rural areas. Thus public works programs have the potential to serve as a stimulus to boost socio-economic activity for young people.

The Ministry of Planning and Finance, together with the Ministry of Labour and Community Reinsertion and donor agencies, should develop action plans to facilitate the expansion of ‘employment friendly’ sectors and initiate projects within these sectors that can involve labour intensive production processes.

◆ *Recommendation 3.3: Incorporate youth employment goals in macro economic policy*

Set clear youth employment targets and incorporate them into medium term development plans and strategies. This would enable policy makers to measure progress made in creating a sufficient number of quality jobs for young people. Such targets may be measured via the following indicators:

1. A reduction in the share of untapped³⁸ youth (those who are neither in education nor in the labour force);
2. An increase in the share of youth working in the formal sector; and
3. The level of macro and micro economic policy impacts on youth employment.

◆ *Recommendation 3.4: Review labour market regulations to ensure that they facilitate greater opportunities for young workers*

Consider apprenticeship contracts and other incentives such as subsidized wages (combined with training) to encourage employers to hire youth. The feasibility of subsidized ‘trainee wages’ for young workers should be assessed, with the possibility of establishing a government ‘fund’ that is used to finance such a scheme. Such a scheme could be viewed as a ‘stepping-stone’ for recruitment of young workers into the formal sector, allowing them to acquire first-hand work experience thereby increasing their future employability prospects.

³⁸ A reduction in the share of untapped youth would mean that the capabilities of youth are harnessed through their higher participation in secondary and higher education and/or that their productive potential can be mobilized through their higher participation in the labour force. A reduction in the share of underutilized youth would mean a step towards the goal of full employment for all young women and men in the labour force. However, achieving full employment not only involves focusing on more jobs, but also on better quality jobs. Hence, the importance of the third target: the share of youth working in the formal sector. Formal (modern) sector jobs require more educated workers and offer higher wages and better working conditions, compared with employment in the informal sector where productivity and earning are lower, jobs are insecure and working conditions are poor. Finally, an increase in the share of young women would indicate a progress towards closing the gender gap in employment, which is an important dimension of the Millennium Development Goal of Promoting Gender Equality and Empowering Women.

ASSESSMENTS AND POLICY RECOMMENDATIONS:

- ◆ *Recommendation 3.5: Make it easier for youth to start and run their own business*
Set up a task force to review the existing legal and regulatory framework to access the licensing requirements and procedures for small businesses. The aim is to streamline requirements that would reduce time and cost for starting up new business.
- ◆ *Recommendation 3.6: Devise policies that promote self-employment and an entrepreneurial culture*
Policy measures and programmes to develop a vibrant youth entrepreneurial culture should be reviewed by the Government. Such programs should include elements that:

Promote self-employment as an appealing career for youth. This could be done by using ‘role models’ who are experienced and successful business people. They could offer great value in promoting self-employment as a genuine career alternative and as an avenue to higher levels of financial reward and work satisfaction.

Introduce ‘entrepreneurship’ curricula at secondary schools and universities, this would allow young people to consider self-employment opportunities using the skills and expertise that they acquire in education. Moreover, it will help youth in:

- ⇒ Becoming enterprising – perceptive to capitalizing opportunities.
 - ⇒ Developing business skills – able to investigate and develop a business idea e.g. how to conduct a feasibility study of a business activity and how to develop a business plan.
 - ⇒ Pursuing business management skills – build skills required to get a business going and managing it successfully; e.g., how to manage inventory, basic book-keeping and marketing.
- ◆ *Recommendation 3.7: Strengthen formal credit lending facilities so that they reflect the needs of youth entrepreneurs*
One of the major obstacles for young people in starting their own business is the lack of access to finance. Young people often lack previous business experience and have limited or no collateral to offer financial institutions to attain loans. In this regard, the government together with the formal credit lending facilities must introduce schemes that can serve the credit needs of youth. Here the mechanism to provide ‘financial grants’, ‘soft loans’ (schemes that provide low interest loans to young entrepreneurs without collateral) and the creation of finance and support networks for youth should be considered. The government should also encourage financial institutions to identify successful examples of how to overcome barriers that young people face in accessing finance, and initiate capacity building and awareness raising campaigns.

Key Recommendations Chapter 4, ‘Equal Opportunity’: Perception of Gender roles’

Recommendation 4.1: Disable gender stereotypes in curricula and gender segregation in education

- ⇒ Review the existing educational curriculum to ensure it is gender sensitive.
- ⇒ Mainstream gender sensitive education through better coordination and information; through the sensitization of teachers, the Ministry of Labour and Community Reinsertion should take the lead in increasing understanding among all stakeholders of the equal opportunities for young women and men.
- ⇒ Establish career guidance services in schools and colleges and ensure that guidance is gender sensitive.

- ⇒ Continue gender awareness raising campaign targeting policy makers, educators, vocational training providers, employers and youth to effect a learning environment seeks to develop skills potentials of young women and men and provide them with equal opportunities in employment.
- ◆ Recommendation 4.2: Create institutional capacity to propel and monitor changes in gendered attitudes and practices in employment and education.
 - ⇒ Provide incentives for government agencies at both central and district levels to act as model employers in their recruitment and employment, remuneration and promotion practices.
 - ⇒ Develop appropriate and practical tools for government agencies for use in data collection and gender analysis in their regular monitoring of changes in the labour market, education, and vocational training.
 - ⇒ Institute capacity within government offices to design and implement gender-specific and gender-mainstreaming strategies to effect a gender-neutral labour market.

STATISTICAL ANNEX 1

Table 1:				
List of school selected for in-school sample youth				
No	Name of educational institution	Type of educational institution	District	Sample size
1	Pre Secondary –EPSP No. 1 Maliana	Lower-secondary (SMP)	Bobonaro	42
2	EPSC Sao Paulo VI – Dili	Lower-secondary (SMP)	Dili	42
3	EPSC St. Antonio – Oequsse	Lower-secondary (SMP)	Oequsse	42
4	EPSP Same	Lower-secondary (SMP)	Manufahi	42
5	EPSP 10 de Abril – Ermera	Lower-secondary (SMP)	Ermera	42
6	EPSC Baucau	Lower-secondary (SMP)	Baucau	42
7	EPSP Fuiloro – Lautem	Lower-secondary (SMP)	Lautem	42
	Sub Total (lower secondary)			
8	Escola Secundario publico	Academic Secondary (SMU)	Bobonaro	22
9	St. Magdalena de Cannosa, Dili	Academic Secondary (SMU)	Dili	22
10	Escola Palaban	Academic Secondary (SMU)	Oequsse	22
11	Escola Publico I Same	Academic Secondary (SMU)	Manufahi	22
12	Nino Conis Santana	Academic Secondary (SMU)	Ermera	22
13	ESP Kota Baru	Academic Secondary (SMU)	Baucau	22
14	Nino Conis Santana	Academic Secondary (SMU)	Lautem	22
	Sub Total (Secondary academic)			
15	Fatumaca Technical School	Vocational secondary	Baucau	15
16	Becora Technical school	Vocational secondary	Dili	15
	Sub Total (Vocational secondary)			
17	Agricultural school-Natarbora	Agricultural secondary	Bobonaro	8
18	Café Institute (Gleno)	Agricultural secondary	Manufahi	8
19	Don Bosco Agricultural School	Agricultural secondary	Ermera	8
	Sub Total (Secondary academic)		Lospalos	8
20	Tibar CENFP Dili	Training Centre	Dili	16
21	Baucau buka Hatene	Training Centre	Baucau	21
22	CDC	Training Centre	Baucau	10
23	Don Bosco’s Vacational Training	Training Centre	Dili	15
24	World Vision	Training Centre	Dili	22
	Sub Total (Training centre)			
26	Chatolic Institute for Teacher Formation	Tertiary	Baucau	25
	Sub Total (Tertiary)			
27	Universidade Nacional de Timor Leste	University	Dili	45
	Sub total university			
Total all educational institutions				664

Table 2: List of Enterprise/employers interviewd (All located in Dili)			
No	Name of Enterprise	Type of Enterprise	Sector/business activity
1	A-1 Services	Private enterprise owned by foreigners	Machinery and motor vehicle mechanical repairs
2	Anteater	Family business	Construction, landscaping, waste management
3	ANZ Bank	Part of multinational corporation	Banking/financial institution
4	Cooperativa Café Timor (CCT)	Joint venture between local or foreign owners/partners	Agriculture/coffee exploration
5	Caltech	Sole Proprietorship	Construction
6	City Café Ltd.	Private enterprise owned by foreigners	Hotel, restaurant and catering
7	Duta Xerox	Private enterprise owned by foreigners	Printing and stationary
8	SDV	Private enterprise owned by foreigners	Freight forwarding and courier services
9	Forte Group	Joint venture between local or foreign owners/partners	Medical clinic and pharmacy
10	Funuman PTY LTD	Joint venture between local or foreign owners/partners	Construction
11	Hotel Audian	Family business	Hotel, restaurant and catering
12	Hotel Timor	Part of multinational corporation	Hotel, restaurant and catering
13	Hotel Vila Verde	Family business	Hotel, restaurant and catering
14	Leader Store	Private enterprise owned by foreigners (local partners)	Trading/retail services, super market
15	Loro Sae Computer Services	Sole Proprietorship	Computer and IT Services
16	Obrigado Computer & Electronics	Private enterprise owned by foreigners	Computer, electronics sales and services
17	Royal Electric	Family business	Electrical appliances sales, services and distribution
18	Stevedores Timor	Joint venture between local or foreign owners/partners	Stevedoring and agency
19	Timor Block Building Industry	Private enterprise owned by foreigners	Manufacturing
20	Dili Shoping Store	Family business	Trading/retail, department store

Table3: List of Agencies Interviewed		
No	Agency name	Agency expertise
1	Moris Rasik	Microfinance
2	Ministry of Development	Development and Planning
3	KSTL	Trade Union
4	Ministry of agriculture	Agriculture and Rural Development
5	Instituto de Apoio ao Desenvolvimento Empresarial (IADE)	Business development support Institute
6	UNIDO	Industry and Development
7	USAID	Donor funding and development project execution
8	IFC	Development Finance
9	UNDP	Development Programme
10	FAO	Food and Agriculture
11	Secretary of State for Youth and Sport	Youth and Sport Secretariate

STATISTICAL ANNEX 3

Table 3.4a: GDP composition non-oil (constant USD 2000, market price in millions)							
Sector / Year	2000	2001	2002	2003	2004	2005	2006
Agriculture, forestry and fishery	81.5	88.6	93.9	93.5	99.1	105.3	105.3
Mining and quarrying (non oil)	3.8	3.8	3.2	2.5	2.6	2.7	1.8
Manufacturing	8.7	10.9	11	11	11.1	11.2	8.4
Private construction	15.8	16.2	15.1	13.8	13.9	14.2	10.4
Transport and communication	22.9	25.4	27.5	29.2	30.5	32	26.8
Whole sale and retail trade	24.6	25.6	23.9	23.3	23.4	23.6	21.5
Financial and other services	22.4	26	26.8	26.4	26.5	26.8	23.3
Government services	22.9	51.1	57.7	65.9	70.8	76.2	74.3
Public utilities	2.7	1.4	2.7	3.4	3.9	4.7	4.5
Public construction	27.6	27.9	21.8	15	13.9	17.4	16.9
United Nations	83.4	91.5	60.3	38.6	28	17	32.5
Total	316.3	368.4	343.9	322.6	323.7	331.1	325.7

Data Source: Data provided by Timor Leste authorities: and IMF Fund staff estimates. IMF country report 2007, Timor-Leste

Table 3.6.1a: No. of interviews had while looking for a job - Female respondents		%
None		71.4
1 Interview		16.2
1-3 Interviews		10.7
3 or more interviews		1.7
Total		100
Table 3.6.1a: No. of interviews had while looking for a job - Male respondents		%
None		66.8
1 Interview		17
1-3 Interviews		12.2
3 or more interviews		4
Total		100

Table 3.6.1b: Duration of job search -Females		%
Less than 1 month		34
1-6 months		27
6 months or longer		39
Total		100
Table 3.6.1b: Duration of job search -Males		%
Less than 1 month		27
1-6 months		28
6 months or longer		45
Total		100

Table 3.8d: Methods of payment – youth working in farming / or other subsistence activities		%
Forms of payment		%
Receive regular pay		6
Receive room and board		6.6
Receive some money when crop is harvested.		15.2
Receive other in-kind payment e.g. transport, help with school fees, etc		6.4
I am not paid at all		65.8
Total		100

STATISTICAL ANNEX 4

Table 4.2b:
Should women work after marriage, respondents disaggregated by level of education

	Type of Institution						
	Pre-Secondary (SMP)	Academic Secondary (SMA)	Secondary Vocational	Secondary Agricultural	UNTL	Private Tertiary	Training Centre
	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Yes	38.2	24.5	25.9	15.6	50	16.0	28.6
No	25.4	22.3	11.1	18.8	7.7	4	14.3
Depends	15.7	42.4	51.9	37.5	7.7	72	38.1
Do not know	20.7	10.8	11.1	28.1	34.6	8	19
Total	100	100	100	100	100	100	100

Table 4.2d:
Should women work after marriage, response disaggregated by economic status

	Farming and any other agricultural activities or fishing	Paid employment	Self employment	Unemployed
	(%)	(%)	(%)	(%)
Yes	22.1	20.2	20.7	29.7
No	31.4	25.3	27.7	31.7
Depends	32.7	39.2	38.3	27.0
Do not know	13.8	15.3	13.3	11.6
Total	100	100	100	100

Table 4.2g:
Should women work after having children, response disaggregated by economic status

	Farming and any other agricultural activities or fishing	Paid employment	Self employment	Unemployed
	(%)	(%)	(%)	(%)
Yes	15.8	9.4	9.9	11.8
No	43.1	22.5	27.8	32.9
Depends	27.9	54.2	50.3	42.5
Do not know	13.2	13.9	11.9	12.7
Total	100	100	100	100

Table 4.2i:
Responsibilities of men and women for contribution to family income, response disaggregated by economic status

	Farming and any other agricultural activities or fishing	Paid employment	Self employment	Unemployed
	(%)	(%)	(%)	(%)
Women and Men should have equal responsibilities	48.1	58.2	53.4	47.8
Men should have greater responsibilities	46	33	36	37.8
Women should have greater responsibilities	1	0.6	0.4	0.8
Depends	1.4	4.4	3	6.3
Do not know	3.5	3.8	7.2	7.3
Total	100	100	100	100

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