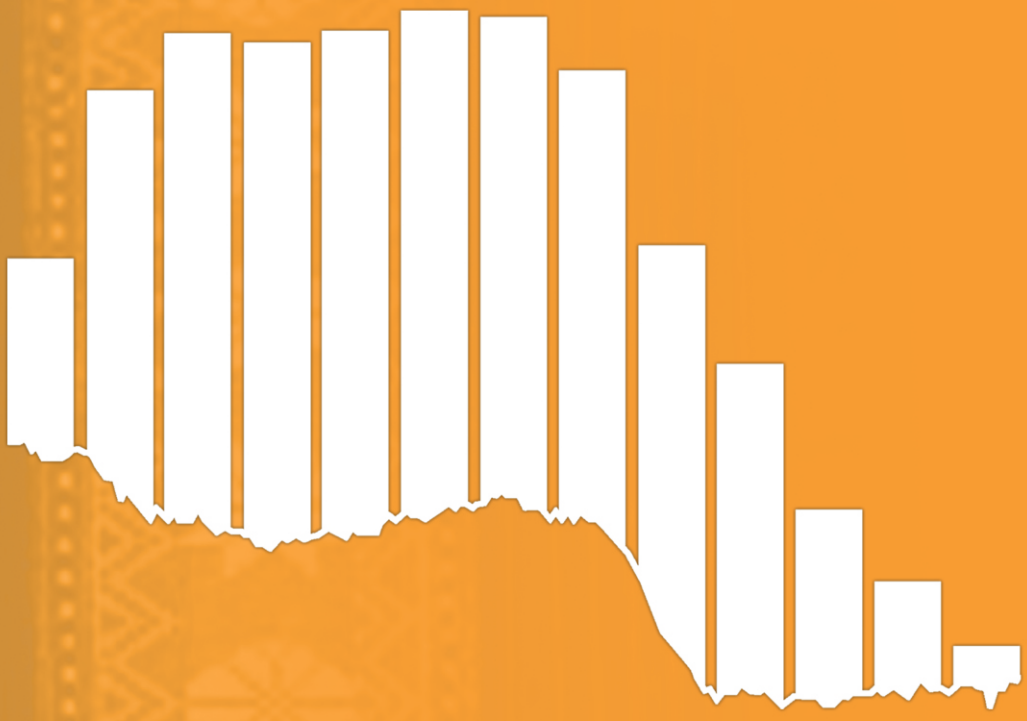
SEPFOPE

SECRETARIAT OF STATE FOR PROFESSIONAL TRAINING AND EMPLOYMENT POLICY

DIRECTORATE GENERAL
LABOUR MARKET INFORMATION DEPARTMENT

# Enterprise and Skills Survey

## 2nd Round, October 2014



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# Preface

SEPFOPE is pleased to present the results from the 2nd Round of the Enterprise and Skills Survey (ESS) 2014 which was conducted from September to November 2014. The survey was undertaken by the Department of Labour Market Information with an aim to better understand job specific skills needed by businesses in Timor-Leste.

As you will see in the report, there are several improvements in this round of ESS. The survey instruments and methodology have been further refined and there is now data on several new indicators such as monthly earnings of employees. The report also provides information on occupations, recruitment trends, and vacancies that businesses are finding hard to fill.

Construction and services have continued to grow, but it appears that the pace of recruitment has somewhat slowed down. The report also discusses the importance of "skills mix" for workers. The employers are increasingly looking for workers who not only have good technical skills, but also possess good work ethics.

SEPFOPE will continue to disseminate results from this survey among relevant stakeholders. Through DIMT we will organize briefings and will seek your inputs in developing effective employment and training polices to build our workforce. As always, SEPFOPE would like to offer gratitude to all the businesses that participated in this survey. In particular, I would also like to thank the industry representatives, including the Industry Sub-Commissions (ISCs) and the Chamber of Commerce and Industry (CCI) for their kind support. Lastly, I would also like to acknowledge the technical and financial support provided by the Australian Department of Foreign Affairs and Trade and the International Labour Organization in the implementation of this survey.


**Ilidio Ximenes da Costa**
**Secretary of State for Professional Training and Employment Policy**

# Executive Summary

Labour market analysts and researchers often use the phrase "skills gap" to reflect the struggle that employers have in finding qualified workers. Building on the previous Enterprise and Skills Surveys (ESS), conducted in the last two years by the Department of Labour Market Information (DIMT), the 2nd round of the ESS 2014 applied an improved and practical approach to better understand the skills gap in Timor-Leste.

In the 2nd Round of ESS 2014, a total of 253 businesses were surveyed. This sample was largely drawn from businesses in selected non-agricultural sectors, and those that are mainly domiciled in Dili, the capital city of Timor-Leste. The objective was to produce reliable data to assess demand for skills that if analyzed in its broader macroeconomic context could assist policy makers to implement strategies for workforce development in the country.

The revisions in the original ESS questionnaire considerably improved the interviewing process. The changes in the questionnaire enabled the interviewers to get data on wages and hiring practices which was not possible to collect in earlier surveys. There is, however, still room for a lot of improvement.

Desired employment intensive growth in the country with shifts from low productive to more value added jobs will go hand in hand with changes in work process and technology that will require more skilled workers. Without a workforce that is continuously acquiring new and improved skills, it will be difficult for Timor-Leste to be competitive in the globalizing world. The ESS is, therefore, an important instrument for assessing changes in the labour market, and results from these surveys can feed future policies.

The key results of the survey are as follows:

- Ownership of businesses shows that 53% of businesses were owned by Timorese, 58% were jointly owned by Timorese and foreign partners, while 42% were solely owned by foreigners.
- Compared to 2013, there was a significant drop in the number of new businesses established in 2014. The growth of new companies established dropped from 10.3% in 2013 to 6.2% in 2014.
- The number of workers declined from 4811 in January 2014 to 4735 in October 2014. This decline mainly affected men (-119 wage workers) while there was an increase in the number of female workers (+43 workers). Fewer construction workers were hired.
- 30.7% of all wage and salaried employees were working as temporary staff (1424 out of 4735) which reflects the volatility of jobs in general and in particular the temporary nature of work in the construction sector.

- On average, senior managers received a monthly salary of US$ 540, professionals US$ 270 and technical and associate professionals US$ 233. Clerical support workers, with monthly average earnings of US$ 163 and elementary occupations with monthly average earnings of US$ 146 had the lowest monthly average wages when compared with other occupational groups.
- Only 36.7% or 93 of 253 businesses have hired new staff in the last two years which perhaps suggests a slowdown of the economy. There were also 11.4% employee separations. Moreover, many businesses (61.9 %) surveyed are not planning to hire new staff in the next 12 months.
- Roughly, 8 out of 10 first time job seekers who had completed secondary school were lacking job specific skills and competencies e.g. IT skills, problem solving skills and ability to work in a team. And, as many as 7 out of 10 were said to have poor work ethics and lacked personal attributes to perform their work effectively.
- The main skills deficiencies in the new recruits were: lack of initiative (12.7%), low literacy (10.9%), information technology (IT) knowledge/literacy (10.9 %), lack of manual dexterity (10.9%), inability to work as part of a team (9.1%), and lack of management skills (9.1%).

Survey results demonstrate a clear need for greater investment in education and training in the country. Besides focusing on training and skills development, reforms are necessary to improve basic education, including a greater focus on numeracy and literacy skills. To achieve maximum dividends, education and training investments should be closely aligned with economic and employment growth policies. Future strategies in general should focus on two main objectives:

- Firstly, support growth of wage employment in the formal economy to ensure that more productive and decent jobs are created.
- Secondly, support measures to improve labour productivity, especially among those who are working in the informal sector.

These measures are necessary not only to narrow the skill gaps, but also to enhance productive employment which can ultimately lead to poverty reduction.

# List of abbreviations

| | |
|---|---|
| BAS | Business Activity Survey |
| DFAT | Australian Department of Foreign Affairs and Trade |
| ESS | Enterprise & Skills Survey |
| JICA | Japan International Cooperation Agency |
| DIMT | Department of Labour Market Information |
| IADE | Instituto de Apoio ao Desenvolvimento Empresarial |
| ILO | International Labour Organization |
| INDMO | National Labour Force Development Institute |
| ISIC | International Standard of Industry Classification |
| ISCO | International Standard Classification of Occupations |
| LFS | Labour Force Survey |
| LMI | Labour Market Information |
| SEPFOPE | Secretariat of State for Professional Training and Employment |
| SERVE | Serviços de Registo e Verificação Empresarial/ Service for Registration and Verification of Entrepreneurs |
| R4D | Roads for Development Programme |
| TESP | Training and Employment Support Programme |

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# Section 1: Background

## 1.1 Introduction

This is the third Enterprise and Skills Survey (ESS) undertaken by the Labour Market Information Department (DIMT). The survey was designed as a follow up to the ESS which was carried out in January 2014. The purpose of a second round survey in 2014 was to collect additional data for selected indicators such as earnings and to target more non-trade enterprises. In the previous survey a lot of enterprises from retail trade ended up in the final sample. The interviews for ESS 2014 were carried out from September to November 2014. All the interviews were done in person by the DIMT staff. The staff were trained in the development of the survey questionnaire and interview techniques. Technical assistance and financial support for the survey was provided by the Australian Department of Foreign Affairs & Trade (DFAT) and the International Labour Organization (ILO).

In the 2nd Round of ESS 2014, a total of 253 enterprises were interviewed. Several improvements in the survey methodology were made and sampling frame was modified to target more businesses outside the trade sector. However, there are still some shortcomings including the issue of weights. Lack of an updated business register makes it difficult to estimate the total number of businesses that exist in the country. Nonetheless, the survey results provide a fairly accurate representation of selected sectors at the level of Dili. Results do not represent all the businesses and economic sectors at the national level. In future, DIMT will coordinate with SERVE (Service for Registration and Verification of Entrepreneurs) to obtain the most updated list of businesses disaggregated by sectors and districts. With this, it will be possible to develop a sampling frame from which a more representative national sample can be drawn.

## 1.2 Summary of earlier employer based surveys and studies in Timor-Leste

The first enterprise level survey in Timor-Leste was conducted by the World Bank in 2009. The survey covered a sample of 150 businesses with small, medium, and large firms in the non-agriculture sectors. It included manufacturing, services, transportation, and construction sectors. Public utilities, government services, health care, and financial services sectors were not included in the sample. The enterprise survey was designed to collect a wide array of qualitative and quantitative information through face to face interviews with firm managers and owners regarding the business environment and the productivity of their firms. The topics covered included infrastructure, trade, finance, regulations, taxes and business licensing, corruption, crime and informality, finance, innovation, workforce, and perceptions about obstacles to doing business.

[1] *Director General Statistics (DGE), Timor- Leste National Account 2000-2011*

In 2009, ILO and AusAID supported the Secretariat of State for Professional Training and Employment Policy (SEPFOPE) to undertaken an enterprise assessment in the construction sector. The assessment provided information on the types of occupations and skills needed by firms in the sector.

The Directorate General of Statistics (DGS) is now conducting annual Business Activity Survey (BAS) which is primarily designed to collect data for national accounts. The BAS provides useful information on investment trends and hiring patterns using administrative and financial data submitted by registered firms with a tax identification number.

In 2013, the Japan International Cooperation Agency (JICA) undertook an employment and labour force study aimed at analyzing the impact of large public investments programmes on employment creation.

In the absence of a regular skills survey in the past, National Labour Force Development Institute (INDMO) commissioned numerous sub-sector studies as part of the process to develop qualifications and training courses. The results from these studies have been used as a basis for dialogue with the industry representatives, identification of skills gaps in the industry, and to forge partnerships with the businesses in the delivery of training.

In 2013 SEPFOPE carried out its first Enterprise and Skills Survey (ESS) to gain insights into the labour market situation. The purpose of this survey was to measure evolving demand and gaps in skills across several sectors. A simple instrument was developed to collect data on enterprises in the services, automotive, trade, hospitality, construction and manufacturing sectors. Some questions were also added to get feedback from the businesses on services provided by SEPFOPE and INDMO.

In the subsequent survey that was undertaken in December 2013 – January 2014, the methodology and questionnaire were considerably improved to cover a range of employment and skills dimensions. Originally, the plan was to undertake ESS on an annual basis, but for 2014 it was agreed that two rounds of data collection were necessary to improve the sample frame, streamline the questionnaire, and ensure more businesses from the non-trade sector are targeted.

## 1.3 Survey objective and methodology

The second round of the ESS 2014 with a refined methodology was conducted primarily to feed into the development of a demand-based vocational training system in the country. Specifically, the survey aimed to assess:

- Employment situation including earnings in registered and tax paying enterprises;
- Recruitment patterns in selected economic sectors as well as for key occupations;
- Demand for occupations and possible skill gaps;
- Trainings provided to employees.

The first round of ESS 2014 covered enterprises in the services, construction, automotive, trade, tourism, and manufacturing sectors. However, during the interviews it turned out that several businesses that were listed in manufacturing, construction or services were in fact involved in retail trade. In the second round of ESS 2014 more non-trade businesses were added to the sample frame. Currently, DIMT is trying to further improve the sample frame which, hopefully, in future will give a more representative picture of all the businesses in the country.

The effective sample size for the second round of ESS 2014 was 253 drawn through a stratified random sampling from the total list of businesses (>1900) from the Business Activity Survey (BAS), additional businesses from the online database of the Instituto de Apoio ao Desenvolvimento Empresarial (IADE), and contractor list from the Roads for Development Programme (R4D). Overall, an estimated 45% of businesses from the first round of 2014 ESS were included in the second round of interviewing, while 65% new businesses were also added.

The sample size $n$ was calculated by

$$n = \frac{Z_{\alpha/2}{}^2 \, \sigma^2}{e^2}$$

$$n = \frac{1.96^2 \; 24.16^2}{3^2} = 250$$

$Z_{\alpha/2}$ is set at 95% confidence level (equal to 1.96), $\sigma$ is the standard deviation of the population parameter, while $e$ is the error rate set with a tolerance level of +/- 3. The size of the enterprise in terms of number of workers was chosen as the main indicator for determining the variation in the population. The process of doing so was however complicated because to begin with none of the businesses registration lists show the number of employees and population standard deviation $\sigma$ was unknown. To address this, the estimated variation (standard deviation) for number of employees was taken from a previous enterprise and skills survey.

A 5% provision was made for non- response rate. The response rate was very high, but some of the questions were not fully answered by the respondents for various reasons including lack of information. Although, the effective sample size of 253 is representative, it is important to point out that the results represent somewhat larger and formal businesses in the selected sectors of the economy and not all the businesses and economic sectors in Timor-Leste. Throughout the report non-weighted base figures are shown in tables and charts. Weighting of survey results is currently impossible due to the absence of a comprehensive and updated national registry of businesses. Thus, percentage shares or aggregate numbers presented in this report are based on the sample and not the entire population of enterprises. In the past, various estimates of existing businesses have been made but these are all based on old records. SERVE is currently in the process of "re-registering" businesses in the country which when completed can provide a better estimate of total number of registered businesses in the country.

The ESS questionnaire was further modified to improve the structure of the questions. An attempt was made to reduce complex questions while greater emphasis was laid on training of enumerators. Instead of using external enumerators, DIMT staff received further training and then carried the interviewing themselves. To ensure information on specific occupations was collected, pre-assigned occupations or occupational categories were not listed in the questionnaire. The respondents were asked to specify occupations which were later encoded to the 4 digit level according to the International Standard Classification of Occupations (ISCO-88). However, in some cases there were few observations by specific occupations which meant that for reporting purposes occupations are grouped in larger categories or the top 5 occupations are shown while the rest are grouped under "others".

The collected data was entered and processed using the STATA software. Back in 2013, survey data was and analyzed using a simple Excel sheet. The use of STATA software for processing and analyzing the ESS data is a reflection of the enhanced capacities in the DIMT. The staff have received training on use of statistical softwares such as SPSS and STATA. In addition to this, staff have participated in regular trainings on concepts and key labour market indicators.

Lastly, the respondents of the survey were enterprises and not business establishments. In other words, only the parent company (enterprise) was interviewed and not the branches (business establishments) which are part of the parent company. Normally, establishments are the main target for such surveys, but in Timor-Leste very few companies have registered business units and no such list of establishments exists. In this report the terms "enterprise", "employer", "workplace", "firm", "company" "business" and "business unit" are used interchangeably to avoid excessive repetition and aid in reading.

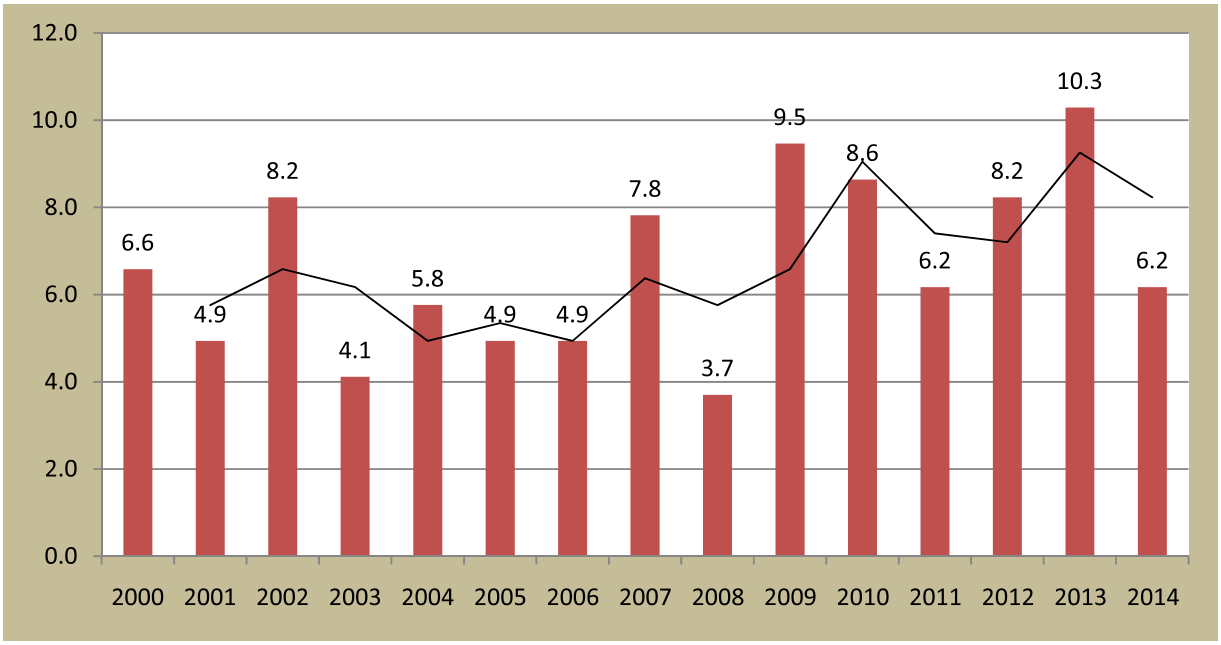
# 2. Key findings

## 1.4 Enterprise profile

### 1.4.1 Year of registration

Results show that in 2013 more companies were established compared to 2012 and 2014. Since 2009 the number of new businesses has been on a somewhat upward turn, but in 2011 and 2014 there was a sharp decline. The surges mirror the growth rates and perhaps also reflect the periods of higher public spending for larger infrastructure projects which may have attracted more businesses. Evidence from various countries shows that infrastructure investment is one of the most effective measures to stimulate private sector growth, and local job market. Investments in building economic infrastructure is a key driver of productivity and contributes in improving living standards.[1]

**Figure 1 Distribution of businesses by year established**



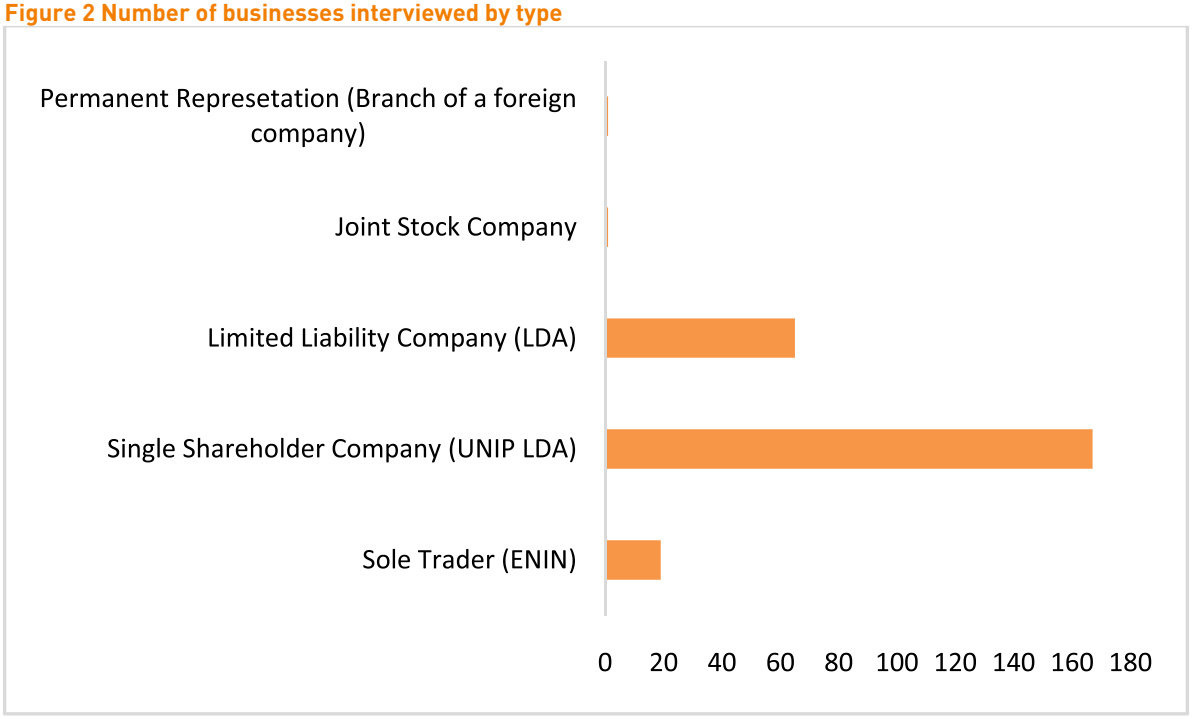

Source: SEPFOPE - Enterprise and Skills Survey (ESS)2nd round 2014

### 1.4.2 Type of businesses

The majority or 66% of businesses (167/253) were single shareholder companies (UNIP LDA) underlining the fact that most of the firms in Timor-Leste are relatively small. The second most common type of businesses were the limited liability companies (LDA) with more than one shareholder. Less than 10% of the businesses were registered as sole traders (ENIN).

[1] *ILO Governing Body on the importance of Employment Intensive Infrastructure Investment Programmes to stimulate labour demand and thus reduce poverty.*

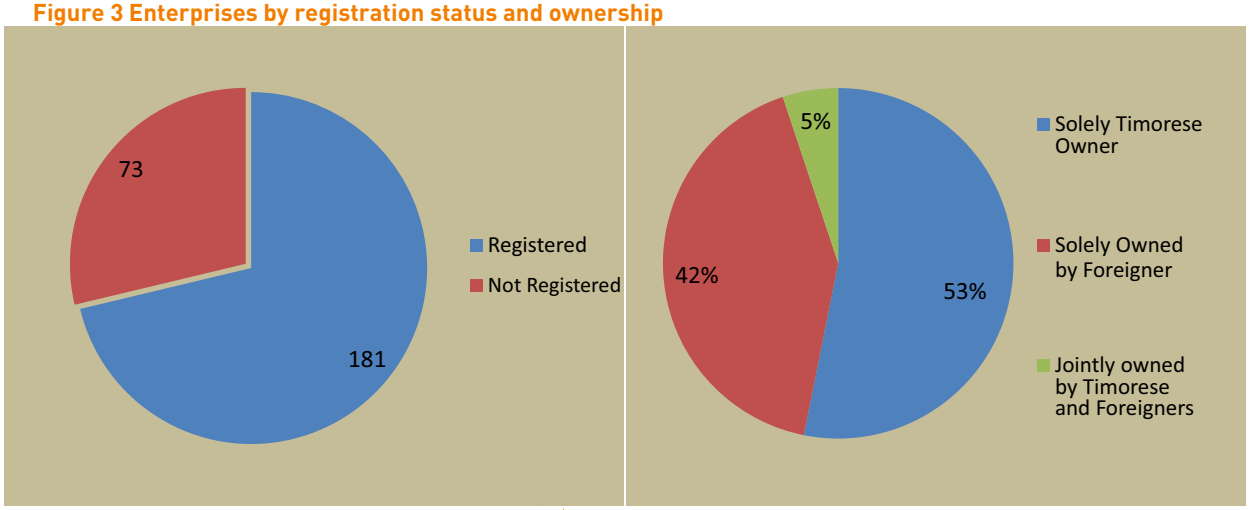
**Figure 2 Number of businesses interviewed by type**




Source: SEPFOPE - Enterprise and Skills Survey (ESS)2nd round 2014

A total of 71.5 percent businesses (181/253) stated that they were registered with the SERVE. Analyzing ownership pattern, one can see that 53% of the enterprises were entirely owned by Timorese, while 5% were jointly owned by Timorese and foreign nationals. The share of solely foreign-owned businesses was 42%. However, if the number of foreign-owned businesses is combined with the percentage of jointly owned businesses, this makes up almost half (47%) of the companies that are fully or partially owned by foreigners.

**Figure 3 Enterprises by registration status and ownership**



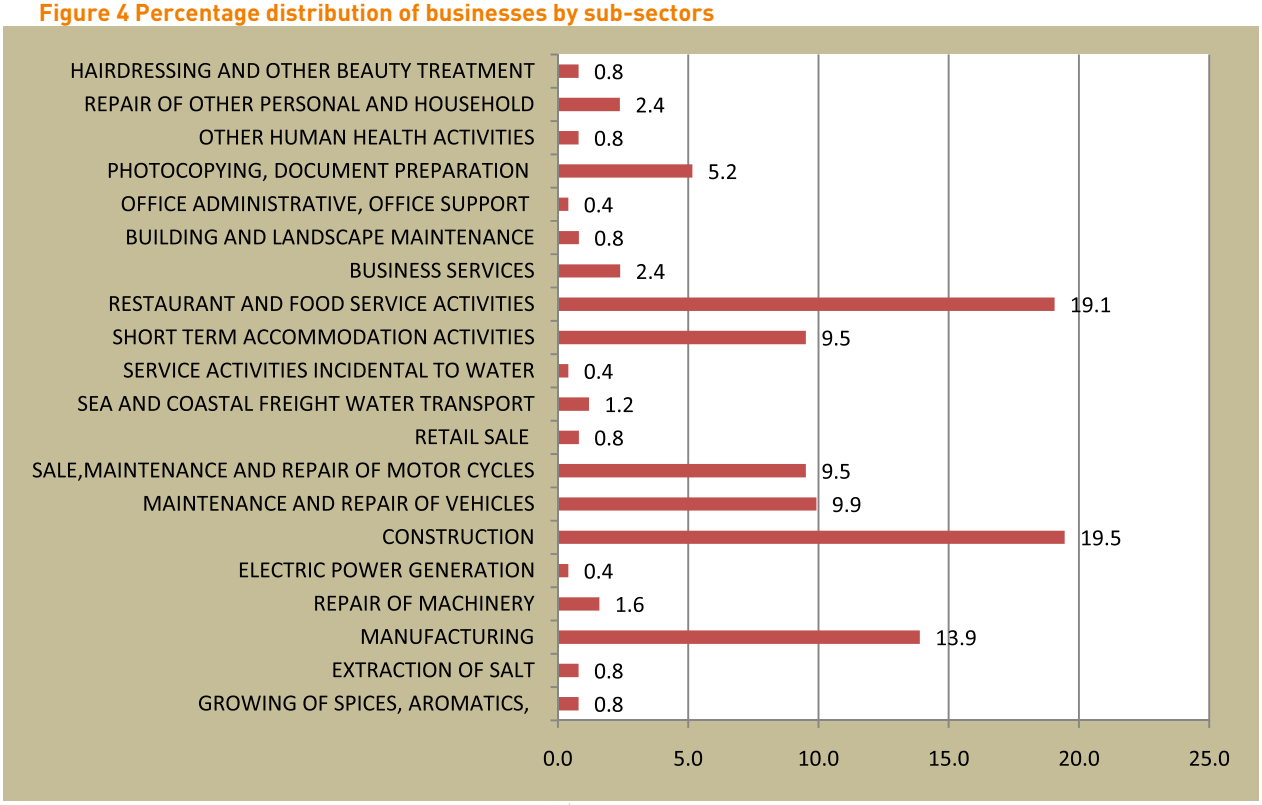

Source: SEPFOPE - Enterprise and Skills Survey (ESS)2nd round 2014

The ownership of businesses show that Indonesians, Chinese and Australian are the main foreign owners of businesses in Timor-Leste. Indonesians owned 20.5% (52/253), Chinese owned 5.5% of companies (14/ 253) while Australians owned 5% (13/ 253) of the companies.

Analysis of the business distribution by economic sector can help us to better understand the labour demand in an economy. Labour demand in this regard needs to be understood as derived demand. For example, if the demand for a good such as bricks increases, then the production increases, which leads to more hiring of labour. Business profits usually increase with better skilled workforce owing to higher labour productivity. Derived demand can thus contribute to employment creation and economic growth.

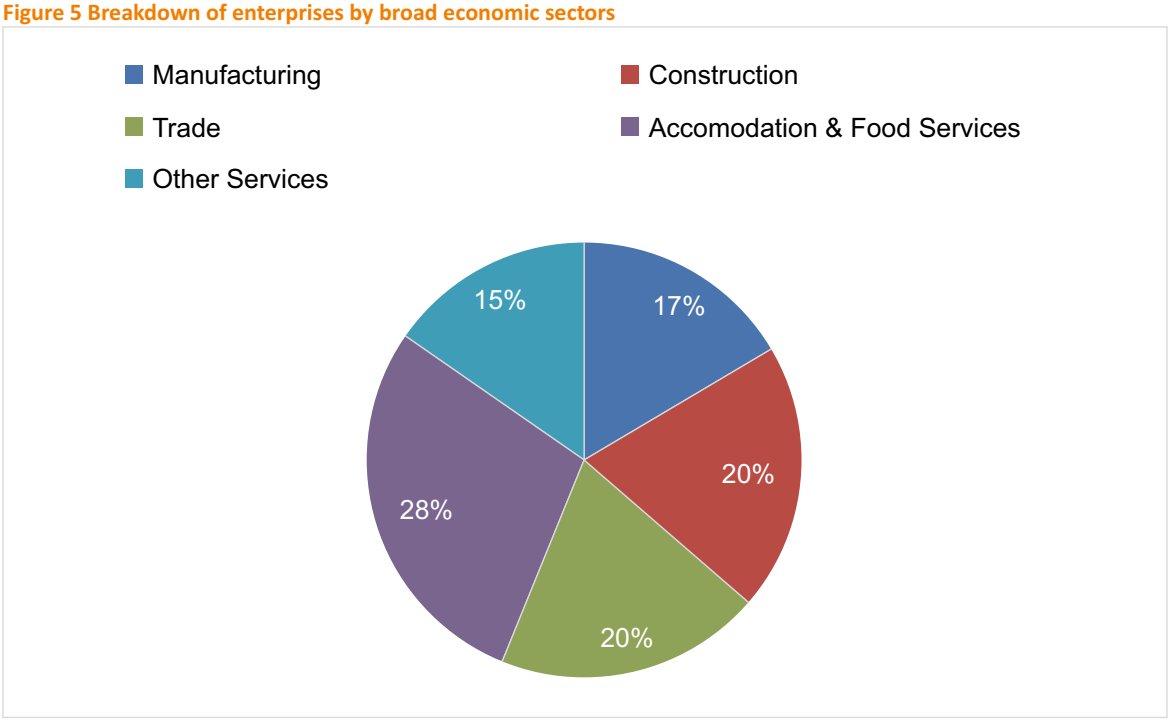
A look at the breakdown of economic activity (sub-sectors) shows that the majority of businesses interviewed were producing goods and services in the construction (19.5%), restaurant and food service (19.1%) and manufacturing sectors (13.9%). In Figure 5 the breakdown of enterprises is grouped under broad economic sectors.

**Figure 4 Percentage distribution of businesses by sub-sectors**




Source: SEPFOPE - Enterprise and Skills Survey (ESS)2nd round 2014

Figure 5 Breakdown of enterprises by broad economic sectors




Source: SEPFOPE - Enterprise and Skills Survey (ESS) 2nd round 2014

## 1.5 Employee Profile

Knowledge and skills are key drivers of economic growth and social development. Good skills among the population can boost innovation, increase productivity, and foster job creation. For an individual, skills and competencies are an asset for finding quality employment and, if skills are continuously upgraded, it is easier for the person to adjust to the changes in the labour market.

### 1.5.1 Occupations of employees working in businesses

A closer look at the number of employees in businesses by specific occupations can give an indication of available skills and demand for skills. In particular, the change in number of workers between different periods allows us to see the demand for specific occupations. The data shows that from January to October 2014 the number of employees declined from 4811 to 4735. Job losses affected men (-119) while the number of female increased (+43). Analyzing the data by foreign and Timorese workers shows larger decline for foreign workers (-178) compared to Timorese workers (-102).

Most of the employees were working in elementary or low skilled occupations (1048). There were 155 less workers in the elementary category compared to the previous period. The second largest share of employees were clerical support workers (1033) followed by professionals (789), and plant and machine operators and assemblers (720). Almost 2 out of 10 workers were expatriates, mostly employed in management positions (234), elementary occupations (203) or as professionals (201). The large number of Timorese workers in elementary occupations (845) and a fairly high proportion of expatriate workers in all the major occupational groups including elementary occupations seems to suggest shortage of skills in Timor-Leste.

Job volatility is also high in Timor-Leste. More than one third of 4735 wage and salaried employees were working as temporary staff. The short-term nature of work reflects the seasonality of certain sectors such as construction. Many infrastructure projects in Timor-Leste are financed by the government which has attracted many businesses. However, being "project funded" invariably leads to a surge in recruitment of workers when a company is awarded a project by the government. Subsequently, many workers get laid off when the project ends.

**Table 1 Number of employees by major occupation and sex**

| Occupation (by major group) | January 2014 | | | October 2014 (Current) | | | Change between Jan 2014 and October 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Managers | 297 | 83 | 380 | 312 | 84 | 396 | 15 | 1 | 16 |
| Professionals | 544 | 261 | 805 | 546 | 243 | 789 | 2 | -18 | -16 |
| Associate professionals | 233 | 60 | 293 | 218 | 62 | 280 | -15 | 2 | -13 |
| Service and sale workers | 151 | 121 | 272 | 154 | 121 | 275 | 3 | 0 | 3 |
| Clerical support workers | 573 | 401 | 974 | 596 | 437 | 1033 | 23 | 36 | 59 |
| Skilled agricultural, forestry and fishery workers | 7 | 21 | 28 | 7 | 33 | 40 | 0 | 12 | 12 |
| Craft and related trades workers | 121 | 14 | 135 | 140 | 14 | 154 | 19 | 0 | 19 |
| Plant and machine operators and assemblers | 714 | 7 | 721 | 713 | 7 | 720 | -1 | 0 | -1 |
| Elementary occupations | 1084 | 119 | 1203 | 919 | 129 | 1048 | -165 | 10 | -155 |
| **Total** | 3724 | 1087 | 4811 | 3605 | 1130 | 4735 | -119 | 43 | -76 |
| | Expats | Timorese | Total | Expats | Timorese | Total | Expats | Timorese | Total |
| Managers | 223 | 157 | 380 | 234 | 162 | 396 | 11 | 5 | 16 |
| Professionals | 215 | 590 | 805 | 201 | 588 | 789 | -14 | -2 | -16 |
| Associate professionals | 150 | 143 | 293 | 137 | 143 | 280 | -13 | 0 | -13 |
| Service and sale workers | 55 | 217 | 272 | 69 | 206 | 275 | 14 | -11 | 3 |
| Clerical support workers | 63 | 911 | 974 | 75 | 958 | 1033 | 12 | 47 | 59 |
| Skilled agricultural, forestry and fishery workers | 9 | 19 | 28 | 4 | 36 | 40 | -5 | 17 | 12 |
| Craft and related trades workers | 30 | 105 | 135 | 38 | 116 | 154 | 8 | 11 | 19 |
| Plant and machine operators and assemblers | 59 | 662 | 721 | 54 | 666 | 720 | -5 | 4 | -1 |
| Elementary occupations | 389 | 814 | 1203 | 203 | 845 | 1048 | -186 | 31 | -155 |
| **Total** | 1193 | 3618 | 4811 | 1015 | 3720 | 4735 | -178 | 102 | -76 |

Source: SEPFOPE - Enterprise and Skills Survey (ESS)2nd round 2014

The average (mean) number of workers in the enterprises was 18 while the median number of workers in the enterprises was 11. A much higher average number of workers (30) were employed in the construction sector suggesting the labour intensive nature of work. However, as also discussed above, many jobs in the construction sector tend to be of temporary nature.[2] According to survey results, manufacturing and trade seem to be the least labour intensive sectors with number of workers per enterprise averaging 17. Typically, jobs in manufacturing sector are critical for structural transformation of the economy. However, in Timor-Leste it appears that most of the manufacturing enterprises are tiny with a small workforce.

### 1.5.2 Wages of employees

Wages in this survey are in nominal terms covering cash payments to employees before deduction of taxes and social security contributions payable by workers. Wages were based on monthly earnings of employees in their primary job. Wages were analyzed by occupation to see the wage differentials. The data shows that, on average, managers received a monthly salary of US $540, professionals US $270, and technical and associate professionals US $233. Managers earn more than double the wage of professionals and associate professionals. Elementary occupations have the lowest monthly average wages (US $146). An interesting observation was that clerical support workers, who typically require mid-level skills and formal education, earned (US $163) which is less than plant and machine operators and assemblers (USD $201) and crafts and related trades workers (US $195). Considering that there has been considerable investment in infrastructure this is perhaps creating greater demand for machine operators and craftsmen.

**Table 2 Average wages by occupational categories**

| Major occupation categories | Mean (US$) |
|---|---|
| 1 Senior officials and managers | 540 |
| 2 Professionals | 270 |
| 3 Associate professionals | 233 |
| 4 Clerical support workers | 163 |
| 5 Service and sale workers | 206 |
| 6 Skilled agricultural, forestry and fishery workers | 181 |
| 7 Craft and related trades workers | 195 |
| 8 Plant and machine operators and assemblers | 201 |
| 9 Elementary occupations | 146 |

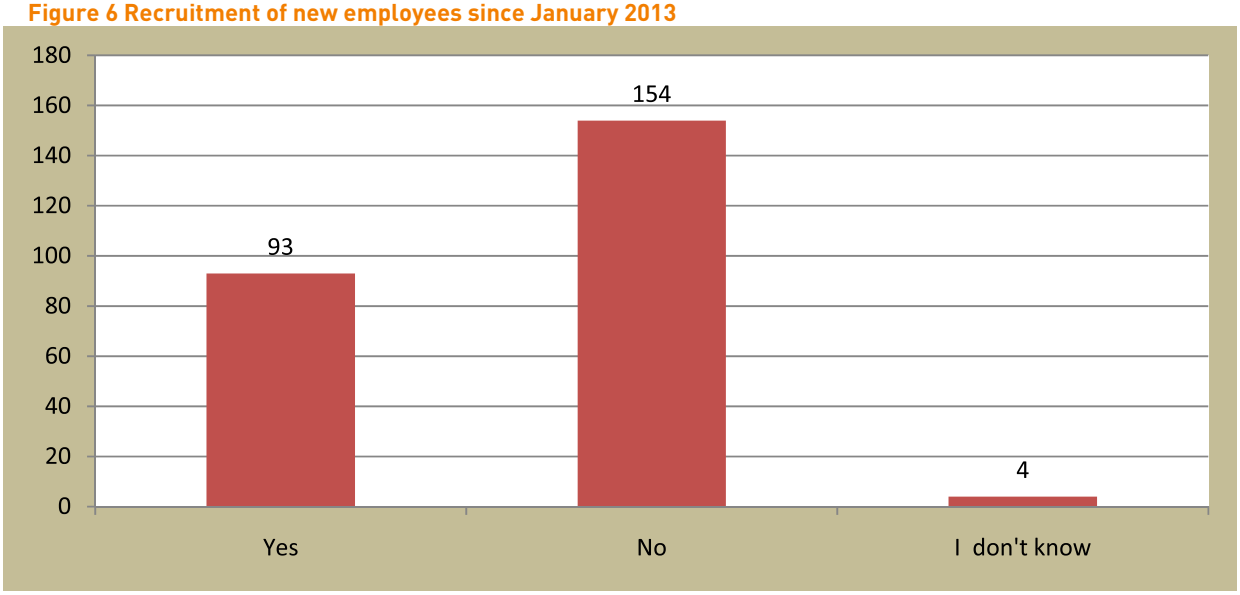
Source: SEPFOPE - Enterprise and Skills Survey (ESS)2nd round 2014

[2] *See Enterprise and Skills Survey, January 2014*

## 1.6 Recruitments and outlook

Between 2013 and 2014, the majority of businesses (60% or 154/ 253) stated that they have not recruited any new employees. Only 93 (37%) businesses have hired new staff. As reported in the previous ESS, there was significant increase in the stock of workers between 2012 and 2013. But results from the current survey indicate that the rate of expansion has slowed. The number of new recruitments in businesses has declined since 2013. Largest drop was seen in elementary workers (155); followed by professionals (16) and associate professionals (13). However, there was a net increase in clerical staff (59) as well as crafts related trades (19), and skilled agriculture and fisheries workers (12).

**Figure 6 Recruitment of new employees since January 2013**




Source: SEPFOPE - Enterprise and Skills Survey (ESS)2nd round 2014

### 1.6.1 Hiring practices

The survey asked employers to identify specific occupations (2013-2014) that they have recruited the most. This was done to determine demand for professions and skills in the labour market and to see shifts in demand. Employers were asked to name up to five top occupations that they have mainly hired in the period. On the whole the pace of recruitment is slowing, but it appears that the demand for following occupations has remained somewhat stable: waitresses, technical mechanics, civil engineers, and restaurant chefs. While still remaining as one of the top five occupation in 2013 and 2014, there has been a sharp decline in the hiring of construction workers. Compared to 2013, when 218 construction workers were hired, only 157 workers were hired in 2014. Interestingly, none of the construction workers were female or foreigners.

Table 3 Highest number of employees hired by occupation (2013 and 2014)

| Occupation (List up to five occupations ) (ISCO-88 Code) | Approximate number of employees hired | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013 | | | 2014 | | | Change between 2013 and 2014 | | |
| | Total | Female | Expats | Total | Female | Expats | Total | Female | Expats |
| Waitresses | 57 | 38 | 4 | 57 | 36 | 2 | 0 | -2 | -2 |
| Technical Mechanics | 17 | 2 | 4 | 14 | 0 | 2 | -3 | -2 | -2 |
| Civil Engineers | 23 | 1 | 8 | 20 | 1 | 7 | -3 | 0 | -1 |
| Construction workers | 218 | 0 | 0 | 147 | 0 | 0 | -71 | 0 | 0 |
| Restaurant Chefs | 26 | 16 | 1 | 25 | 15 | 1 | -1 | -1 | 0 |
| Others | 396 | 78 | 34 | 419 | 76 | 18 | 23 | -2 | -16 |
| Total | 737 | 135 | 51 | 682 | 128 | 30 | -55 | -7 | -21 |

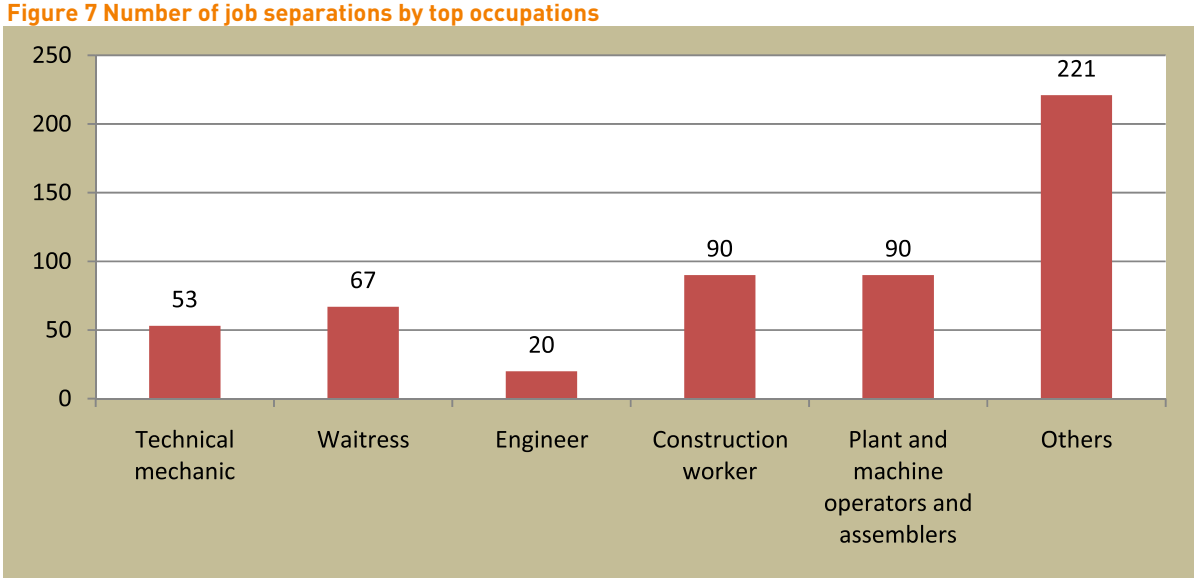
Source: SEPFOPE - Enterprise and Skills Survey (ESS)2nd round 2014

### 1.6.2 Occupations with the highest number of separations

Tthe ESS defines separations as situations where staff offers resignation, staff are discharged, retirement, or death. Resignations are generally voluntary separations initiated by the employee, whereas layoffs and discharges are involuntary separations initiated by the employer. Furthermore, the data for separations can include workers who have been hired and separated more than once, and this could be due to temporary or seasonal work. The data does not measure how many of these hires and separations were due to seasonal work. Frequent job changes can also be attributed to a number of other factors. Greater demand can encourage workers to switch jobs, issues related to pay scale, or even inability of companies to retain staff.

According to the ESS data, construction workers (90), plant machine operators (90), waitresses (67), technical mechanics (53) and engineers experienced the highest exits during 2014. There were several other occupations that saw separations (221) but there were very few observations by specific occupation to list them separately. It appears that apart from waitresses, occupations that have seen higher layoffs are mainly from the construction sector, which, as was discussed under section 2.2.1 tends to employ a lot of workers on temporary basis.

**Figure 7 Number of job separations by top occupations**

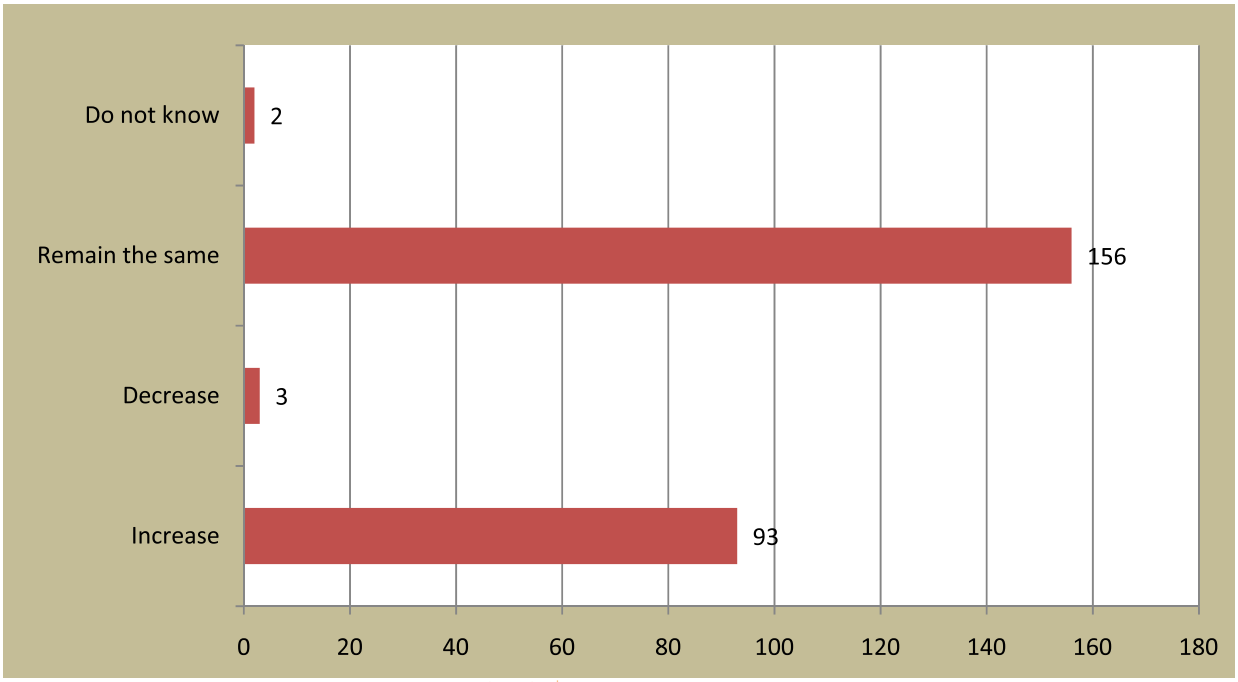



Source: SEPFOPE - Enterprise and Skills Survey (ESS)2nd round 2014

### 1.6.3 Hiring intentions of employers

Around 61.9% or 156 out of 253 firms do not expect to hire new staff in the next 12 months. Only 93 enterprises (36.7%) expect to increase the number of workers, while a small number (1.2%) of enterprises expect that the number of workers in their enterprises will decrease.

**Figure 8 Hiring intentions of businesses during the next 12 months**




Source: SEPFOPE - Enterprise and Skills Survey (ESS)2nd round 2014

### 1.6.4 Preparedness of first time job seekers

Almost a quarter of enterprises had, in the past, hired first time job seekers with a secondary level education, vocational certificate, and university degree. According to the respondents, first time job seekers entering the labour market after having finished secondary school were the least competent. Roughly, 8 out of 10 first time job seekers who had completed secondary school were lacking required job specific skills and competencies e.g. IT, problem solving skills and team work. As many as 7 out of 10 of employees with secondary education lacked work and life experiences, and maturity which includes general knowledge and common sense required to perform their work.

On the other hand, first time job seekers coming from technical and vocational schools were the most prepared for work. According to the respondents, 94.1 per cent of job seekers coming from technical and vocational schools brought the job specific skills needed, however, employers also noted that their performance was affected by limited literacy and numeracy skills.

Half of the employees with a university degree were classified as having very poor work attitudes, lacking the personality or necessary motivation to perform in their professions. In addition, an estimated 25% of workers with university degree were lacking basic education skills, bringing in question the quality of training provided by higher institutions in the country.

**Table 4 Preparedness of new recruits (%)**

| | First time job seekers coming from secondary school | First time job seekers coming from technical and vocational school | Firsttime job seekers coming from University or other Higher Education institution |
|---|---|---|---|
| Lack of job specific required skills or competencies (e.g. technical or job specific skills, IT skills, problem solving skills, team working skills) | 82.4 | 5.9 | 11.8 |
| Limited basic education (literacy & numeracy) | 25.0 | 50.0 | 25.0 |
| Poor attitude / personality or lack of motivation (e.g. poor work ethic, punctuality, appearance, manners) | 37.5 | 12.5 | 50.0 |
| Lack of work /life experience or maturity (including general knowledge& common sense) | 71.4 | 28.6 | * |

*no information was provided on university graduates

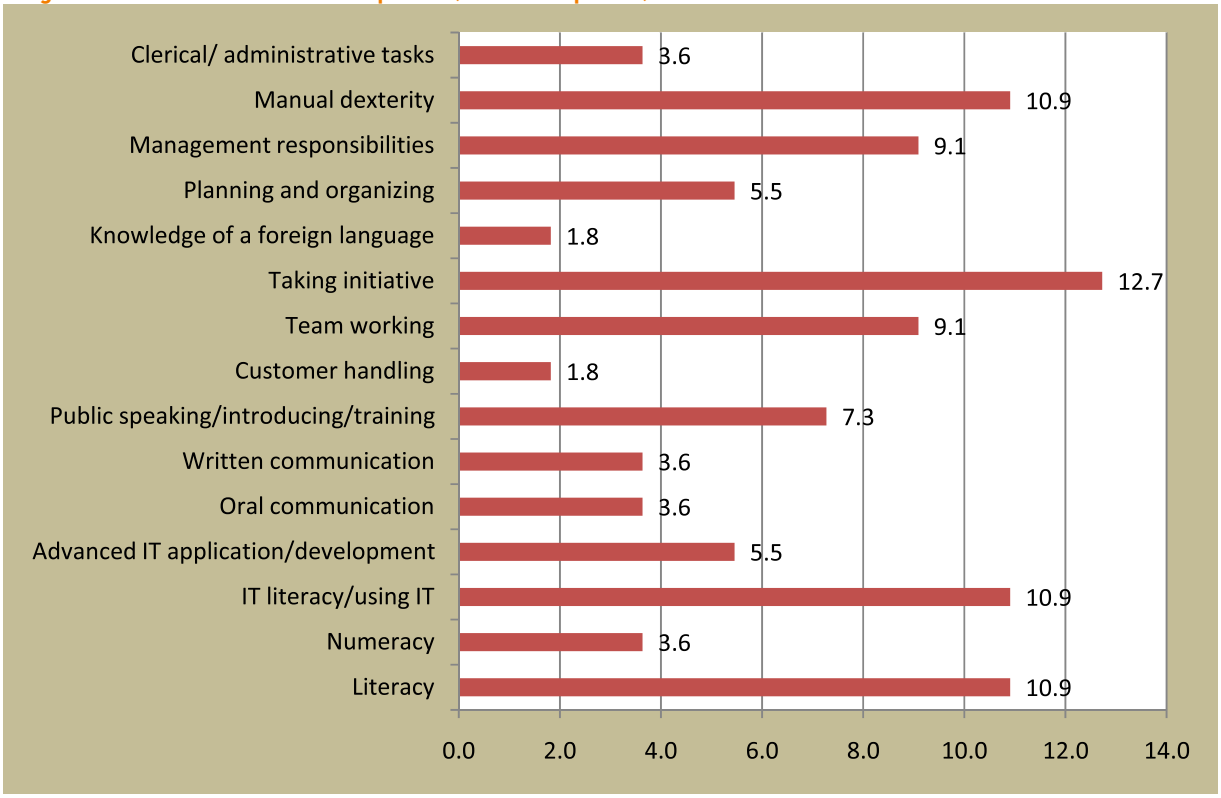
Source: SEPFOPE - Enterprise and Skills Survey (ESS)2nd round 2014

### 1.6.5 Employability skills and training

As discussed in the previous section, the lack of preparedness of new recruits is a major constraint faced by enterprises. In fact, employers are often looking for a mix of skills, so called "employability skills". This means that the professional, vocational or technical skills, also called "hard skills", associated with different occupations may be equally important as "basic skills" such as numeracy and literacy, as well as the "soft skills" that can be transferred between different jobs. Such "soft skills" are linked to an individual's personality rather than any formal training. Thus, they are also known as people skills that complement technical skills.

According to the survey results, employers stated that their workers mainly lacked initiative (12.7%), literacy (10.9%), use of IT, knowledge/literacy (10.9%), manual dexterity (10.9%), lacked ability to work in a team (9.1%), and to take management responsibilities (9.1%). The results underline that besides investment in technical skills there is a need for improving soft skills to enhance employability of current and future workers.

**Figure 9 Skills that need to be improved(% of enterprises)**




Source: SEPFOPE - Enterprise and Skills Survey (ESS)2nd round 2014

When asked about training, only one third of businesses provide direct training or pay for training for their employees. Among those businesses that provide training, almost 45% of the training is "induction training" of new staff in order to get them familiar with the procedures and business processes of the company. Interestingly, a higher percentage of smaller business (62%), with workers less than the average mean 18, provide training to the staff. Generally, it is more common that larger businesses train or invest in training for their staff as compared to smaller businesses.

# 3. Conclusions and Recommendations

It It appears that the growth in private sector is slowing down. This can be seen from both the establishment of new businesses as well as recruitment trends. The growth rate of new establishments dropped from 10.3 per cent in 2013 to 6.2 percent in 2014. There is also a decline in the total number of workers. One of the key reasons for this slowdown may be the project cycle in the infrastructure sector and lesser government funding for large construction projects. In the past, it appears that infrastructure projects created a significant number of jobs, albeit temporary. While overall the trend shows slow growth in recruitment, construction workers and workers in the hospitality sector continue to be the main occupations that are in greater demand.

The separation data of enterprises shows a moderate turnover of staff across different industries surveyed. It is possible that the seasonal nature of work is affecting staff exits. The data show that almost a third of the wage and salaried jobs were of temporary nature reflecting the strong seasonality of business activities, especially in the construction sector.

There are some wage differentials but it is much higher for managers when compared to other occupational categories. On average managers receive a monthly salary of US$ 540, which is nearly double than what professionals earn. Apart from managers, the earnings of highly skilled occupations were slightly higher than the average wage of employees in lower occupations which typically require secondary education or less.

Overall, data from the survey underlines the need for improving employability skills in Timor-Leste, as well as creating demand for more and better quality jobs in the private sector. The findings from ESS are corroborated when one looks at the data from the Labour Force Survey (LFS) 2013. According to LFS 2013, only 4 out of 10 jobs were wage and salaried jobs in 2013. Furthermore, only 45.2 per cent of all wage and salaried jobs were in the private sector.

A majority of employees working in elementary, low-skilled occupations, and a relatively higher proportion of expatriate workers in several occupational groups suggests that there are skill shortages in the labour market. The skills shortages may not be all necessarily due to lack of technical skills, but also owing to elementary skills such as numeracy and literacy, and work ethics. Lack of initiative, computer literacy, and ability to work in a team environment were highlighted as areas that need improvement. The results clearly underline the need for investment in developing soft skills, as well as investment in selected technical skills to enhance employability of future workers.

"Employability" skills across all sectors and occupations will become increasingly important, as Timor-Leste moves from high dependence on agriculture to manufacturing and services. Consequently, future workers must learn not only technical skills, they need to develop a set of entrepreneurial and social skills so that they are successful at the work place. In this regard, it is important that people have access to high quality education and training. To achieve maximum dividends, education and training investments should be closely aligned to economic and employment growth strategies. Future strategies in general should focus on two main objectives:

- Firstly, support growth of wage employment in the formal economy to ensure that more productive and decent jobs are created.
- Secondly, support measures to improve labour productivity, especially among those who are working in the informal sector.

These measures are necessary not only to narrow skill gaps, but also to enhance productive employment which can ultimately lead to poverty reduction.

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# 5. Survey Questionnaire

## Section A – Enterprise Profile

1. Name of the enterprise:_____

2. Address of the enterprise:_____

Suco |_____| District |_____|

3. Is this your: A. Branch Office: |_____| B. Main Office: |_____|

**Personal Details of the contact person**

4. Name of the contact person:_____5. Position of contact person:_____

6. Contact person's tel. no: _____7. Tel. no. Office:_____

8. Contact person (email): _____

**Personal Details of the interviewed person**

9. Name of the interviewee (if different from contact person): _____

10. Position of the interviewee (if different from contact person):_____

11. Interviewee phone no.:_____12. Interviewee's office tel. no.:_____

## Section B – Employee Profile

**A.1. When was your enterprise established?** Month: |__|__| Year: |__|__|__|__|

**A.2. Is your company registered with SERVE?**

1- Yes, Registered ☐ 2- No, Not registered ☐

**A.3. The company/enterprise is a/an:**

| | |
|---|---|
| LDA Unipessoal | |
| LDA | |
| Representative of a foreign company | |
| Sole Trader | |

**A.4. The enterprise is owned by**

1. Timorese
2. Foreigner (Please specify nationality)|_____|
3. Others |_____|

**A.5. What are the main goods or services provided by your enterprise?**

| | |
|---|---|
| | |
| | |
| **ISIC Code** | |

**B. 1. Could you please indicate the number of wage and salary employees by their occupation**

| 5. Occupation (by major group) | January 2014 | | | Current | | |
|---|---|---|---|---|---|---|
| | Total | Female Workers | Foreign Workers | Total | Female Workers | Foreign Workers |
| 1 Managers | | | | | | |
| 2 Professionals | | | | | | |
| 3 Associate professionals | | | | | | |
| 4 Service and sale workers | | | | | | |
| 5 Clerical support workers | | | | | | |
| 6 Skilled agricultural, forestry and fishery workers | | | | | | |
| 7 Craft and related trades workers | | | | | | |
| 8 Plant and machine operators and assemblers | | | | | | |
| 9 Elementary occupations | | | | | | |
| 10 Total | | | | | | |

**B.2. How many of total employees above are temporary workers?** |_____|

**B. 3. Could you please indicate the average monthly wage/salary you pay for the following positions**

| Occupation categories | Average wage &salary (USD per month) |
|---|---|
| **1 Managers***(This category includes chief executives; general and corporate managers; managing director; administrative, finance, production, service and sale manager; and regional and branch manager who plan, direct and coordinate the policies and activities of business and other organization)* | |
| **2 Professionals** *(Professionals increase the existing of knowledge, apply scientific or artistic concepts and theories, or teach in a systematic manner. Most occupations in this category- such as engineers, lawyers, economists, computing professionals, teachers and health professionals- require skills at graduate and postgraduate education)* | |
| **3 Technicians and associate professionals** *(This category performs mostly technical and related tasks connect with research and application of scientific, artistic, or operational methods. These occupations, which typically require skills at upper secondary or tertiary education, include industrial robot controllers, photographers and medical assistants)* | |
| **4 Clerical support workers** *(This category performs clerical duties with associated with money-handling operations, travel arrangements, requests for information and arrangement. Most of these jobs, such as secretaries, cashiers, or transport clerks, require skills at least lower secondary educations)* | |
| **5 Service and sale workers***(This category provides personal services related to travel, housekeeping, catering, personal care, or protection, or they demonstrate and sell goods. Most occupations require skills at least lower secondary education)* | |
| **6 Skilled agricultural, forestry, and fishery workers***(This group includes occupations that require skills at least secondary education or equivalent critical skills and knowledge such as crop growers, gardeners and dairy and livestock producers)* | |
| **7 Craft and related trades workers(***This group applies their skills in the fields of mining and construction, making or repairing machinery, printing, processed food, textiles, or articles including handicrafts goods which involve the performance of complex physical duties that normally involve initiative, manual dexterity and other practical skills. Most of these occupations, such as builders, bricklayers, plumbers, or electronic mechanics require a substantial period of training)* | |
| **8 Plant and machine operators and assemblers** *(This group operates and monitors industrial and agricultural machinery and equipment, drives and operates motor vehicles and mobile machinery, or assembles products. Most occupations have not a particular standard of education but will usually have formal experience related training)* | |
| **9 Elementary occupations** *(This group consists of simple and routine tasks that mainly require the use of hand tools plus physical effort. Most occupations in this group, such as cleaners, building caretakers, doorkeepers or labourers do not require formal education qualification).* | |
| **TOTAL** | |

## Section C – Recruitment / Recruitment Difficulties

**C.1. In the last two years, has your company filled any permanent or temporary positions?**

| | | |
|---|---|---|
| Yes | 1 | **Go to C.2** |
| No | 2 | **Go to C.7** |
| I don't know | 3 | **Go to C.7** |

**C.2. Could you please, indicate the occupations (up to a maximum of five) in which your company has hired the most employees and the total number of employees in the following periods** *(in the case of people having been hired for more than one occupation, please choose the main one)*:

| Occupation (List up to five occupations ) (ISCO-88 Code) | 2013 | | | January 2014 to Present | | |
|---|---|---|---|---|---|---|
| | Total A | Female B | Expats C | Total A | Female B | Expats C |
| 1 | | | | | | |
| 2. | | | | | | |
| 3. | | | | | | |
| 4. | | | | | | |
| 5. | | | | | | |
| Total | | | | | | |

**C. 3. In the last two year has your company hired any first time job seekers that were leaving secondary school; technical and vocational schools; or university?**

| | | |
|---|---|---|
| Yes | 1 | **Go to C.4** |
| No | 2 | **Go to C.7** |

**C.4.Have any of them been**....

| | Yes | No |
|---|---|---|
| A First job seekers coming from secondary school | 1 | 2 |
| B First job seekers coming from technical and vocational school | 1 | 2 |
| C. First job seekers coming from university or other higher education institution | 1 | 2 |

***FOR EACH YES ANSWER IN C.4, GO TO C.5***

**C.5. How well were they prepared for work for each category?**

| | Very well prepared | Well prepared | Prepared | Poorly prepared | Very poorly prepared |
|---|---|---|---|---|---|
| A First job seekers coming from secondary school | 1 | 2 | 3 | 4 | 5 |
| B First job seekers coming from technical and vocational school | 1 | 2 | 3 | 4 | 5 |
| C First job seekers coming from University or other Higher Education institution | 1 | 2 | 3 | 4 | 5 |

***IF THE PREPARATION FOR WORK OF THE NEWLY HIRED WAS EVALUATED 4 OR 5, GO TO C.6.***

**C.6. In which of the following areas was the preparation of the newly hired employees lacking** *(you can select all relevant fields for each group)*:

| | First time job seekers coming from secondary school | First time job seekers coming from technical and vocational school | Firsttime job seekers coming from University or other Higher Education institution |
|---|---|---|---|
| A Lack of job specific required skills or competencies (e.g. technical or job specific skills, IT skills, problem solving skills, team working skills) | | | |
| B Limited basic education (literacy & numeracy) | | | |
| C Poor attitude / personality or lack of motivation (e.g. poor work ethic, punctuality, appearance, manners) | | | |
| D Lack of work /life experience or maturity (including general knowledge& common sense) | | | |
| E Other (Please specify_____) | | | |

**C.7. In the last one year, have any employees left your company? (Both permanent and temporary positions)**

| | | |
|---|---|---|
| Yes | 1 | **Go to C.8** |
| No | 2 | **Go to C.9** |

**C.8. Could you please indicate the occupations (up to a maximum of five) that have registered the highest number of exits and the total number of exits in the following periods**

| **Occupation**<br>**List up to five occupations (ISCO-88 Code)** | **Number of exits** |
|---|---|
| 1. | |
| 2. | |
| 3. | |
| 4. | |
| 5. | |
| **Total** | |

**C.9. At the moment do you have any vacancies?**

| | | |
|---|---|---|
| Yes (Number of vacancies_____) | 1 | **Go to C.10** |
| No | 2 | **Go to D.1** |

**C.10. Could you please tell us in which occupations do you have the most vacancies** *(please list up to five occupations)***:**

| **Occupation (ISCO-88 Code)** | **Approximate number of vacancies** |
|---|---|
| 1. | |
| 2. | |
| 3. | |
| 4. | |
| 5. | |

**C.11. Are any vacancies proving hard to fill?**

| | | |
|---|---|---|
| Yes | 1 | **Go to C.12** |
| No | 2 | **Go to D.1** |

**C.12. Could you please indicate how many vacancies are proving hard-to-fill?** *(Up to five occupations)*

| Occupation | Approximate number of hard-to-fill vacancies |
|---|---|
| 1 | |
| 2 | |
| 3 | |
| 4 | |
| 5 | |

**C.13. For each of the previous occupations, could you please indicate the reasons why they are hard to fill?** *(You can select all relevant reasons for each occupation)*

| | |
|---|---|
| 1 Too much competition from other employers | |
| 2 Not enough people interested in doing this type of job | |
| 3 Poor terms and conditions (e.g. pay) offered for post | |
| 4 Salaries/payments demanded for this occupation are too high | |
| 5 Low number of applicants qualified for the job | |
| 6 Job entails shift work / unsociable hours | |
| 7 Seasonal or timely limited work | |
| 8 Remote location / poor public transport | |
| 9 Others | |

**C.14. Are hard-to-fill vacancies causing this enterprise to…** *(You can select all relevant answers)*

| | |
|---|---|
| Lose business or orders to competitors | |
| Delay developing new products or services | |
| Increase workload for other staff | |
| Outsource work to other companies | |
| Withdraw from offering certain products or services altogether | |
| Have difficulties meeting customer services objectives | |
| None | |

## Section D – Future Hiring

**D.1. Do you think the number of people working in your company will increase, decrease, or remain the same in the next 12 months?**

| | | |
|---|---|---|
| Increase (How many? _____) | 1 | **Go to D.2** |
| Decrease (How many? _____) | 2 | **Go to E.1** |
| Remain same | 3 | **Go to E.1** |

**D.2. Could you please indicate the occupations (if any) that will register the highest increase in the number of job positions in the next 12 months** *(Please indicate up to five occupations).*

| **Occupation (ISCO-88 Code)** | **Number of additional job positions in the next 12 months** |
|---|---|
| 1. | |
| 2. | |
| 3. | |
| 4. | |
| 5. | |

## Section E – Skills Gaps and Workforce Training

**E.1. For each occupation, do you have problem related to your employees who do not perform jobs at the required level?**

| | | |
|---|---|---|
| Yes | 1 | **Go to E.2** |
| No | 2 | **Go to E.5** |

**E.2. Could you please indicate those positions (occupations) where you find workers are not performing at the required level?** *(List up to 5 occupations)*

| |
|---|
| 1. |
| 2. |
| 3. |
| 4. |
| 5. |

**E. 3. Among your employees who are not able to do their jobs at the required level, which, if any, of the following skills need to be improved?**

| | |
|---|---|
| Literacy | |
| Numeracy | |
| IT literacy / using IT | |
| Advanced IT application / development | |
| Oral communication | |
| Written communication | |
| Public speaking /instructing / training | |
| Customer handling | |
| Team working | |
| Taking initiative | |
| Knowledge of a foreign language | |
| Planning and organizing | |
| Management responsibilities /taking a lead | |
| Manual dexterity | |
| Clerical / administrative tasks | |
| Other job-specific tasks(_____) | |

**E.4 Last year, did your employees participate in any external or internal training courses, completely or partially financed by the company?**

| | | |
|---|---|---|
| Yes | 1 | **Go to E.6** |
| No | 2 | **Go to E.** |

**E.5 In which areas did your company finance the training?**

| | |
|---|---|
| Induction training | |
| Occupational health and safety | |
| Literacy / numeracy | |
| Foreign language | |
| IT training | |
| Management and administration (including human resource management and quality management) | |
| Training in new technology / new product or service | |
| Environmental protection | |
| Accounting and finance | |
| Any other types? (Specify_____) | |