Labor Mobility and Development in Timor-Leste

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Content

- Setting the scene
- Labor mobility – what do we know?
- Policy implications
Timor-Leste is at the crossroads of Southeast Asia and the Pacific.
The domestic economy is at an early stage of development.

Education is improving from a low base..

Source: World Development Indicators, 2010-2014
..but employment opportunities are limited.

Population and employment ('000s)

The labor force is growing rapidly..

Working age population and employment
('000s)

but diversification and job creation will be challenging.

Labor mobility – what do we know?
Key migration patterns.
Foreign labour is used to fill skill gaps in the private sector.

**Foreign workers by occupational category (%)**

- Managers
- Professionals
- Associate Professionals
- Service and sale workers
- Clerical support workers
- Craft & related trades
- Plant and machine operators

**Numbers and source countries of foreign workers**

- Indonesia: 2911
- China: 1243
- Philippines: 445
- Other: 383

Source: Timor-Leste Secretary of State for Professional Employment, Enterprise Skills Survey 2014

Source: Timor-Leste National Census 2010
G-to-G programs support labour mobility..

1. South Korea
   - Program began in 2008, workers sent for 1-3 year contracts
   - Notable features:
     - Pre-departure Korean language testing,
     - Enforced saving / remittances
     - 1637 workers sent since 2009 – fisheries, agriculture, manufacturing
     - But, numbers far below official quota

2. Australia
   - Substantial Timorese diaspora – estimated at 6000 (ABS, 2006)
   - Part of Australian Seasonal Worker Program since 2012
     - 135 workers took part in 2014, expected to rise to 175 in 2015
     - Age 21-45, High School graduates with English language skills
     - Agriculture and hospitality sectors
..but official programs are dwarfed by unmanaged migration to the UK.

- Chain migration using Portuguese passports. Estimates of total migrants vary:
  - 300–500 (2007)
  - 12,690 (2014)
  - 17,000 (2015)

- Average cost to migrate of $3000 (2.3 times per capita GDP)

- Despite full entitlement to employment & legal protection, outcomes vary:
  - ½ in formal employment, ¼ working informally ¼ unemployed

- Concentrated in low skilled employment
Remittances are now the largest source of foreign currency after oil and aid.

- Issues over consistency & coverage of data – apparent decline since 2012 may be false. Central Bank now collecting monthly data from all money transfer operators.

Remittance profiles and usage.

- **Shuaib et al (2007)**
  - Survey of 105 HHs that receive foreign remittances – mainly from UK
  - 43% of HHs receive remittances each month – typically in $50-$300 range.
  - Common uses:
    - Routine expenses – 45% of HHs
    - Home improvements – 41% of HHs
    - Education – 30% of HHs
    - Business ventures ~ 30% of HHs

- **Housen, Hopkins, Earnest (2012)**
  - Survey of 654 HHs. Focused on internal migration – highlights positive role of remittances in general
  - Very few HHs receiving international remittances in sample
Opportunities and Leverage

- Labour migration already important for employment & income generation. Strong potential for further growth.

- Challenge of expanding opportunities & leveraging benefits.

  Three key interfaces:

  1. Human capital formation
  2. Financial sector development
  3. Entrepreneurship
Policy Implications.

- Better policy requires better information
  - Migrant numbers & characteristics
  - Remittance behaviour – volume, frequency, channels
  - Impacts of migration & remittances
  - Constraints to mobility

- Broad areas for policy intervention:
  - Market access – making use of current quotas, advocating for improved access
  - Migrant welfare – pre-departure info, in-country support
  - Finance – ↑ channels, ↓ remittance costs, financing migration
  - Education – language support (especially English), accreditation and MRAs. Transition from ‘import substitution’ to ↑ orientation to both local and foreign opportunities.
Thank you