



# **NATIONAL EMPLOYMENT STRATEGY 2017 – 2030**



DEMOCRATIC REPUBLIC OF TIMOR-LESTE  
VI CONSTITUTIONAL GOVERNMENT

# **NATIONAL EMPLOYMENT STRATEGY 2017 – 2030**

**PRODUCTIVE EMPLOYMENT SHALL BE A CENTRAL  
MEANS OF NATION BUILDING AND WEALTH CREATION**

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## ACRONYMS

AAP	Annual Action Plan
ALMP	Active Labour Market Policies
ASEAN	Association of Southeast Asian Nations
CCIT-TL	Chamber of Commerce of Timor-Leste
CEDAW	Convention for the Elimination of all Forms of Discrimination against Women
CEOP	Employment and Career Guidance Centres
CPLP	Community of Portuguese Language Countries
DNAFOP	National Vocational Training Directorate
DNE	National Directorate for Employment
GDP	Gross Domestic Product
GIZ	German International Cooperation
GOTL	Government of Timor-Leste
GRFE	Guide to Economic Reform and Growth
IADE	Institute of Business Development
INDMO	National Labour Force Development Institute
LFS	Labour Force Survey
LMIS	Labour Market Information System
LRBM	Local Resource-Based Methods
MCIE	Ministry of Commerce and Environment
MECAE	Minister of State, Coordinating Minister for Economic Affairs
MoE	Ministry of Education
MoF	Ministry of Finance
MNEC	Ministry of Foreign Affairs and Cooperation
MSME	Micro, Small and Medium Enterprises
MSS	Ministry of Social Solidarity
NDA	National Development Agency
NES	National Employment Strategy
NPC	National Procurement Commission
SDP	Strategic Development Plan
SEM	Secretariat of State for the Support and Socio-Economical Promotion of Women
SEPFOPE	Secretariat of State for Vocational Training Policy and Employment
TVET	Technical Vocational Education and Training
UPMA	Planning, Monitoring and Evaluation Unit

# I. INTRODUCTION: THE EMPLOYMENT DIMENSION OF THE DEVELOPMENT VISION

The 2011-2030 Strategic Development Plan (SDP) expresses the vision of the Timorese people<sup>1</sup> to build a prosperous and peaceful nation. By 2030 Timor-Leste should be an upper middle-income country, where extreme poverty has been eradicated and with *“a modern, diversified economy based on the agriculture, tourism and petroleum industries, with a flourishing private sector and new opportunities for all our people [...] People will be literate, knowledgeable and skilled. They will be healthy and live long, productive lives. They will actively participate in economic, social and political development, promoting social equality and national unity”*<sup>2</sup>.

The SDP specifically recognises the importance of formal employment to achieve inclusive economic growth and nation-building: *“Economic growth shall be an outcome of enhanced capacity of Timorese people in engaging in productive activities, rather than of fortuitous existence of natural resources. In this sense, productive employment shall be a central means of nation building and wealth creation.”* Productive employment is the basis for improving household livelihoods and prosperity of the country as a whole, where equal participation of men and women will be the only way of achieving inclusive economic growth and social development.

The development of Timor-Leste into a prosperous middle-income country with a diversified and modern economy implies a fundamental transformation and a consistent approach across all three pillars of the SDP: (i) social capital, (ii) infrastructure development and (iii) economic development. Coherence among a wide range of policy areas will be key to maximise employment impact of the country's efforts towards development and growth. However, not all employment has equal value and in order to achieve inclusive development, employment must be productive, safe and dignified. Further, decent working conditions and working hours in a safe and healthy environment, protection against exploitation and discrimination, fair wages and an adequate income, as well as basic social protection and social dialogue are all necessary elements of decent work.

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1 Timorese people refers to men, women, youth, vulnerable population and people with disabilities.

2 Timor-Leste Strategic Development Plan 2011-2030 (SDP)

Timor-Leste needs to address several challenges in order to provide the required employment opportunities to achieve inclusive growth. Therefore, the National Employment Strategy (NES) 2017 - 2030 focuses on the need of creating new jobs to reduce unemployment and provide employment opportunities for the large population of young people entering the labour market in the next years; increasing formal jobs and addressing current productivity. The productivity of high numbers of working poor will have to be significantly increased to allow them to increase their income and escape poverty, either through increased productivity in their current jobs or by shifting to more productive jobs.

The NES is not a national development plan, an industry policy, a sector policy or an action plan. The NES is formulated to serve a set of purposes as described above and guide action plans. A strategy sets a broad direction of actions, which is different from an action plan that guides actors with specific tasks, timeframes, and deliverables.



## II. ANALYSIS INFORMING THE NATIONAL EMPLOYMENT STRATEGY

### 1. THE POTENTIAL OF TIMOR-LESTE AND THE IMPORTANCE OF EMPLOYMENT

Timor-Leste has abundant potential of human and natural resources. It has a young population who is eager to make the most of the opportunities presented through independence. From 2010 to 2013, Timor-Leste created 50,643 new jobs, but only 8,323 jobs were formal while 42,320 jobs were in the informal sector<sup>3</sup>. The country's economy is not creating enough formal sector jobs to absorb the current working population. The working-age population in Timor-Leste is set to increase from 696,300 in 2013 to 913,800 in 2023<sup>4</sup>.

The challenge for Timor-Leste is to create significant numbers of new jobs to accommodate a) the large number of people currently outside the labour force (formalize employment) and b) the additional 200,000 people that will join the working age population in the next ten years (create new jobs).

Creating larger numbers of formal sector jobs will not happen automatically. The Government of Timor-Leste needs to put in place policies, legislation, programmes and activities that can maximise the employment impact of economic growth and that target both men and women. Maximising employment will require all Government, civil society, trade unions and private sector to work together.

A large number of micro and small enterprises operate in the informal sector and their legalization or formalization is not easy. Commercial law requires obligations for the formalization of companies. This is addressed in the scope of the new Commercial Companies Law, which aims to facilitate the creation of trading companies for micro and small entrepreneurs through, among other, the following main changes:

- For all companies: (i) Immediate liquidation of a company, in the absence of liability, is allowed; and (ii) Participation in General Assembly is allowed through means of distance communication.

3 *Timor-Leste Labour force surveys 2010 and 2013. Main trends based on harmonized data.* Unpublished ILO report.

4 Projections based on 2010 and 2013 Labour Force Surveys.



- For limited companies: (i) There is no longer a minimum share capital and the value of shares is reduced to 1 USD or multiples thereof; (ii) One only administrator is allowed; (iii) The existence of an Audit Committee is required only when the society reaches certain value in their activity and appointment of an external auditor is allowed; and (iv) A system to unify *quotas* is introduced.

## 2. THE EMPLOYMENT CHALLENGE: ACHIEVEMENTS, OPPORTUNITIES AND CONSTRAINTS

The 2013 Labour Force Survey (LFS) indicates that the working age population, aged between 15 and 64, were 696.200, around 60% of Timor-Leste's population. Of these, less than 31% participated in the labour force<sup>5</sup>. From those that participated in the labour force, less than 25% had formal employment and the rest were either informally employed or self-employed. It is important to mention that 34,300 out of 79,000 wage employed (almost 50%) were considered to be informally employed, as they did not enjoy paid sick or annual leave, as stipulated by law. This clearly suggests that the coverage and enforcement of the labour law remains limited and weak. An additional almost 151,000 Timorese were engaged in subsistence agriculture and not considered part of the labour force<sup>6</sup>. Indicators included in Box 1 present major inequalities when disaggregated by sex, rural-urban, youth and people with disabilities. Please refer to the 2013 Labour Force Survey<sup>7</sup> for disaggregated indicators.

Box 1: 2013 LFS figures	
Working age population .....	60%
Labour Force .....	31%
Informal employment .....	72%
Unemployment .....	11%
Youth Unemployment .....	21.9%

Between 2013 and 2018 the working age population is estimated to grow almost 18%, from 630,000 to 742,000, and by 2030 working population is expected to reach 914,000. See Figure 1. Further, by 2023 approximately 37% of the working age population will consist of young men and women, below the age of 25, while 60% will be below the age of 35<sup>8</sup>.

5 Based on the more narrow definition of the labour force that excludes subsistence farmers.

6 According to the new international standards adopted in 2013, which excludes subsistence farmers.

7 [http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-jakarta/documents/publication/wcms\\_417168.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-jakarta/documents/publication/wcms_417168.pdf)

8 Projections based on 2010 and 2013 Labour Force Surveys.

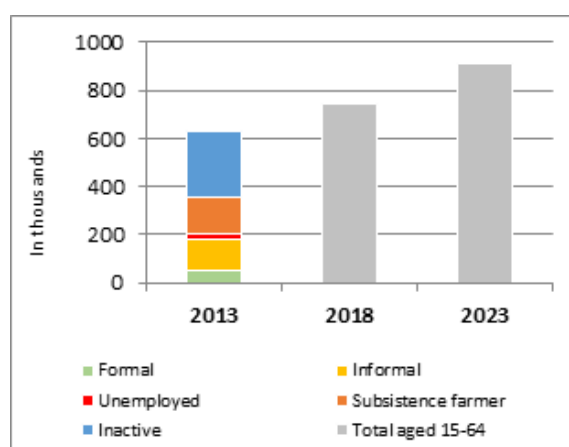


Figure 1: Working age population in 2013 and projections of working age population in 2018 and 2023. LFS 2013.

Transforming the economy is a long term process and evidence has shown that there are many challenges in the process. In Timor-Leste, weak levels of education and remaining challenges in improving technical and vocational skills of the labour force are some of the key constraints to develop human resources and therefore transform the economy and facilitate inclusive growth.

The Timorese labour market has seen a dynamic, mixed development in recent years. There is evidence of a transition from subsistence farming to a more market-oriented agriculture and from agriculture overall to non-agricultural economic activities: the number of people engaged in subsistence agriculture fell from 206,300 to 178,900 between 2010 and 2013, while the number of farmers producing mainly for the market increased from 36,500 to 48,600<sup>9</sup>. The combined effect was a fall in the total agricultural workforce<sup>10</sup> by 6%, while employment in the non-agricultural sectors increased by 37%, from 102,600 to 141,200. Employment in trade increased by 60% and accounted for 43% of the total growth of non-agricultural employment. Other growth sectors were transport and communications (55%) and other (largely public) services (43%).

However, the small formal economy could not create enough jobs to match the rapid labour force growth. While total employment increased by 51,600 between 2010 and 2013, formal employment fell from 32% to 28% of total employment<sup>11</sup>. Informality is to a large extent a consequence of the predominance of farmers and other own account workers in the labour force.

9 All figures are based on data from the 2010 and 2013 labour Force Surveys, where the 2010 data were recalculated to make it conform to definitions used in the 2013 LFS. *Timor-Leste Labour force surveys 2010 and 2013. Main trends based on harmonized data*. Unpublished ILO report.

10 Including those engaged in subsistence agriculture.

11 Excluding those engaged in subsistence agriculture.

As part of the 2011 NES, an analysis of constraints on employment growth, which today remains valid and relevant, was carried out. These constraints can be classified into the demand and the supply side of employment. Demand side constraints include:

- Economic growth has been driven by the oil sector, which does not generate significant employment.
- The non-oil economy is driven by government spending, which contributes to a high cost structure in the economy. In real terms the agriculture and manufacturing sectors have shown limited growth (refer to *Figure 2*).
- Productive sector growth is constrained by a lack of land tenure certainty leading to limited markets in land.
- Low labour productivity stemming from low levels of general education and limited working experience.

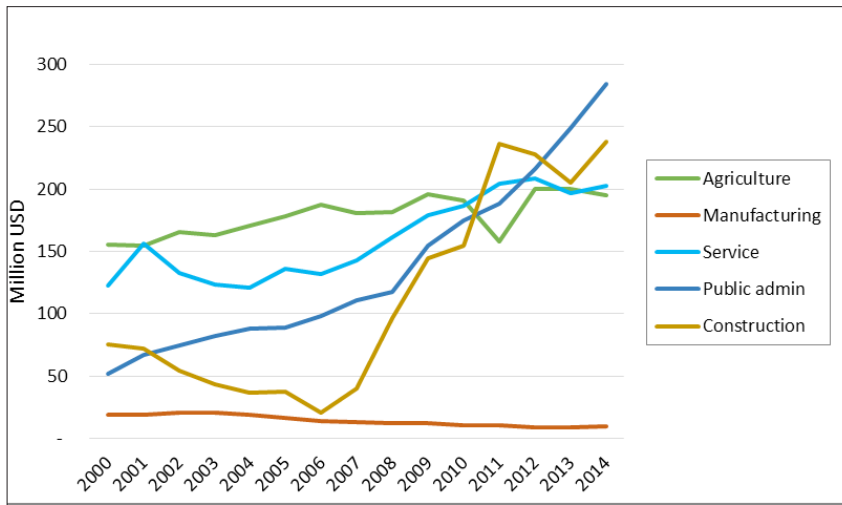


Figure 2: Value-added by industry in the non-oil economy

- Labour competitiveness is low (high wages and low productivity relative to competing nations for investment) the cost of agricultural labour is estimated to be 5USD/day, double the rate in neighbouring West Timor.
- Low firm level productivity resulting from weak coordination amongst businesses and a lack of businesses to supply inputs and provide business support services.
- Weak contract enforcement and uncertainty relating to undeveloped labour regimes.
- Concentration of economic activity in the capital and small domestic market.

With regard to the supply side, the analysis identified skills shortages and mismatches, as well as poor quality and access to general education as major constraints. Weak coordination among education, vocational training institutes and representatives of the business community were also identified as a problem. Labour market intermediation was found to be poorly developed and as a consequence employers typically rely on informal networks for recruitments and job seekers have difficulties accessing information on vacancies.

## WOMEN AND YOUTH

The challenges facing women and youth in accessing productive employment and decent work requires particular attention.

According to the 2013 LFS less than 22% of women aged between 15 and 64 were in the labour force, while 39.7% of men were. *See Figure 2.* There is a greater gender gap in the formal employment sector, where 56% of men are formally employed and only 27% of women are. *See Box 2.* These levels of women participation are far below the levels in ASEAN countries. According to the 2013 LFS, the main reasons for women not participating in the labour force are family duties (50%, while only 32% of men don't participate in the labour force for the same reason), followed by being in school or training (24%) and being retired or too old to work (14%).

Women also tend to find themselves at the lower end of the labour market, being over-represented in informal employment, agriculture and as own-account workers. The 2013 LFS also revealed that average earnings for women are lower than for men in almost all occupations.

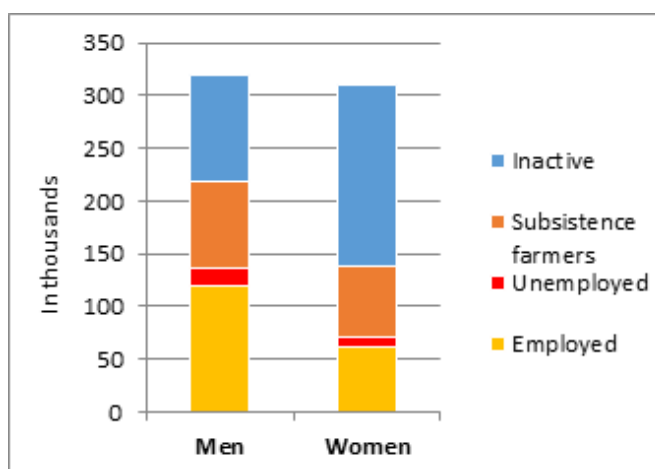


Figure 3: Labour force statuses of men and women aged between 15 and 64. (LFS, 2013).

Box 2: Gender inequalities		
	Men	Women
Labour force participation	40%	21%
Wage and salaried employment	49%	28%
Vulnerable employment	47% (62% rural)	69% (83% rural)
Social security coverage	35%	24%
Average monthly earnings	\$553	\$461

Participation of youth in the labour force is very low, with only 17% of young men and 11% of young women. Youth unemployment in 2013 was twice as high as for the labour force as a whole. About 25% of all Timorese youth were neither in education nor in employment. Almost 70% employed young people worked in agriculture, while less than 20% were wage employed. An additional 15% of the youth were engaged in subsistence agriculture. Overall, young people find it very difficult

to find work and among those who do the vast majority end up in informal employment, most commonly in low-productivity agriculture.

Despite significant improve-ments in education in recent years, the educational levels among the young are still rather low, particularly in rural areas. 58% of the youth had not completed secondary education, according to the 2013 LFS.

The need for a special focus on youth is further underscored by the fact that the youth population will grow very rapidly in the coming years: youth population is expected

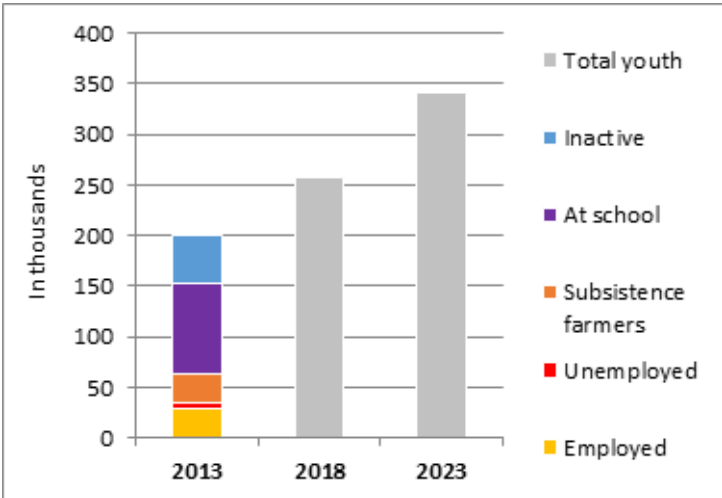


Figure 4: Youth (15-24) in 2013 by labour force status and forecast of youth population in 2018 and 2023. Labour Force Survey 2013.

to increase from 200,000 in 2013 to 258,000 in 2018 and 342,000 in 2023; a 70% increase in only ten years (*Figure 3*). Its share of the working age population can be expected to increase from 32% in 2013 to 35% and 37% in 2018 and 2023, respectively.

A number of reasons explain the difficulties young people have in accessing employment, in particular formal and wage employment, such as the lack of prior work experience and employment record, and lack of labour market information (contacts and job search experience). The last enterprise surveys show that employers are often reluctant to hire youth as they are perceived as not being adequately prepared for working life because of lack of hard and soft working skills. Unrealistic job expectations may also be part of the problem: a preference for public sector jobs may result in a reluctance to take up less prestigious jobs in the private sector; however, a consequence of the public sector acting as a wage-leader, offering wages and working conditions that the private sector is, in most cases, unable to match.





# III. NATIONAL EMPLOYMENT STRATEGY 2017 – 2030: ADDRESSING THE EMPLOYMENT CHALLENGE

The economy faces a triple challenge in generating employment opportunities:



The vision of the Timor-Leste National Employment Strategy is to generate productive employment opportunities for the Timorese population, reducing unemployment and transitioning to formal employment opportunities, as a central means of nation building and wealth creation.

The Timor-Leste 2017-2030 NES is inspired by and aligned with the 2011-2030 SDP and aims to strengthen and facilitate the operationalisation of the employment dimensions of the SDP, providing a framework for a strengthened and cohesive focus on employment.

Therefore the objectives of the NES are:

- To provide a strategy for GOTL and civil society to have a stronger and more cohesive focus on employment.
- To operationalise the employment dimensions of the SDP ensuring that employment is incorporated into macroeconomic and sectoral policies, as well as labour market strategies.

The 2017 – 2030 NES builds on the previous NES, approved by Council of Ministers in 2011 but never fully implemented, and as such, it keeps the same structure of the three pillars:

- Pillar 1: Increasing labour market demand.
- Pillar 2: Improving labour market supply.
- Pillar 3: Strengthening labour market institutions.

## A. PILLAR 1: INCREASING LABOUR MARKET DEMAND

The NES identifies four strategies that aim to increase labour market demand:

1. Promote Private sector generated employment.
2. Increase access to labour migration schemes.
3. Maximise the employment impact of Government spending.
4. Develop local potential.

### 1. PRIVATE SECTOR GENERATED EMPLOYMENT

Sustainable employment cannot be achieved by relying on government needs, but rather, employment demand should be driven by the private sector. The Guide to Economic Reform and Growth (GRFE) is the VI Constitutional Government's strategy to diversify the economy and increase labour market demand from the private sector. The GRFE is aligned with the National Strategy and Action Plan for Gender and Private Sector 2014-2017, which has the objective of contributing to the generation of pro-poor inclusive economic development and quality employment for women and men by spurring growth of businesses of all sizes through engendered private sector policies and programmes<sup>12</sup>.

The GRFE contains a wide range of policies, laws and activities that will assist in generating more private sector employment (*Box 3*). Some of the policies and areas of intervention with particular importance for employment include:

- a) Factors that impair the business environment in Timor-Leste are of major concern for productive employment creation. As such, the lack of a land and property law<sup>13</sup> and weak mechanisms in place for contract enforcement and

12 <http://extwprlegs1.fao.org/docs/pdf/tim150789.pdf>

13 A New Land and Property Law is in the approval process.

weaknesses of the judicial system in the field of commercial law have been identified as major constraints on private sector development in Timor-Leste and are being addressed as key reform areas in the GRFE.

- b) MECAE and TradeInvest are conducting market demand assessments to identify profitable value chains with potential for national and international investors. Following these assessments, an Investment Reform Map will be prepared, which will set the framework for the types of foreign and domestic investment that the GOTL wants to encourage.
- c) The virtual absence of a manufacturing sector is a major weakness and constraint on the economic development and employment creation. MECAE and MCIE are preparing an Industrial Policy, which will set the framework for developing the manufacturing and processing sectors and stimulating local production.
- d) Access to credit has been identified as one of the main constraints for the development of the private sector, especially for women and vulnerable groups. The Government is considering the development of a Credit Guarantee Scheme for Micro, Small and Medium Enterprises (MSME) in order to improve entrepreneurs' access to finance and thereby allow companies continue or even expand their activities and create new employment opportunities as a result. Weak business plans are also one of the main reasons for MSME not being able to receive credits. The GOTL, mainly through the Institute for Business Development Support (IADE)<sup>14</sup> will continue to strengthen MSME financial, accountability and managerial skills and work together with private sector institutions, such as the Chamber of Commerce of Timor-Leste (CCIT TL),

### Box 3: Guide to Economic Reform and Growth

The Guide for Economic Reform and Growth led by MECAE is the GOTL's main strategy to increase private investment, economic diversification and generate sustainable employment. The guide is structured in a matrix format consisting of five priority economic pillars, including (1) agriculture, (2) fisheries, (3) tourism, (4) oil and gas (downstream) and (5) light manufacturing and, seven reform areas, including (1) land and property regulation, (2) economic infrastructure development, (3) labour market regulation and workforce development, (4) business enabling environment, (5) fiscal reform, (6) private investment reform, and (7) private sector development.

14 The National Strategy and Action Plan for Gender and Private Sector 2014-2017 identifies the following strategic intervention: *Increased access to Business Development Services and information for potential and existing women and men entrepreneurs*, for which IADE is the key institution in charge of implementation

will be crucial in order to achieve results in building the capacity of the private sector.

An integration of employment dimensions at national, regional and sectoral level will allow maximising the employment impact of economic development and the capacity of the economy to generate productive employment.

## 2. INCREASING EMPLOYMENT FROM LABOUR MIGRATION SCHEMES

Increasing access to labour migration schemes will assist Timorese in finding employment in other countries. The NES recommends to:

- (a) Finalise and implement the three year National Action Plan for Labour Migration.
- (b) Expand destination countries and working schemes for Timorese workers abroad including in New Zealand, ASEAN, CPLP countries and the Middle East. At the moment, Timor-Leste has over 2,000 Timorese deployed in Australia and South Korea, of which less than 10% are women.
- (c) Make better use of the skills and expertise brought back by overseas workers to Timor-Leste. In addition to those Timorese participating in the government-to-government labour migration programs in South Korea and Australia there are around 50,000 Timorese living abroad, mainly in Indonesia, the United Kingdom and Australia. These workers represent a potential important source of skills and knowledge if they have incentives to return.

SEPFOPPE continues to strengthen the current labour migration schemes by designing and carrying out a selection process that ensures Timorese workers participating in the labour schemes have the required skills to successfully perform the tasks expected from them and adapt to the new environment. Previous workers can contribute to strengthen the preparation of Timorese workers by participating in the pre-departure trainings and sharing their experience with new Timorese workers departing abroad.

Intermediation of employment opportunities abroad, facilitation of visa and work permits, pre-departure training, legal and social support while abroad, and reintegration of return migrants in the domestic labour market are examples of important measures that aim to safeguard the rights of migrant workers and also maximize the benefits of labour migration for individual migrants as well as for the country as a whole.

### 3. MAXIMISING THE EMPLOYMENT IMPACT OF GOVERNMENT SPENDING

Government spending in Timor-Leste is equal to 110% of non-oil GDP. The GOTL will try to maximise the employment impact of their spending and policies. To assist Ministries and government institutions in maximising employment impact of spending and policies it is proposed that the inter-ministerial group and a NES Secretariat, further described in section *Implementation and Monitoring*, are created. They will both contribute to:

- Secure technical assistance to Ministries to maximise the employment impacts of their spending.
- Hold an annual inter-ministry employment workshop in February each year before Ministries design their Annual Action Plans (AAP) and budgets for the following year.
- Ensure that lessons from labour maximisation schemes are shared across Government and development partners.
- Ensure that lessons and best practice from value chain interventions are shared across Government and development partners.
- Coordination between the National Procurement Commission (NPC) and SEPFOPE needs to be strengthened. SEPFOPE will focus on ensuring that Timorese workers complete the necessary training to be engaged in public projects and reduce dependency on international workers. Improvement of Timorese productivity is another aspect that will need addressing in order to reduce dependency on foreign labour for public projects.
- Ensure gender balance and inclusion of youth, people with disabilities and vulnerable groups in labour policies, strategies and action plans.
- SEPFOPE will continue to carry out its own labour generating schemes.

#### 3.1. INFRASTRUCTURE SPENDING

Investment in infrastructure not only unleashes the potential for productive employment generation, but also creates important immediate employment opportunities. Timor-Leste is in an intensive phase of building much-needed physical infrastructure through public investments, many of which focus on rural areas and roads rehabilitation and maintenance, rural water supply and electrification.

A labour intensive approach has already been successfully adopted in road rehabilitation and water supply, which has become an important source of non-agriculture employment and income source. Airports and ports, such as the new airport in Oecussi and port construction in Suai and Tibar, are other important areas of public investments. Although not all infrastructure investments are equally responsive to labour intensive approaches, labour intensive technologies and production methods should always be explored and given preference where possible.

A close coordination of the planning of infrastructure investment with strategies for job-rich rural, agricultural and industrial policies as well as with overall economic and employment policies and strategies is essential to maximise the developmental impact of infrastructure development.

#### Box 4: Local resource-based methods for infrastructure development (LRBM)

LRBMs refer to work methods and technologies that favour and optimize the use of local resources in the development and maintenance of infrastructure assets. Local resources include the local workforce, materials, tools and equipment, enterprises and stakeholders. LRBMs are a suitable option when modest rural infrastructure development projects aim to create employment and income opportunities. Experiences of SEPFOPE and ILO partnership projects show that LRBMs save 10%-30% of the costs without compromising on quality while generating 3-5 times more employment than equipment-intensive options.

## 4. DEVELOP LOCAL POTENTIAL

Timor-Leste has significant potential in several sectors, identified in the Timor-Leste Strategic Development Plan and the GRFE, as explained above. Developing these sectors will generate employment opportunities for the Timorese people. The GRFE will work to develop the potential of the five sectors based on the natural resources and human resources of Timor-Leste.

Today agriculture is the main source of employment. However, as productivity increases in agriculture and the industry and services sectors expand, workers will have to shift out of the agriculture sector. Further, a transformation of the agriculture sector, from a low productive subsistence farming to a market oriented agriculture, and diversifying the rural economy by developing non-agricultural economic activities would create productive employment and decent work for the very large numbers of Timorese who live in rural areas and are particularly exposed to poverty.

The tourism sector, still in a very early stage of development, has the potential to become an important source of employment; although high quality and competitive tourism products and niches need to be developed. The Government has recently approved the Timor-Leste National Tourism Policy 2017 – 2030, with the objective of providing a clear path forward for the Government, private sector and civil society to work together towards developing a sustainable tourism sector.

The downstream sectors of petroleum (e.g. fertilizer, cement, petrochemicals) may potentially generate a large number of jobs, but such a development is still constrained by low levels of technology and skills. Increased investment and international openness will allow Timor-Leste to benefit from absorbing cutting edge knowhow through the adoption of best practices and knowledge spill overs to domestic enterprises. An investment policy and an industrial policy have been developed and are expected to be approved before the end of June 2017.

## B. PILLAR 2: STRENGTHENING LABOUR MARKET SUPPLY

Increasing labour market demand will need to be matched by a strengthened labour market supply in order to respond to market needs and maximise the employment opportunities generated from developing the private sector and local potential, strengthening labour migration schemes and maximising government spending. Skills development is a crucial aspect of building human resources with a view to enable access to productive employment and maximise each individual's capacity to participate fully and equally in the economic and social development of the country.

The 2017 NES proposes to continue strengthening the labour supply through the following strategies:

### 1. THE NES AS PART OF A BROADER STRATEGY TO BUILD HUMAN RESOURCES

The NES will be particularly closely coordinated with strategies and policies in the field of education, but also with health and nutrition policies and strategies. A combination of poor health and education limit job prospects of people. The NES will therefore need to consider aspects included in the Timor-Leste National Nutritional Strategy 2014- 2019<sup>15</sup> and the National Health Sector Strategic Plan<sup>16</sup>.

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15 <http://faolex.fao.org/docs/pdf/tim146710.pdf>

16 [http://www.searo.who.int/timorleste/publications/national\\_health\\_sector\\_plan.pdf](http://www.searo.who.int/timorleste/publications/national_health_sector_plan.pdf)



## 2 CONTINUE TO IMPLEMENT THE TIMOR-LESTE TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING (TVET) PLAN

Timor-Leste has worked hard to improve the quantity and quality of its education system and to improve the human resources of the country. Along with education, TVET is the most important area for increasing the employability and productivity of the Timorese labour force. The NES recommends that the implementation of the TVET Plan continues with special focus on the recommendations included in the plan:

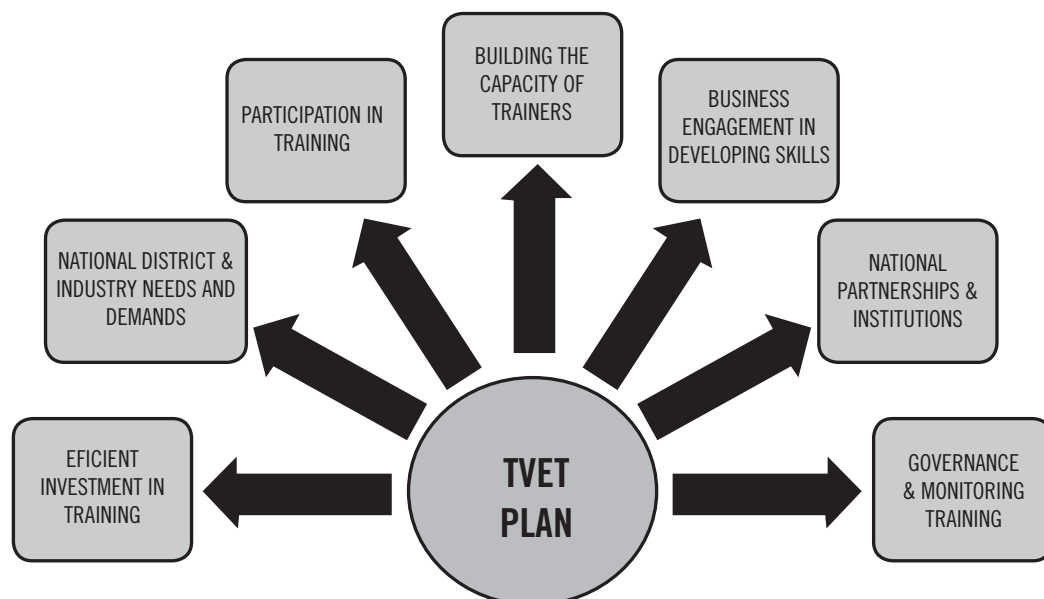


Figure 5: Recommendations from the Timor-Leste Technical and Vocational Education and Training Plan 2011-2030.

A further detailed description of each recommendation is included in the TVET Plan 2011 -2030 document<sup>17</sup>. In order to implement the long term TVET Plan and set priorities, a multi-year consistent funding system should be created.

## 3 CREATE A STRONGER LINK BETWEEN MINISTRY OF EDUCATION AND SEPFOPE

Technical and vocational training, which is a strategic area in the NES, will only be successful if students come prepared with a good education. Yet problems remain in general education, with high dropout<sup>18</sup> and repetition rates, implying that many children take far

<sup>17</sup> [http://www.mlstp.net/uploads/4/8/6/7/48670023/10\\_timor-leste\\_tveta\\_plan\\_2011-2030.pdf](http://www.mlstp.net/uploads/4/8/6/7/48670023/10_timor-leste_tveta_plan_2011-2030.pdf)

<sup>18</sup> About 20% of students drop out before completing primary education.

too long time to complete their education. The quality of education and lack of qualified teachers remain a problem and the GOTL will set as a priority to allocate resources to strengthen training of teachers and trainers.

Current responsibility for TVET is split between the Ministry of Education (MoE), the Directorate for Skills Training and Employment under SEPFOPE and the National Labour Force Development Institute (INDMO). INDMO, within SEPFOPE, is responsible for levels One to Four, while the MoE is responsible for Level Five and above. Close coordination with MoE is needed to ensure that general education and technical and vocational training complement and support each other. Establishing a task force of senior representatives from all the concerned agencies for inter-agency coordination will be essential for the successful implementation of the TVET Plan.

The NES will support efforts by the MoE to strengthen the relevance of curricula, from an employment and labour market perspective, and improve the transition from education to employment.

#### 4. CONTINUE TO STRENGTHEN TRAINING CENTRES

In line with the TVET Plan, strengthening training centres is a priority in order to improve labour force skills. In particular: (i) Establishment of a high-level skills training centre and (ii) Defining and reviewing training need targets for every five years:

- Number of training centres to be accredited;
- The resources the training centres will need.

Accreditation of training centres, according to international standards, will also be considered a priority. This will allow Timorese labour force have an improved access to international labour markets.

Training centres have an important role in reducing inequalities in the labour market. They should make special efforts to reach women, people with disabilities and people living in rural areas, who traditionally have less access to formal employment opportunities.

#### 5 STRENGTHENING HIGHER EDUCATION

Strengthen higher education through a focus on the skills and competencies of graduates in addition to their knowledge. Skills to increase workers' productivity, promote their creativity and innovation, and improve attitude and discipline will be key to improve the quality of the labour market supply.

## 6 IMPROVE THE SOCIAL PROTECTION SYSTEM AND INCLUSIVENESS OF VULNERABLE GROUPS

A well-designed social protection system can be strongly pro-employment. It plays a particularly important role in facilitating and enabling poor and vulnerable people's access to productive employment and, thus, making labour market access more inclusive. Close coordination with the Ministry of Social Solidarity (MSS) will be increasingly important as a more comprehensive national protection system is gradually developed.

The GOTL acknowledges the existing inequalities between men and women, urban and rural areas, and between people with disabilities and without disabilities. The NES will encourage all stakeholders to work together to reduce these inequalities and promote inclusive labour policies. As such, the Council of Ministers approved in 2012 the National Policy for Inclusion and Promotion of the Rights of Persons with Disabilities<sup>19</sup>, which defines the areas of intervention and strategies of each government department and government agency in order to ensure the full participation of disabled people in the community.

## 7. PROMOTING GENDER EQUALITY

Timor-Leste has signed various international conventions that promote gender equality, including the Convention for the Elimination of all Forms of Discrimination against Women (CEDAW). This pledge was followed by adopting a national Labour Code that includes international labour standards' clauses on equal remuneration for men and women for equal work and non-discrimination in employment and occupation. The GOTL also has in place a National Strategy and Action Plan for Gender and Private Sector 2014 – 2017l, which aims to promote women's participation in the private sector.

The SDP identifies gender mainstreaming as a priority to achieve and inclusive and fair society. The GOTL is strongly committed to reinforce gender equality and it is determined to not only provide a legal framework that supports women's engagement in the labour force, but also display this in government policies, strategies, programmes and resource allocation.

The NES is aligned with the Gender Mainstreaming Strategy, which included initiatives to raise awareness among staff and ensuring that gender aspects are a regular part of management and resource allocation practices. The NES will also focus in implementing the measures and recommendations from the CEDAW<sup>20</sup>, with strong support from the Secretariat of State for the Support and Socio-Economical

<sup>19</sup> Government Resolution No. 14/2012, of 9 May.

<sup>20</sup> [http://tbinternet.ohchr.org/\\_layouts/treatybodyexternal/Download.aspx?symbolno=CEDAW%2fC%2fTLS%2fCO%2f2-3&Lang=en](http://tbinternet.ohchr.org/_layouts/treatybodyexternal/Download.aspx?symbolno=CEDAW%2fC%2fTLS%2fCO%2f2-3&Lang=en)

Promotion of Women (SEM). Some of these key recommendations are:

- Adopt measures to eliminate discrimination in recruitment and promotion against women, including effective mechanisms to ensure and monitor compliance with existing legislation in both the public and private sectors;
- Strengthen programmes aimed at reducing women's unemployment and promoting women's access to employment in the formal sector and social security coverage, adopt a gender-sensitive employment policy which includes focus on women with disabilities, and monitor the working conditions of women in the informal economy, in particular in agriculture, with a view to ensuring their access to social protection, including with regard to maternity protection;
- Adopt a coherent strategy on women's economic empowerment that feeds into the overall development strategies of the State party and that is accompanied by adequate indicators and a monitoring mechanism and includes as key elements access to credit, markets, land and other productive resources on an equal basis with men.
- Take measures, including temporary special measures, to ensure access to inclusive education and vocational training for women and girls with disabilities, and to prevent discrimination in recruitment against women with disabilities;

Strengthening labour supply in order to increase Timorese workforce's competitiveness is particularly important for the future Timor-Leste's accession to ASEAN.

## C. PILLAR 3: CONTINUING TO BUILD LABOUR MARKET INSTITUTIONS

The establishment and enforcement of labour market legislation and regulations, based on international labour standards and inspired by the best international practices, the strengthening of labour market institutions and the introduction of well-designed and cost-efficient active labour market policies are key parts of building the national labour market institutional framework.

Timor-Leste already has in place core institutions needed to facilitate the labour market including SEPFOPE, DNAFOPE, INDMO and the TVET system. From 2017 to 2030 the focus should be on continuing to build these institutions and strengthen coordination among them and other relevant government institutions in order to:

## 1. STRENGTHEN ACTIVE LABOUR MARKET POLICIES (ALMP)

The GOTL is currently implementing policies and programs that will result in the development of the private sector and economic growth, which will translate into new employment opportunities. Private sector jobs should be the main source of employment for the Timorese. However, ALMP can enable a well-functioning labour market, enhancing labour mobility, equipping job seekers with skills and knowledge needed to find employment, and lowering thresholds for youth, women and vulnerable groups to access employment. ALMP can include supply side measures, demand side measure and labour market intermediation: matching labour demand and supply.

MECAE can assist in better linking potential economic demand with labour market institutions by:

- Increasing access to information regarding new foreign and domestic investments.
- Communicating new information and studies of specific value chains and market assessments.

Tradeinvest, SERVE, MCIE, MAF and other relevant institutions should also work closely with the LMIS and SEPFOPE to anticipate coming investment to the country so that SEPFOPE can plan accordingly the trainings for the labour that will be needed.

## 2. STRENGTHENING THE COORDINATION STRUCTURES

SEPFOPE has already established very good coordination structures (e.g. Industry Committees). All stakeholders agree that coordination could be strengthened however the NES suggests specific areas in which to strengthen coordination:

- Political commitment from all Ministers at the Council of Ministers to direct their ministries to coordinate and mainstream employment policies and programmes across government.
- Create an inter-ministerial working group to strengthen employment considerations and implications of each Ministry's policies. Each Ministry will appoint a focal point with the technical knowledge and seniority to participate in this working group, who will make sure employment implications are included in the preparation of the Annual Action Plan and longer term strategies.
- Close coordination with Government agencies in the economic field is important, but it is also important to coordinate with representatives of the private sector and employers to ensure that employment considerations are taken on board by relevant

stakeholders in all areas of economic planning and that productive employment creation is set as a central and measurable objective along with other economic goals.

- Resources devoted to coordination through the inter-ministerial working group. Donor support to the NES will be through the inter-ministerial working group and later through the NES Secretariat, as it will be in charge of coordinating the implementation and monitor the progress of the NES. It is recommended that GTL formally turns the inter-ministerial working group into a Secretariat.
- NES Secretariat to promote better information and data sharing, including disaggregated data on all programmes and activities, across Government. Reports that can help shape policies and raise awareness on employment implications shall be sent to the relevant ministries as soon as they are available and socialized among the private sector as well.
- MECAE to facilitate coordination across Government with a focus on the link between SEPFOPE and MoE to respond to market labour demand.
- Strengthen coordination with the MNEC to facilitate the employment of Timorese workers abroad through the Overseas Development Program. Employment opportunities abroad provide workers with income for them and their families and also with the chance of being exposed to abilities, knowledge and attitudes that can improve their productivity once back in Timor-Leste. Returned workers will continue to collaborate with the ODP to share their knowledge and experience as part of the induction courses to new workers departing.
- Addressing the difficulties women, vulnerable groups and youth face in accessing productive employment. It is the role of the Secretary of State for the Support and Socio-economic Promotion of Women to provide technical support to line ministries in mainstreaming gender into policies, laws, budgets, as well as to advocate for the promotion of gender equality. However, promotion of gender equality is the responsibility of all governmental institutions, and as such the major institutions involved in employment creation will be involved in the implementation of the CEDAW recommendations. Government representatives of the private sector, youth and women's organisations need to be consulted and involved in the design and implementation of targeted strategic action plans. The inter-ministerial working group will have a key role in mainstreaming gender in line ministries' planning and budgets. For Youth and Women aspects, challenges suggested to be considered in their specific actions plans are:
  - ◆ Youth: low levels of education and skills, insufficient demand for additional labour, obstacles transitioning from school to employment.

- ♦ Women: lower education attainment than men, difficulty in accessing employment due to household and childcare workloads, gender stereotypes regarding what male and female occupations are, vulnerable employed, less access and control over assets (finance, land and property ownership, etc.).

### 3. CONTINUING TO STRENGTHEN THE LABOUR MARKET INFORMATION SYSTEM (LMIS)

A strengthened understanding of employment implications across Government and among other national stakeholders requires solid and up-to-date evidence-based analyses. Coordination among ministries and government agencies will help strengthen information and data sharing and make sure the LMIS, SEPFOPE, MECAE and all government institutions have updated data.

Economic statistics are currently collected, processed and analysed by the General Directorate of Statistics, within the Ministry of Finance (MoF), and other Government Ministries and agencies, as well as by the Central Bank. SEPFOPE is active in collecting, processing and dissemination of labour market data, however further analysis should be carried out and shared for policy consideration. A strong analysis should include demographic, human resources, economic, gender and labour market analysis. Labour market and occupational projections should also be carried out in order to identify current and emerging skills shortage as a basis for TVET planning.

In order to integrate economic analysis with employment and labour market analysis, as well as with demographic analysis, the LMIS unit will have to be strengthened and build in-house competence in economic and demographic analysis, work closely with those units and institutes within and outside government that specialise in economic and human resources analysis, as well as strengthen its capacity with regard to inclusive policies. It is suggested that LMIS collects data every 6 months and data is disaggregated for men and women and age group.

### 4. BETTER LINKING JOB SEEKERS WITH EMPLOYMENT OPPORTUNITIES

Link job seekers with job opportunities by:

- Investigating incentives that can be provided to job seekers looking for jobs.
- Better linking training centres with job opportunities and making sure trainings available address job requirements.
- Building a new labour market database to match job seekers with job opportunities.



- SEFPOPE has a facilitating role between job seekers and employers. A unified mechanism to connect employers and employees would make the matching easier for both. See Box 5.

## 5. REVIEWING THE LABOUR LAW AND THE WAGE-SETTING MECHANISM USED IN TIMOR-LESTE

The 2012 Labour Law provides an important legal basis for labour relations.

However, much of the auxiliary legislation and regulations remain to be developed. The labour legislation also needs to be revisited from time to time to ensure its continued relevance and that it strikes a fair balance between promoting employment and safeguarding workers' rights. The widespread informal employment, including informal wage employment, indicates that the effective coverage of the legislative framework remains limited. MECAE and SEFPOPE have recently undertaken an assessment in order to identify the main constraints and gaps in the current Labour Law<sup>21</sup>, through an extensive consultation process. The assessment<sup>22</sup> concluded that the priorities should be to approve and implement the Labour Law regulation diplomas that are still missing, such as those that refer to labour accidents, labour arbitration and safety regulations. Identified specific changes in the articles of the Labour Law are minor and not considered a priority.

The minimum wage in Timor-Leste is significantly higher than in neighbouring countries. This may be justified by high costs of living and exchange rate factors, but it is a key burden for formal employment for unskilled labour. Analyses of the wage policies and wage setting mechanisms, including analysis of the role of public sector wages, should be undertaken and these analyses should subsequently inform discussions on wage policies and serve as a basis for reforms aimed at procuring wage policies and systems for wage-setting that strike a fair balance between the importance of competitiveness and legitimate demands for a fair living wage.

### Box 5: Employment and Career Guidance Centres (CEOP)

Hubs of information and base for employment related services for unemployed and job-seekers are already in place. The function of CEOPs can be strengthened in order to become a provider of information on employment, training and internship opportunities, but also carrier guidance, job counselling and referral services.

21 With support from the German International Cooperation (GIZ).

22 Report to GIZ, Dili, Timor-Leste on assessment of implementation of the labour law of Timor-Leste. October 2016.

Timor-Leste National Employment Strategy 2017 – 2030		
Pillar 1: Increasing labour market demand	Pillar 2 Improve labour market supply	Pillar 3 Strengthen labour market institutions
<ul style="list-style-type: none"> <li>♦ Private sector generated employment.</li> <li>♦ Increasing employment from labour migration schemes.</li> <li>♦ Maximizing the employment impact of Government spending.</li> <li>♦ Develop local potentials.</li> </ul>	<ul style="list-style-type: none"> <li>♦ The NES as a broader strategy to build human resources.</li> <li>♦ Continue to implement the TVET Plan 2011 2030.</li> <li>♦ Create a stronger link between MoE and SEPFOPE.</li> <li>♦ Continue to strengthen training centres.</li> <li>♦ Strengthen higher education.</li> <li>♦ Improve social protection system.</li> <li>♦ Promoting gender equality.</li> </ul>	<ul style="list-style-type: none"> <li>♦ Strengthen ALMP.</li> <li>♦ Strengthening coordination structures.</li> <li>♦ Continuing to strengthen the LMIS.</li> <li>♦ Better linking job seekers with employment opportunities.</li> <li>♦ Reviewing the Labour Law and the Wage-setting in Timor-Leste.</li> </ul>

# IV. IMPLEMENTATION AND MONITORING

## TARGETS AND INDICATORS

The National Employment Strategy (NES) defines a set of indicators to monitor the achievement of targets and objectives set. These targets have been estimated with the last available data. **During the first year of the NES implementation, the NES Secretariat will work closely with the line ministries' technical group to review the baseline data and the targets for 2030.** This will consist on a data collection process and economic and labour projections. The table below summarizes the indicators.

The long term horizon of the NES requires mid-term evaluations to review the targets and progress of implementation. It is recommended that evaluations are carried out every 5 years to review and re-define targets when necessary. Data will be disaggregated for men and women.



Indicator	Baseline (last available data)				Assumptions
	2017 – 2022				
Consider the start of transition from the current Labour Intensive based economy to a Technology and Knowledge Intensive based economy for this period.	Male	Female	Male	Female	1. The Government of Timor-Leste will also implement recently approved policies and sectorial plans currently being developed and which are aligned with these targets and the SDP objectives:  - The Guide for Economic Reform and Growth;  - Timor-Leste National Tourism Policy;  - Investment Policy;  - Industrial Policy;  - Coffee development plan;  - Forestry development plan.
Labour force participation	39.7%	21.3%	43%	25%	
Unemployment rate	11.3%	10.4%	9%	8%	
Youth unemployment <sup>23</sup>	25.3%	16.7%	22%	14.5%	
Youth not in education, employment or training (NEET)	23.4%	29.5%	20%	25%	
Informal employment <sup>24</sup>	70%	76%	67%	73%	
Vulnerable employment	48%	69.9%	45%	66%	
Participation of unskilled labour in formal employment.	44% <sup>25</sup>	-	48%	-	
Participation of mid-level skill labour force in formal employment.	44%	-	46%	-	

<sup>23</sup> 15 to 24 years old.

<sup>24</sup> Informal employees are those who do not benefit from paid sick leave and paid annual leave and have no formal relationship with their employer, employers and own-account workers of informal sector enterprises and all contributing family workers.

<sup>25</sup> Esta meta pressupõe emprego informal que fará a transição para o emprego formal.

Indicator	Baseline (last available data)				2017 – 2022		Assumptions
Participation of skilled labour force in formal employment	12%	-			6%	-	<p>2. The Government will continue the processes of ASEAN and WTO accession, which will accelerate international integration increasing the opportunities to attract investment and export Timorese products.</p> <p>3. The Government will continue committed to diversifying the economy, promoting a private sector led economy and economic activity in the rural areas.</p> <p>4. The NES Secretariat will focus on strengthening coordination among:</p> <ul style="list-style-type: none"> <li>- The National Procurement Commission and the Ministry of Planning and Investment Strategy to coordinate the award of government contracts with training needs required for those projects.</li> </ul>
Private sector employment (of formal employment)	37%	-			43%	40% <sup>26</sup>	
<b>Consider the final transition from a Labour Intensive based economy to a Technology and Knowledge Intensive based economy for this period.</b>	<b>Male</b>	<b>Female</b>			<b>Male</b>	<b>Female</b>	
Labour force participation	43%	25%			48%	30%	
Unemployment rate	9%	8%			7%	6%	
Youth unemployment	22%	14.5%			20%	12%	
Youth not in education, employment or training (NEET)	20%	25%			17%	22%	
Informal employment	67%	73%			63%	69%	
Vulnerable employment	45%	66%			41%	62%	
Participation of unskilled labour in formal employment.	48%	-			44%	-	

<sup>26</sup> No data available for female private sector formal employment and therefore we use male figure as baseline.



Indicator	Baseline from previous period				2017 – 2022		Assumptions
Participation of mid-level skill labour force in formal employment.	46%	-			48%	-	<ul style="list-style-type: none"> <li>- The National Authority of Petroleum and Minerals to match the skills required for employment with the training delivered by institutions.</li> <li>- The Ministry of Commerce, Industry and Environment, and TradeInvest to share information regarding investment and export opportunities.</li> </ul>
Participation of skilled labour force in formal employment.	6%	-			8%	-	
Private sector employment (of formal employment)	43%	40%			46%	43%	
<b>Consider a Technology and Knowledge Intensive based economy for this period.</b>	<b>Male</b>	<b>Female</b>			<b>Male</b>	<b>Female</b>	<ul style="list-style-type: none"> <li>- Strengthening the line coordination between SEPFOPE/INDMO, MoE/ ANAAA and sector associations and the private sector to ensure the development of vocational and professional training and education system program which deliver the adequate professional skills, knowledge and attitude to meet labour market productivity demand.</li> <li>- Strengthening the ministerial coordination and coordination with the private sector to develop Vocational and Professional training</li> </ul>
Labour force participation	48%	30%			53%	35%	
Unemployment rate	7%	6%			5%	5%	
Youth unemployment	20%	12%			17%	10%	
Youth not in education, employment or training (NEET)	17%	22%			14%	17%	
Informal employment	63%	68%			58%	63%	
Vulnerable employment	41%	62%			37%	55%	
Participation of unskilled labour in formal employment.	44%	-			40%	-	
Participation of mid-level skill labour force in formal employment.	48%	-			50%	-	

Indicator	Baseline from previous period				2017 – 2022		Assumptions
Participation of skilled labour force in formal employment.	8%	-	10%	-			and education programs that gradually adapt to the transition from a traditional labour Intensive based economy to a technology and knowledge based
Private sector employment (of formal employment)	46%	43%	50%	47%			





## V. COORDINATION STRUCTURE

According to Decree Law 22/2015, of 8 July, the Planning, Monitoring and Evaluation Unit (UPMA), directly under the supervision of the Prime Minister, ensures consistency of strategies, sectorial plans and action plans with the national SDP. This NES monitoring will be aligned with the government's monitoring system, involving UPMA to make sure the NES is aligned with the SDP.

The implementation of the NES requires particular thought and consideration, as successful implementation depends on **coordination** across a wide range of policy areas and government ministries, and on the **capacity to implement** strategic interventions.

As per GTL's organic law, MECAE has the authority and responsibility of coordinating across a number of ministries and agencies, including SEPFOPE and other labour related institutions. SEPFOPE will have a leading role in implementing strategic interventions of the NES, but other ministries and government agencies will need to be involved. MECAE (coordination) and SEPFOPE (implementation) have a strong ownership and responsibility over the NES.

An inter-ministerial technical working group will be created to collaborate with the NES Secretariat in coordinating the implementation of the NES. This inter-ministerial group which will be chaired by MECAE, with representatives from several other institutions and high representation from the different departments in SEPFOPE. The members of the inter-ministerial group will be:

- Minister of State, Coordinating Minister for Economic Affairs (MECAE);
- Secretariat of State for Vocational Training Policy and Employment (SEPFOPE):
  - ◆ National Directorate for Employment (DNE)
  - ◆ National Directorate for Employment and Training (DNAFOP),
  - ◆ Labour Market Information System (LMIS),
  - ◆ National Labour Force Development Institute (INDMO).
- Ministry of Finance;
- Ministry of Education;

- Ministry of Social Solidarity;
- Ministry of Agriculture;
- Ministry of Tourism;
- Ministry of Planning and Strategic Investment;
- Ministry of Public Works, Transports and Communications;
- Ministry of Commerce, Industry and Environment;
- Secretariat of State for Youth and Sports;
- Secretary of State for the Support and Socio-Economical Promotion of Women;
- TradeInvest;
- National Development Agency.

The inter-ministerial working group will devote its effort to strengthen employment considerations across government and as such it will focus on: policy coordination and making sure employment considerations are well included in relevant action plans and government policies, as well as data and information sharing:

- **Policy coordination:** the inter-ministerial group will gather policies, strategies, programmes and AAP that have a bearing on the NES from the relevant ministries and government agencies with a view to both provide technical support and ensure that employment dimensions are adequately addressed.
- **Task forces:** with participants from the relevant ministries, government agencies and non-government bodies will be created. These task forces will be responsible for coordination, managerial and other support and monitoring of the implementation of the three strategic pillars under the NES. Tentatively, there will be three task forces: (i) a task force focused on labour demand, (ii) a task force focused on labour supply, and (iii) a task force focused on labour institutions.
- **Dissemination and exchange of information:** a strengthened economic and labour market information analysis unit will, as an important part of its mandate, develop formal channels across Government and with key non-government stakeholders to provide these with employment and labour market information and analysis.

Following approval of the NES, the members of the working group will be appointed and the task forces created.

## RECOMMENDATIONS FOR THE MEDIUM/LONG TERM

Efficient mechanisms and coordination structures with other Government ministries and agencies as well as with non-governmental stakeholders will be key for a successful implementation of the NES. The inter-ministerial working group (NES focal points in all the relevant Government ministries and agencies) and the task forces will contribute to this coordination.

In the long term a formal structure, a NES Secretariat, will need to be in place to coordinate and monitor long term implementation. The Secretariat should sit in a high level government agency, an agency that has an overall picture of the country's economy and can coordinate employment considerations across government policies. In the current government structure, MECAE is the institutions that fulfils these requirements. The NES Secretariat within MECAE (or equivalent institution in the next governments) will work with nominated focal points in member ministries of the inter-ministerial group to guide coordinated design of government policies, strategies and action plans, avoiding duplicities. The Secretariat will promote cooperation among ministries, foreseeing challenges ahead and adjusting future plans, and it will monitor overall progress of the NES.

The NES is a long term government strategy and as such it requires a permanent structure in place to make sure that short term target s and actions are aligned with the long term objectives of the strategy.

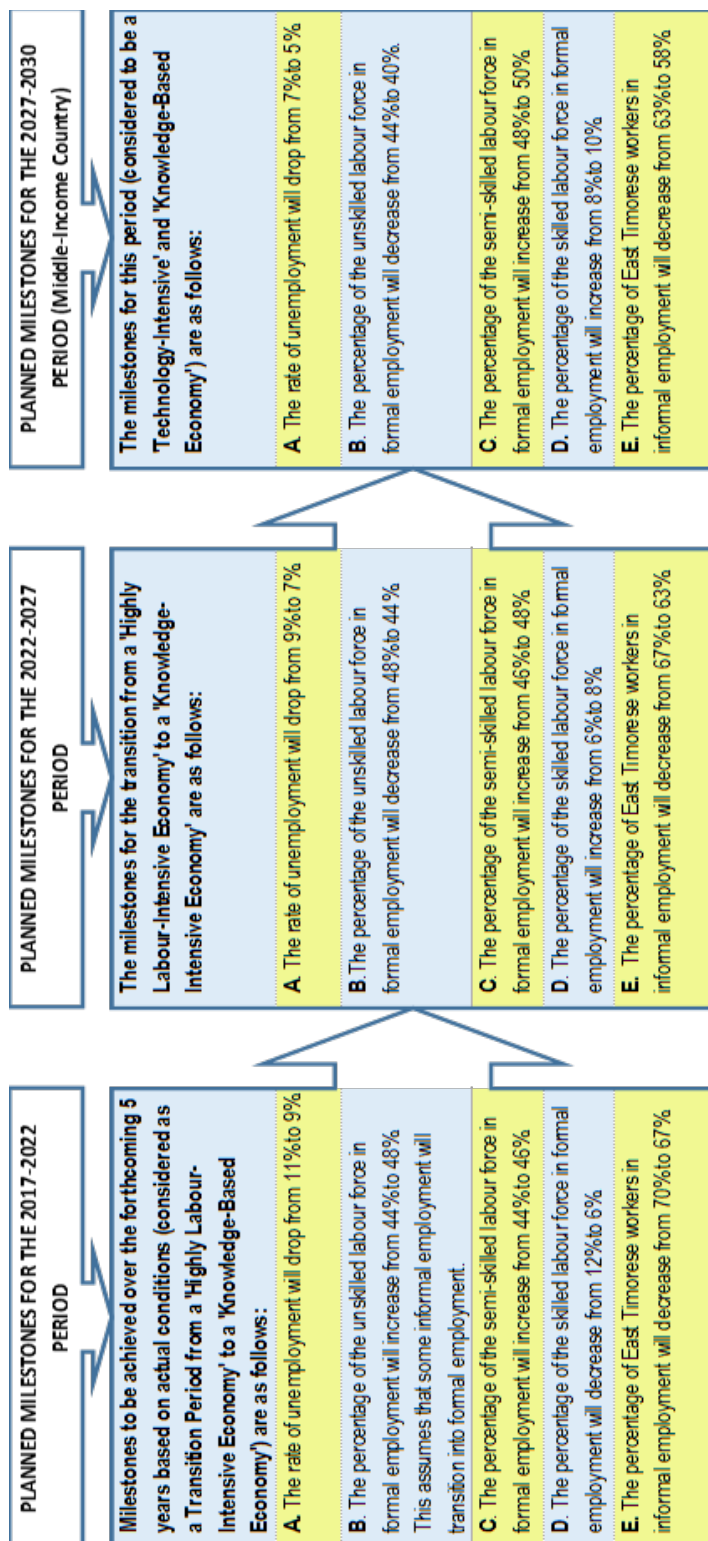
## **ANNEXES**

**ANNEX A: SUMMARY OF THE PLANNED 5-YEAR MILESTONES OF THE NES**

**ANNEX B: METHODOLOGY FOR IMPLEMENTATION**

**ANNEX C: THE STRUCTURE OF THE NES SECRETARIAT**

## ANNEX A: SUMMARY OF THE PLANNED MILESTONES OF THE NATIONAL EMPLOYMENT STRATEGY (NES)



## ANNEX B: METHODOLOGY FOR IMPLEMENTATION

The methodology that will be adopted by the NES to provide jobs for the East Timorese, in accordance with the aforementioned goals and time periods, will be based on:

1. Full consideration of the vision enshrined in the Strategic Development Plan 2011 – 2030;
2. Full consideration of the key impacts of the Guide for Reform and Economic Development;
3. Full consideration of the main impacts of the Sustainable Development Goals;
4. Full consideration of the TVET Plan and the existing Timor-Leste National Qualifications Framework (TLNQF);
5. Full consideration of the key impacts of Timor-Leste's accession to ASEAN (AEC – ASEAN's Economic Community), CPLP, g7+ and the Pacific Community;
6. Review of the Labour Law.
7. Strengthening coordination with:
  - a. National Procurement Commission (*Comissão Nacional de Aprovisionamento*, CNA) in connection with the Government's investment plan;
  - b. National Authority for Petroleum and Mineral Resources (*Ministério do Petróleo e Recursos Minerais/Autoridade Nacional do Petróleo e Minerais*, MPRM/ANPM), as regards Production Sharing Contracts;
  - c. Ministry for Planning and Strategic Investments, Ministry of Trade, Industry and the Environment and TradeInvest, as regards International Investments;
  - d. National Private Sector.<sup>27</sup>

This will be done in order:

1. To define the percentage of East Timorese workers with minimal, average and high skills that can participate in the labour market;
2. To facilitate training initiatives; to use work camps (*campos de trabalho*) as laboratories for practicing 'professional work experiences', not as sites for 'on-the-job training',

<sup>27</sup> The granting of subsidies or the waiving of charges should be perceived as an incentive, but the reciprocal benefits between Government, businesses and workers should also be borne in mind.

acquisition of skills, knowledge and behaviours; to acknowledge that investing in capacity-building is not the same thing as investing in the acquisition of knowledge and behaviours; to ensure the quality and skills of the graduating trainees; to consider various determining factors such as: duration of the training programme; availability of facilities and laboratory equipment required for practice; access to existing work camps or conditioned ones such as laboratories for practicing work experiences; to consider other determining factors as well such as trainers' teaching, adult education and technical skills and the institutional and administrative support.

3. To strengthen the coordination between the Secretariat of State for Vocational Training and Employment Policies/National Labour Force Development Institute (*Secretaria de Estado para a Política da Formação Profissional e Emprego/Instituto Nacional de Desenvolvimento da Mão-de-Obra*, SEPFOPE/INDMO), the Ministry of Education/National Agency for Assessment and Academic Accreditation (*Ministério da Educação/Agência Nacional para a Avaliação e Acreditação Acadêmica*, ME/ANAAA) and professional associations such as: the Engineers' Association, Medical Association, Lawyers' Association, Forum or Association of the Tourism and Hospitality Industry, the Timor-Leste Chamber of Commerce and Industry (*Câmara de Comércio e Indústria de Timor-Leste*, CCI-TL) and other professional associations, for them to focus on the development of the vocational training and education systems so as to address skills, knowledge and behaviours and to place a special emphasis on the training of East Timorese graduates who are not only 'qualified' but 'skilled' and with adequate training to meet the demands of the labour market, rather than to focus on producing graduates who will exhibit their qualifications but eventually reveal their incompetence when faced with a task to perform.<sup>28</sup>
4. To strengthen the coordination between the Minister of State and Coordinator for Economic Affairs (*Ministro de Estado, Coordenador dos Assuntos Económicos/Secretaria de Estado para a Política da Formação Profissional e Emprego*, MECAE/SEPFOPE) and the Ministry of Education, Ministry for Planning and Strategic Investments, Ministry of Finance and other ministerial departments to establish a balanced system, to monitor the annual output of the vocational training centres, including the public, private and public-private centres that engage in partnerships, higher education institutions and universities, as well as State or private agencies, taking into account the demand from the labour market in individual industries. Otherwise, the system may generate many graduates but the absence of work camps could give rise to social and political tensions. To consider the possibility of granting subsidies, bearing in

28 The development of the education and vocational training system should take into account the need to preserve Timor-Leste's natural resources and economic potential as well as the regional and global economic influences. The focus should be on harmonizing the national qualifications system with other regional qualifications systems, namely those of ASEAN (ARQF – ASEAN's Regional Qualifications Framework), CPLP and the G7+.



mind the existing economic circumstances and their evolution, as an incentive to vocational training centres, institutions of higher education and universities that implement vocational training and education programmes in specific industries. And possibly, to limit or reduce incentives in industrial areas where there is excessive supply (as a surplus of graduates will contribute to downgrade the economic and social status of the corresponding qualification) or for which demand is not very relevant.

5. To focus on training and education in entrepreneurship to support the establishment of Small- and Medium-Sized Enterprises.
6. To strengthen coordination with the Ministry of Foreign Affairs and Cooperation (*Ministério dos Negócios Estrangeiros e Cooperação*, MNEC) in order:
  - a) To use employment abroad programmes to enhance job opportunities for East Timorese workers and provide them with wages and income to support their individual and family economy as well as to use those job opportunities as laboratories to practice their skills, knowledge and behaviours so as to maximize their contribution to Timor-Leste's productivity and national development once they return home.<sup>29</sup>
  - b) To use Timor-Leste's political leverage to place East Timorese cadres in regional or international organisations such as: ASEAN, CPLP and g7+.
  - c) To use Timor-Leste's political leverage to secure new work camps for the professional practice of East Timorese citizens in regional or international organisations such as: ASEAN, CPLP and g7+
  - d) To control the visas issued to foreign workers in Timor-Leste, together with the Ministry of Home Affairs (Department of Immigration).
  - e) To strengthen coordination with the Secretariat of State for the Support to and Social and Economic Advancement of Women (*Secretaria de Estado para o Apoio e Promoção Sócio-Económica da Mulher*, SEM) to define percentages of women participation in vocational training and employment while keeping in mind the principles of professionalism, productivity and non-exclusivity.

<sup>29</sup> The possibility of designing plans and programmes to re-integrate in the East Timorese labour market workers who have been abroad so as to maximize their productivity should be considered. Such workers have had experiences of integration into countries with better economic and social circumstances than Timor-Leste can currently provide. It is therefore necessary to motivate them so that they will continue to contribute and work actively in the areas where they acquired experience abroad. For instance, they may have got used to being paid higher wages and enjoying a lifestyle and facilities that Timor-Leste cannot currently match. To keep these workers motivated and willing to contribute to the country's social and economic development through the professional experiences gained abroad, the Government should support those who are self-employed in establishing their own small businesses.

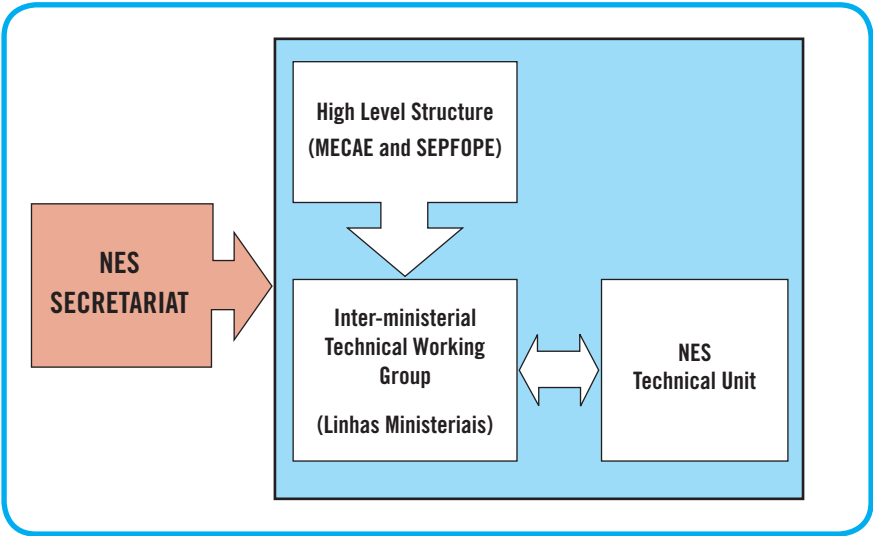
- f) To strengthen coordination with the Association of the Disabled of Timor-Leste to define percentages of inclusive participation of disabled persons in vocational training and employment, while keeping in mind the principles of professionalism, productivity in the workplace and non-exclusivity.
- g) To strengthen coordination between different ministerial departments with a view to developing vocational training and education programmes aimed at transforming a Labour-Intensive Economy' into a 'Technology-Intensive Economy' in areas such as the agro-food business, fisheries, manufacturing industries, oil, gas and minerals.<sup>30</sup>

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30 The possibility of developing skills and capacity in the production and maintenance of technological equipment produced in Timor-Leste should be considered to ensure sustainability and a return on the capital invested, thus strengthening the country's GDP and promoting the growth of its GNP. This would foster a 'Knowledge-Intensive Economy' in industrial areas and especially in the services area, e.g. transport and telecommunications industry, retail/shops or supermarkets, tourism, hospitality ICTs, finance and administration and would promote productivity, cost- and quality-based competitiveness and ensure Timor-Leste's economic sustainability .

ANNEX C: THE STRUCTURE OF THE NATIONAL EMPLOYMENT STRATEGY (NES) SECRETARIAT

To ensure that the NES programme is implemented in accordance with the objectives set in its policy document, the following structure is proposed for the NES Secretariat:



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