

SIERRA LEONE 2014 LABOR FORCE SURVEY REPORT

Executive Summary, September 22, 2015



WORLD BANK GROUP



**International
Labour
Organization**

Background¹

This report seeks to contribute to solutions to the jobs challenge in Sierra Leone through a foundational analysis of the country's first specialized labor survey in nearly three decades. Jobs are critical to poverty reduction and inclusive growth in Sierra Leone, where more than half the population is poor and most are dependent on labor earnings. Adding to the jobs challenge is the young and growing population and therefore the need for substantial job creation, coupled with low labor intensity in the mining sector, which has been driving recent growth. Beyond job creation, in a context where most workers are engaged in low productivity jobs, improving the quality of jobs is critical for poverty reduction. Given that Sierra Leone is a post-conflict country, jobs are also central to sustained stability. Yet, despite the importance of jobs for Sierra Leone, the design of policies and interventions to promote these opportunities has been constrained by a limited knowledge base. This report seeks to narrow these gaps by providing a picture of the jobs landscape based on the country's first labor force survey since 1984.

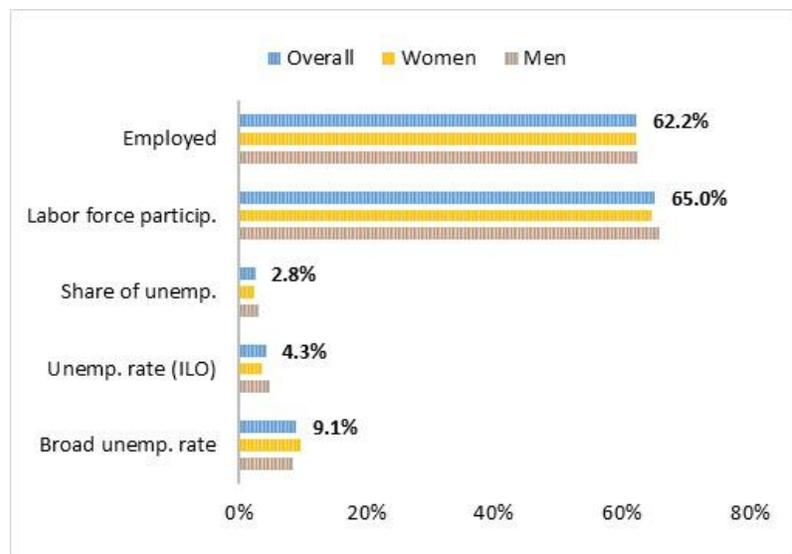
Overview of Sierra Leone's labor market

Most of the country's working-age population is in the labor force, and women participate almost as much as men. Over 65 percent of Sierra Leone's working-age population, which represents nearly 2 million people, participates in the labor market. Of those people not working, the differences between men and women are small (65.7 percent participation among men; 64.7 percent participation among women). Young women are much more likely than young men to be in the labor market (39.4 percent versus 29.5 percent, using the definition of the International Labour Organization [ILO]), although this gap fades with age.

Among those who do not participate in the labor market, the main reason is attendance at school or training programs. Overall, 54.1 percent of the inactive population was in school or in training. The second most frequent explanation (16.1

percent) for not participating in the labor market is lack of financial or other resources for starting a new business. Taking care of their own household or family affects 9.8 percent of the nonparticipants, and the lack of skill requirements or experience was cited by 4.5 percent as their reason for not

Sierra Leone's key labor market indicators, by gender



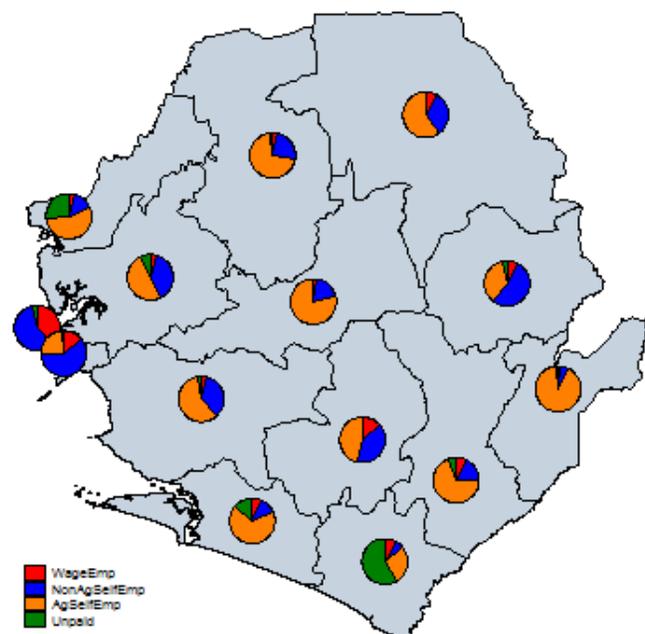
¹ The findings, conclusions and views expressed in this report are entirely those of the authors and should not be attributed to the World Bank, its executive directors and the countries they represent.

participating. Much more than men, women report that family responsibilities are the reason they do not participate.

Unemployment is relatively low, but this masks significant variation across districts and subgroups. Of the working-age population, 62.2 percent were employed, and 2.8 percent were unemployed, as defined by the ILO.² The most significant variation in employment rates was across age-groups, education levels, urban-rural status, and regions. The highest employment rates were found in rural areas and among the most (and least) well educated. Unemployment rates varied substantially across population subgroups. The highest rates were found among youth, men, migrants, urban residents, especially in the Western Area, and among those with at least an upper-secondary education.

Most workers are employed in relatively low productivity jobs in farm and nonfarm self-employment; fewer than 10 percent are in wage employment.³ The vast majority (59.2 percent) of employed individuals aged 15–64 work in agricultural self-employment. Another 31.3 percent work in nonagricultural self-employment, mostly in microenterprises as traders or shopkeepers. Unpaid workers add an additional 7 percent to total employment. After agriculture (61 percent of all jobs), the service sector is the second-largest employer at a national scale (33 percent), although there is significant regional variation. Personal networks are important for the labor market as the majority of the workforce—especially those with lower educational attainment—seek and obtain their jobs through family and friends.

Types of jobs, by district



Capital is a key constraint to entry into the labor force. Over two-thirds of the 9 percent who are broadly unemployed were not actively seeking work.⁴ Over half (56 percent) of the broadly unemployed who were not searching for work lacked the capital or resources to start a business; ongoing schooling was the second most frequent explanation (11 percent). Lack of skills was cited by 10 percent, while only 8 percent were discouraged or thought no jobs were available, and less than 1 percent did not want to work. The lack of search effort varies across regions and subgroups. Fewer broadly unemployed

² This refers to the share of unemployed (i.e., the total unemployed divided by the total working-age population), while the unemployment rate (4.3 percent) is calculated as the total unemployed divided by the total workforce (working-age population unemployed plus employed, excluding those who do not participate in the labor market).

³ See “Indicators on job types and main sectors” in the Appendix for details on how job types are defined.

⁴ Those who were not working but available for work is referred to as “broad unemployment”, to distinguish from the ILO definition of unemployment, which requires an individual to actively search to be considered unemployed.

women actively search relative to their male counterparts (25 percent vs. 38 percent). The highly educated tend to search more (70 percent) than those with no education (20 percent).

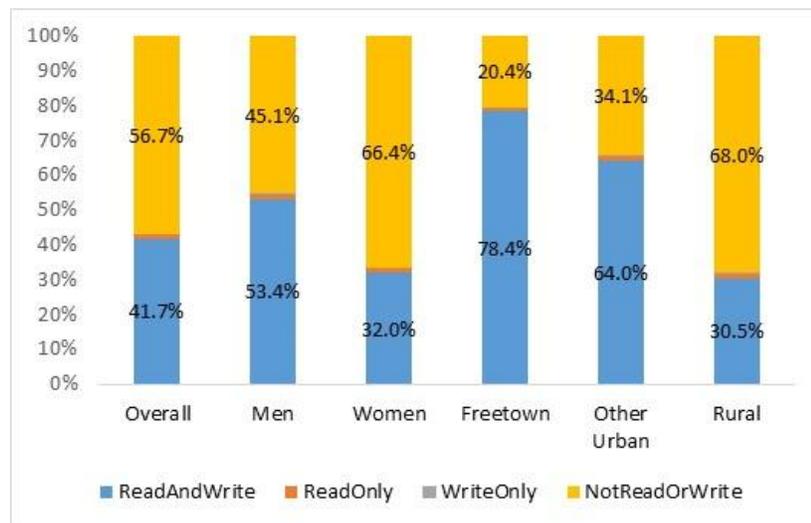
A significant proportion of employed workers would like to work more hours, and the share is higher in Freetown and among certain subgroups. Almost one-third of all workers would like to work more hours. The share is 47 percent in Freetown, compared with 32 percent in rural areas. Nearly one-third of part-time workers are working less than they would like. Underemployment is highest among residents of Freetown, youth, men, and individuals with tertiary degrees. While wage workers have less control over their hours and are thus more often underemployed, the self-employed also work less than they desire, likely reflecting weak demand or other constraints to the expansion of business activities.

There is significant inequality in earnings across subgroups, but inactivity contributes most to household income poverty. Earnings vary substantially across job types and, within job type, across gender and educational attainment. Jobs in mining, Freetown, and private sector wage employment provide the highest earnings. Gender gaps in earnings are stark: holding other characteristics constant, the results show that men earn nearly three times as much as women in wage employment, more than 2.5 times in nonfarm self-employment, and nearly double in agricultural self-employment. Among people in wage or agricultural self-employment, there are large earnings gaps between individuals with tertiary education and individuals with less education. However, employment is more closely associated with income poverty than skills, job type, sector of activity, or even earnings while employed. Inequality across household incomes is also high, while the coverage of programs to help the most vulnerable access job opportunities is limited.

Skills

Educational attainment and literacy rates among the working-age population are low, and there are large differences by gender and location. More than half the working-age population (56.7 percent) cannot read or write. A similar proportion have never attended school, and, among these, almost all are illiterate. Financial constraints are the main reason cited among those

Literacy rates, by gender and location



who have never attended school. Most (about 8 of 10 individuals) have attained, at most, primary education, while only a small fraction have completed higher education. There are large gender gaps in both the illiteracy rate and the proportion of people who have never attended school. Educational attainment and literacy rates among the working-age population largely mirror the urban-rural distribution. Individuals in Freetown are the most well educated and literate, followed by residents in

other urban areas, and, lastly, residents in rural areas. Most individuals are educated at public institutions; a relatively small proportion pursue training or apprenticeships.

Higher skill levels are associated with higher earnings, but most of the variation is at the tails of the distribution. There is a large jump in earnings among people with some primary relative to those with no schooling, and, similarly, among those with postsecondary education relative to those who have completed secondary education. However, in the middle of the education spectrum, the returns to education do not vary much. To see earnings gains from vocational training, participants must obtain certificates or diplomas; there is no significant boost to median earnings associated with serving apprenticeships.

Farming and nonfarm household enterprises

The majority of households and those employed within them are engaged in agricultural activities, and women constitute a larger share than men among these workers. Most households (72.8 percent) include at least one household member involved in agricultural activities, and about half of all households (49.6 percent) include at least one member engaged in a nonfarm household enterprise. A nonnegligible proportion of households and individuals diversify labor across farm and nonfarm self-employment (22.6 percent and 26.1 percent of those in nonfarm work, respectively). In both farm and nonfarm self-employment, women represent a larger share of the employed (53.5 percent and 63.8 percent, respectively). However, in terms of hours worked, men carry a larger burden of agricultural activities relative to women.

Educational attainment is lower among people working in agricultural self-employment than among the overall population and the nonfarm self-employed. Most of the agricultural self-employed (80 percent) never attended school, compared with 67.5 percent of the overall working-age population and 59.9 percent of the nonfarm self-employed. The vast majority of household enterprise workers (85.6 percent) work in enterprises that do not keep financial records for the business separate from the financial records for the household, indicating low financial literacy.

Capital—typically sourced from family and friends—is a key constraint on the quantity and quality of jobs among household enterprises. Nearly half (47 percent) of household enterprises report that they are unable to borrow the necessary capital for the business. The initial level of capital invested in household enterprises is positively related to enterprise size, revenues, and profits, indicating difficulties in obtaining capital may be limiting firm growth and productivity. Among those households able to borrow, start-up capital tends to be obtained from family and friends (40 percent); little capital is obtained from formal financial institutions (3 percent), pointing to incomplete credit markets. Credit constraints are also associated with more

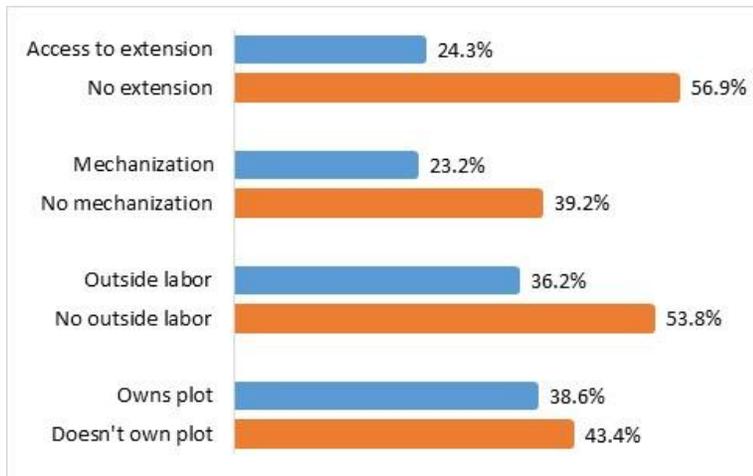
Source of capital (% of household enterprises)



variable enterprise locations; variable locations are common (affecting 42.1 percent of household enterprises), but may further limit investments, for example, if assets cannot be properly secured.

Capital is also a key constraint to increased productivity in agricultural self-employment. Almost 40 percent of agricultural workers live in households that face credit constraints, which are associated with less use of technology, inputs, extension services, and, ultimately, output, and profits. More than half of plots (63.9 percent) have no irrigation and do not use fertilizer (65.5 percent), and only 4.6 percent of agricultural workers belong to households that have access to extension services for farming activities.

Capital constraints and access to agricultural inputs and services



While more than half of plots (69.2 percent) use purchased seeds, the data suggest that capital constraints may be preventing households from investing in more productive, costlier inputs that could, in the absence of these constraints, increase income.

There are notable gender gaps in land and business ownership and in the resulting profits. Most agricultural plots (67.8 percent) are owned by men, and women typically own smaller plots (8.3 acres vs 11.1

acres). In terms of household enterprises, although most are microenterprises, men tend to own slightly larger enterprises relative to women and are more likely than women to hire labor. And, although women are concentrated in nonfarm self-employment activities, male-owned enterprises have median monthly profits that are almost double those of female-owned enterprises.

Informality

Informality is pervasive in Sierra Leone, and formal work is restricted to the few most highly educated workers. Over 35 percent of wage jobs and over 88 percent of nonagricultural self-employment are informal. The share of formal wage jobs is more than five times larger than the share of jobs in registered household enterprises involved in nonagricultural self-employment. Among wage workers, formal wage jobs are considered good jobs because these workers earn more, on average, than informal wage workers. The likelihood of working in a formal job, whether in wage employment or nonagricultural self-employment, is greater among men than among women and increases with educational attainment. Wage jobs in agriculture are almost never formal.

Youth

Youth—who represent the majority of the working-age population—participate less in the labor market and fare worse in terms of employment and unemployment. Youth (the 15–35 age-group) represent the largest share of the overall population (66 percent) and more than half the employed population (56 percent). Relative to older people (36–64 age-group), the share of youth both in the labor force and among the employed is much smaller, about a 30 percentage point difference relative to

the older group. A significant portion of this difference arises because many youth are still in school and not simultaneously working. The unemployment rate is also higher among youth than among older people (5.9 percent versus 2.2 percent). The highest unemployment rate across subgroups occurs among young men (7.7 percent), particularly those who live in Freetown (14.0 percent). On the other hand, the differences in the type of job and the sector of employment are not large between youth and older people; most youth work in low productivity jobs.

Youth have higher literacy and more educational attainment relative to previous generations, but, otherwise, seem to acquire skills in a similar way. Literacy rates and educational attainment are higher among youth than among older people in the working-age population. The skill composition among youth varies across districts and provinces, but the Western Area leads in terms of years of education. The proportion of youth engaging in vocational training and apprenticeships is similar to the proportion among the overall working-age population. There is a drop-off in average years of vocational training and apprenticeships among older age-groups of youth, implying a trend among younger cohorts to stay in school longer. However, the fact that average years of schooling fluctuates around age 24 may reflect the impact of the civil conflict on human capital accumulation among people of school age during the war.

Gender gaps in educational attainment persist among youth, but are smaller than the corresponding gaps among older generations. Young women have an average of around 7 months less education than young men. Girls tend to leave school at slightly earlier ages than boys, and high rates of teenage pregnancy are likely reinforcing these gender gaps: among young women, 66.5 percent had their first child between the ages of 15 and 19. However, the necessity to start working also plays a role because young girls also begin working in almost equal proportion after they exit school.

