IMPROVING ACCESS TO JOBS FOR THE POOR AND VULNERABLE IN SOMALIA

Poverty and Equity Global Practice ■ Africa Region

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ABBREVIATIONS AND ACRONYMS

DNS	Directorate of National Statistics
DRC	Democratic Republic of the Congo
ES	Enterprise Survey
FCV	Fragility, Conflict, and Violence
FDI	Foreign Direct Investment
FGS	Federal Government of Somalia
FLFP	Female Labor Force Participation
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries
I2D2	International Database of Income Distribution
ICLS	International Conference of Labour Statisticians
IDP	Internally Displaced Persons
IFI	International Financial Institutions
ILO	International Labour Organisation
IOM	International Organization for Migration
LFS	Labor Force Survey
LU	Labor Underutilization
NEET	Young people not in education, employment or training
NGO	Non-governmental Organization
PPP	Purchasing Power Parity
SHFS	Somali High-Frequency Survey
SHFPS	Somali High-Frequency Phone Survey
SSA	Sub-Saharan Africa
TFR	Total Fertility Rate
TVET	Technical and Vocational Education and Training
UK	United Kingdom
UNDESA	United Nations Department of Economic and Social Affairs
US	United States
WDR	World Development Report

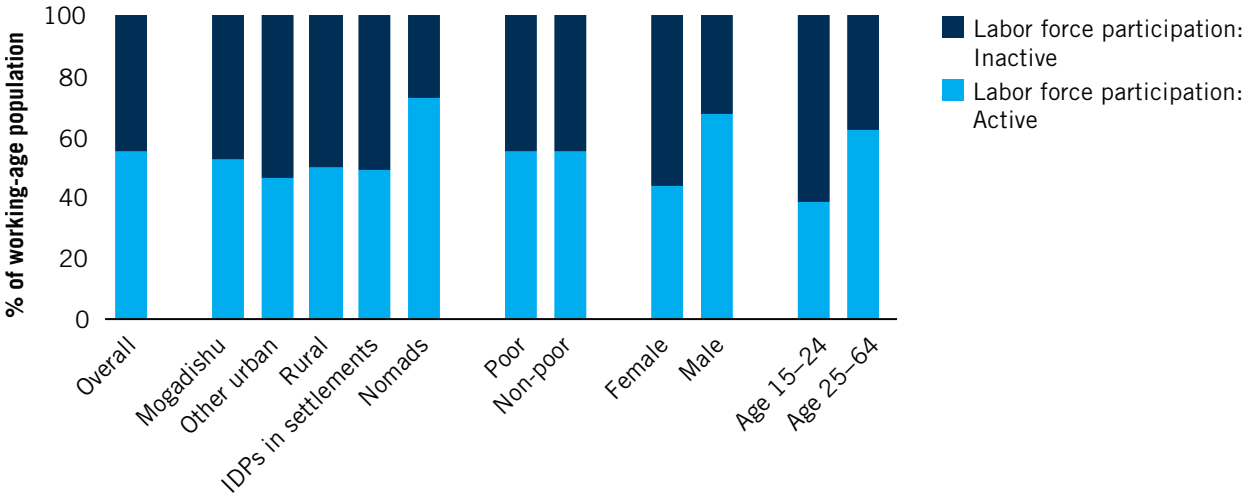
EXECUTIVE SUMMARY

Jobs are vital for individuals to work their way out of poverty and for promoting shared prosperity. This publication seeks to assess the jobs situation in Somalia and its links to poverty and vulnerability. The report intends to help inform policies to promote better and more inclusive jobs that will improve living conditions. In a country with few formal social safety nets, and where peace and state-building is steadily underway following decades of conflict, establishing a jobs strategy and adaptive social protection systems are key to strengthening citizen trust in state institutions. We use data from Wave 2 of the Somali High Frequency Survey (SHFS) to examine the extent of working-age population engagement in the labor market, the composition and inclusiveness of jobs, and key employment obstacles preventing individuals from fully participating. We pay special attention to jobs outcomes for poor and vulnerable groups, such as women, youth, and internally displaced persons (IDPs).

While making progress on peace, political stability, and rebuilding the economy, Somalia remains among the poorest and most fragile countries in the world. Having suffered 2 decades of civil war and associated conflict, the country and its people face a range of challenges. Nearly 70 percent of Somalis live below the international poverty line, and 90 percent live in multidimensional poverty. Security threats and natural disasters—together with limited household coping mechanisms and limited access to insurance and social protection—have taken a toll on the poor, contributing to displacement and vulnerability. The coronavirus disease 2019 (COVID-19) has exacerbated already dire and social conditions (see Appendix C for discussion on impacts of COVID-19). Somalia's economy is growing at a moderate pace, but prospects for significant welfare improvements for its rapidly expanding population are constrained. Moreover, Somalia's economy remains highly informal, providing jobs that tend to be precarious and offering little labor protection.

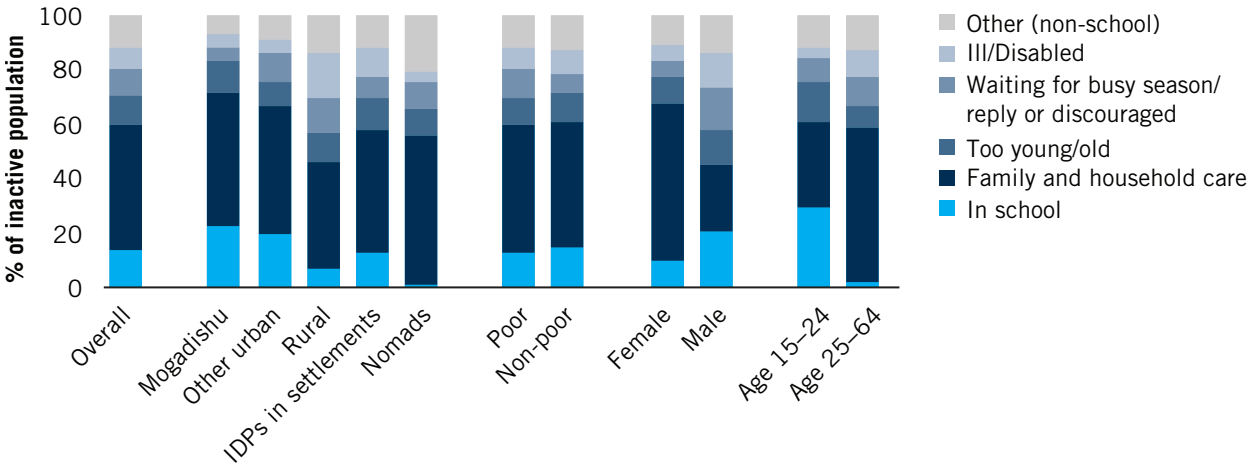
Labor force participation is limited and coupled with high disparities, especially for women and youth. Labor force participation in Somalia is moderately low and lagging many other Sub-Saharan Africa (SSA) countries. Just over half of the working-age population aged 15–64 (55 percent) is employed or actively seeking employment. The other half is neither working nor looking for work, and thus considered economically "inactive". Only 43 percent of Somali women actively engage in the labor market compared with 67 percent of men. Relative to other SSA countries, Somalia has the lowest female labor force participation (FLFP) rates for women and the largest gap between men and women. Somali youth are also more likely to be economically inactive. Only 39 percent of youth (aged 15–24) participate in the labor force compared with 62 percent of adults (aged 25–64). While youth worldwide generally have lower labor participation, few countries have youth participation rates as low as Somalia. Further, labor force participation increases only moderately with age, as only 2 in 5 youth work in Somalia compared to only 3 in 5 young adults (aged 25–35).

Labor force participation is limited with high disparities against women and youth



Source: Authors' calculations based on the SHFS 2017–18.

Almost half of those outside the labor force are engaged in unpaid care and domestic work



Source: Authors' calculations based on the SHFS 2017–18.

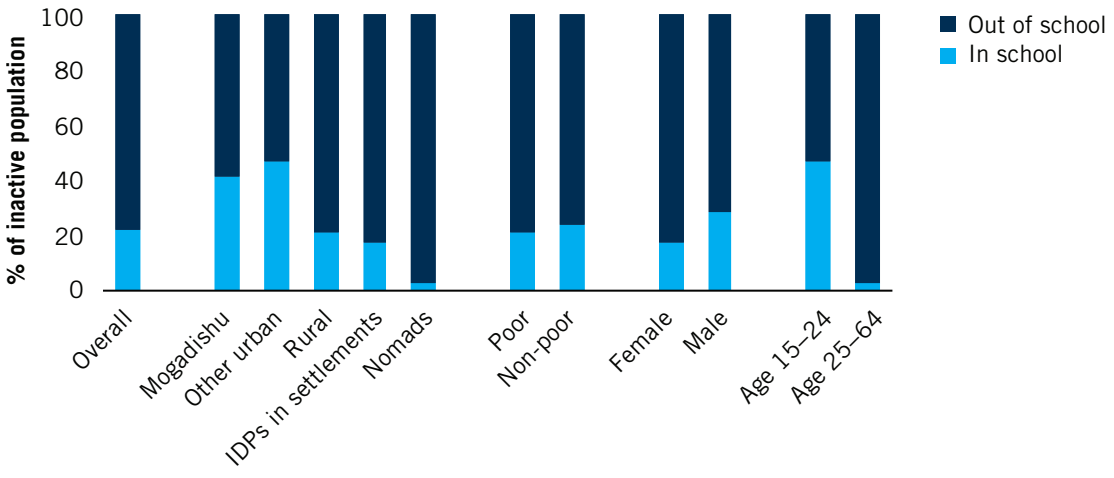
Unpaid care and domestic responsibilities are the main obstacles Somali women face to participating in the labor force, while market-related factors predominate for men. Nearly 46 percent of the economically inactive population use time to care for family and households. However, women are more than twice as likely as males to remain outside the labor force because of unpaid care and domestic work. Almost 58 percent of women, compared with 25 percent of men, do not seek a job on account of family responsibilities. While family responsibilities hold both men and women back from looking for a job, market-related reasons are also a notable obstacle for men. About 28 percent of economically inactive men are not seeking work because they believe

they will not find a job or that the conditions are not right for them to take up a job. This includes persons who are waiting for the "busy season", discouraged in their job search, or whom prospective employers consider to be "too young" or "too old".

Low labor participation and school enrollment puts women at greater risk for labor market and social exclusion. The low share of inactive women enrolled in school suggests that entrenched social or cultural barriers depress both female school enrollment and labor force participation. Only 18 percent of inactive women are enrolled in school compared with 28 percent of inactive men. Gendered divisions of unpaid care responsibilities and cultural pressures for early family formation are at the root of leaving school early and the challenges women face establishing themselves in the labor market. Further, greater domestic responsibilities increase the likelihood women will engage in low-wage and vulnerable employment in their struggle to balance employment and family responsibilities.

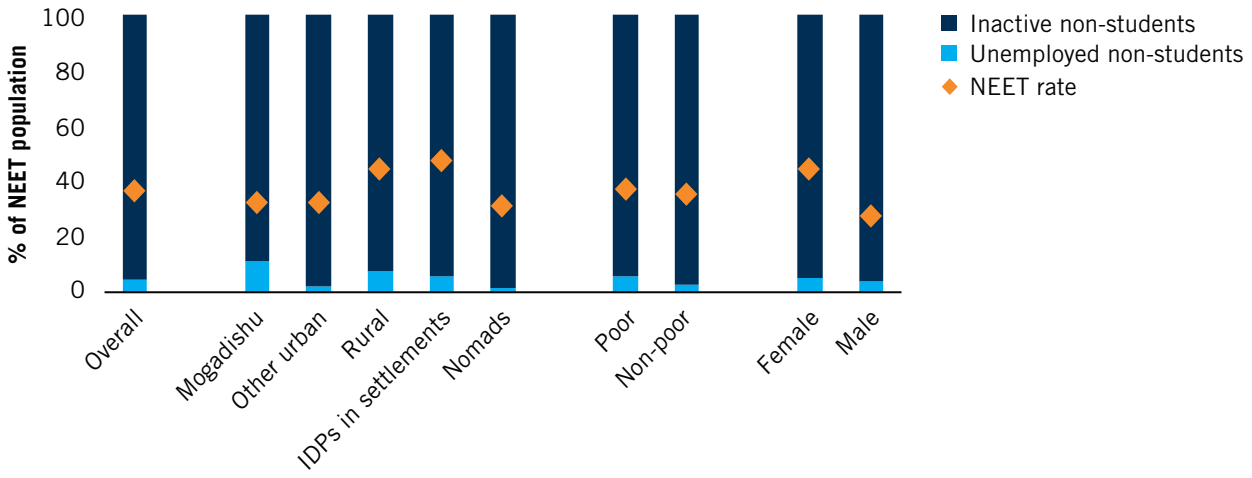
Young people's have extremely limited engagement in the labor market. The persistence of a very high proportion of youth "Not in Education, Employment, or Training" (NEET) decreases life-long earning potential and human capital formation. Among the 3 in 5 youth who are economically inactive, over half are not enrolled in school. In addition to inactive non-students, there are unemployed non-students. Together, they form the NEET population. Over 36 percent of young Somalis have NEET status, many of whom are young women. In Somalia, NEETs are predominantly inactive non-students rather than unemployed non-students, regardless of their poverty status, gender, or area of residence. This suggests joblessness among young people is one largely of inactivity rather than unemployment. Non-participation in both the labor market and the education system slows human capital formation: such young people are neither gaining experience in the labor market—therefore not earning an income from work—nor improving their skills and knowledge from schooling. This lowers present and future employment and earnings prospects, and traps many into poverty. The resulting frustration can fuel unrest and jeopardize prospects for long-term peace and stability.

Only half of inactive youth and one-fourth of inactive women are enrolled in school



Source: Authors' calculations based on the SHFS 2017–18.

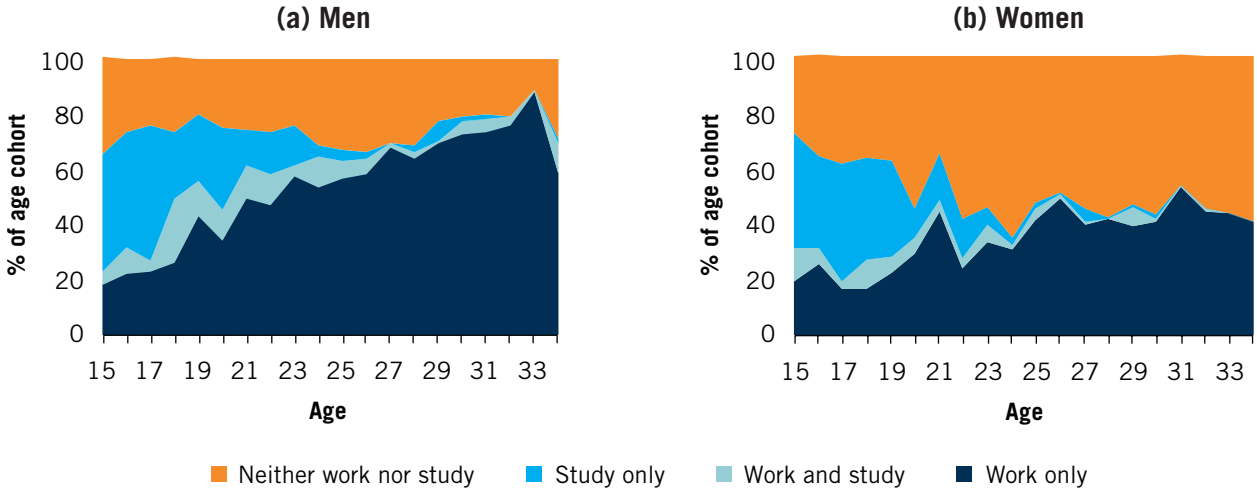
The overwhelming majority of NEETs are inactive non-students



Source: Authors' calculations based on the SHFS 2017–18.
Note: Youth are defined as 15–24 years. NEET are defined as youth "Not in Education, Employment, or Training" (NEET).

Young women and non-urban youth are more likely to be NEET and are at most risk for labor market and social exclusion. Early family formation and disproportionate responsibility for household and family duties produces gendered outcomes, pushing young men into the labor force and driving young women to leave school early and to limit their labor force attachment. As such, the gender gap in labor force participation emerges early in life and widens with age, as evidenced by the school-to-work transitions. While most young men transition out of school to work, young women transition into NEET status. Since many more women do not enter the labor market compared to those who do, the NEET status of women more than doubles between the age of 15 and 34. The exclusion of young people in rural areas and IDP settlements stems from lack of both job and education opportunities. The least-educated youth are most at risk of being NEET, but those with higher education are not exempt. Overall, school-to-work transition for young people is modest, and many young Somalis enter low-quality jobs while others remain jobless.

While men largely transition from school to work, women transition into NEET status

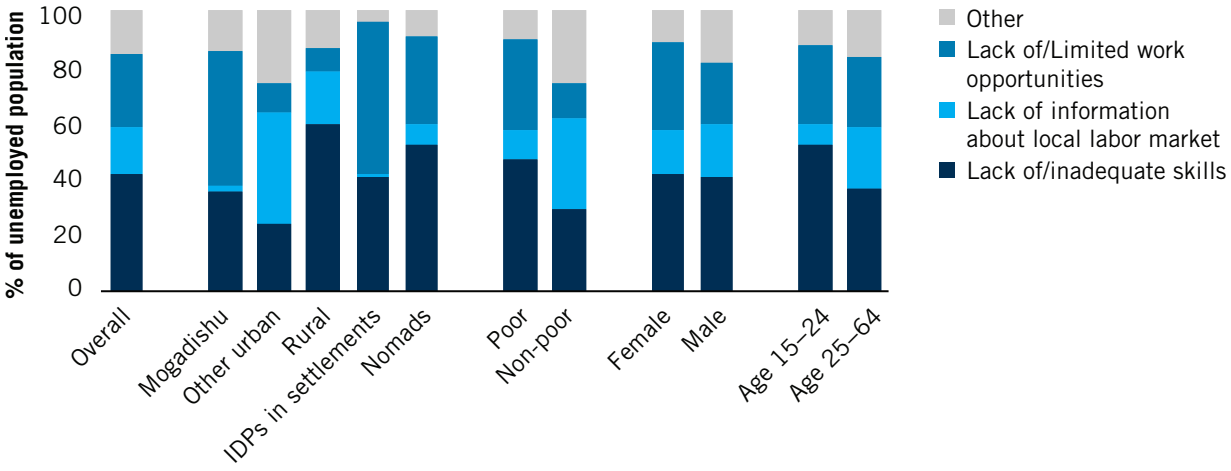


Source: Authors' calculations based on the SHFS 2017–18.

High labor market entry barriers lead to jobseekers spending considerable time out of work and searching. Over two-thirds of unemployed persons spent at least 8 months out of work, and over half spent at least 8 months looking for a job. Extended unemployment and job search are more common among women, youth, and the poor. Unemployment spells of at least 8 months were high among women (74 percent) compared with men (54 percent), youth (70 percent) compared with adults (61 percent), and the poor (68 percent) compared to non-poor (54 percent). Similarly, job searches lasting 8 months or more were considerably higher among women (57 percent) compared with men (46 percent), youth (60 percent) compared with adults (48 percent), and the poor (60 percent) compared with non-poor (34 percent). Mogadishu dwellers and IDPs in settlements also experience relatively longer periods of unemployment and job search. Long-term unemployment can exacerbate poverty and vulnerability to negative shocks. In addition to inducing household financial strain, long-term unemployment can increase discouragement, resulting in economic inactivity and adversely affecting outcomes such as health.

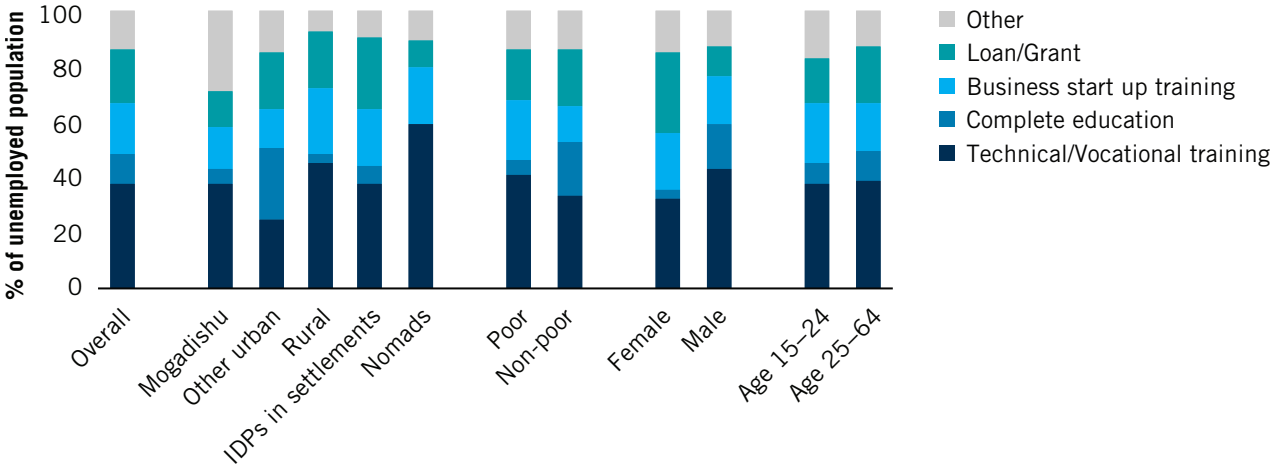
Two-thirds of jobseekers perceive their lack of skills and insufficient job opportunities impede finding work. The unemployed poor, youth, and non-urban populations perceive skill deficits as more of an obstacle, while Mogadishu dwellers and IDPs perceive insufficient work opportunities as more pressing. These challenges point to an insufficient number of jobs and a mismatch in supply and demand for skills. Lack of information about the local labor market also hinders 1 in 5 jobseekers from finding employment. Many job openings in Somalia are not widely advertised, and having the right social connections is often needed to secure employment. Labor market "frictions", such as skills mismatch and information imperfections, hinder matching of jobseekers with job openings. This creates inefficiencies, which can lead to prolonged periods of unemployment, low wages and benefits, and stunted productivity. Consistent with the need for skills improvement and more jobs, the unemployed view vocational training and both training and financing for a business start-up as more essential to securing employment than completing an education.

Inadequate skills and limited work opportunities are major obstacles for finding employment



Source: Authors' calculations based on the SHFS 2017–18.

Vocational training and business start-up training and financing are needed to secure employment



Source: Authors' calculations based on the SHFS 2017–18.

Micro, small, and informal business employers in Mogadishu and Bosaso do not seem concerned with the skills or education levels of the available workforce. More than half of micro, small, and informal firms in Mogadishu indicate that some of their employees possess skills that exceed their business needs. This is consistent with higher educational attainments among urban dwellers, for whom education is more accessible. This also suggests that labor demand among these small and informal businesses is largely for low-quality jobs, pushing some workers into jobs for which they are overqualified. While Mogadishu and Bosaso firms are generally able to find adequately qualified workers, they report substantial deficits in foreign language and managerial skills. Rather than an inadequately educated workforce, unfavorable business conditions—such as limited access to land and finance, and corruption—constrain business operations in these cities, limiting job creation and economic growth.

The main challenges to job creation in Somalia are weak economic growth and demographic pressures, which limit capacity to absorb current and future workers. Labor is massively underutilized in Somalia and many workers cannot access productive employment opportunities. Labor underutilization reflects lack of jobs available and paid hours to meet the needs for employment.[1] It exists in various forms, including underemployment, unemployment, and lack of ability to absorb potential entrants. A significant share of Somalia's underutilization of labor is "hidden" and not counted in standard unemployment statistics: there are those outside the labor force who do not bother to look for a job because of labor market-related reasons. Among those employed, almost 20 percent want to work more hours regardless of actual hours worked, reflecting a less than satisfactory employment situation. The combined rate of unemployment, discouraged workers, and unavailable jobseekers in Somalia is around 16 percent.

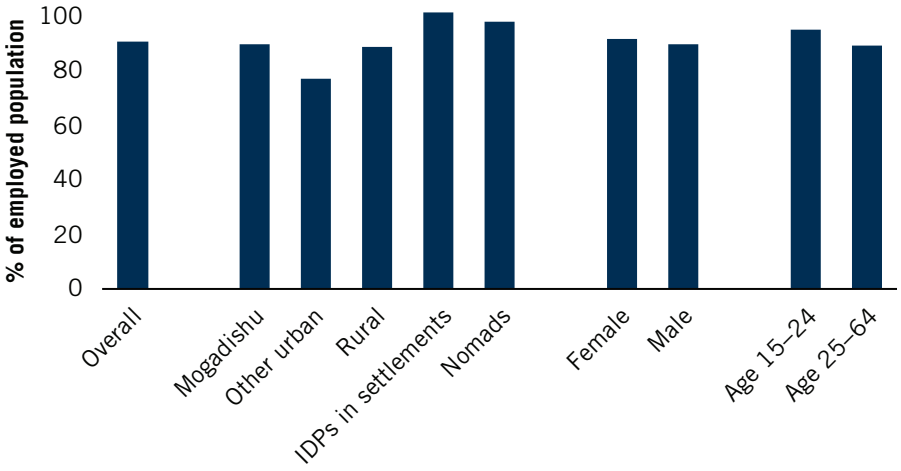
Labor underutilization is greater among youth aged 15–24 than young adults aged 25–35 (see Appendix A for definition). Unemployment for young people is almost twice as high as for young adults, while underemployment is equally high between the two groups. The combined rate of youth unemployment, discouraged workers, and unavailable jobseekers in Somalia is around 30 percent, suggesting many are either discouraged or face barriers in seeking work, and that the mismatch between labor supply and demand is more acute for youth than for young adults.

Having a job is not sufficient to keep Somalis out of poverty. Most jobs in Somalia are "low quality", which translates into underemployment and high working poverty. About two-thirds of workers (63 percent) live in extreme poverty despite having a job, suggesting that most jobs do not provide enough hours or pay. All workers—regardless of age, gender, or area of residence—face high rates of poverty. Moreover, working poverty rates and poverty rates are largely (statistically) indistinguishable, indicating that those who are working are not less likely to live in poverty than those outside the labor force. The poor are also more likely to report underemployment despite already working more hours than the non-poor. The sheer magnitude of the working poor suggests that most jobs in Somalia are of insufficient quality to lift people out of poverty. In addition to lack of jobs and low social protection, poverty in Somalia is also a result of lack of decent jobs with high enough pay. Informality is the source of the problem of lack of decent work.

Self-employment is the predominant form of work in Somalia, especially for women and youth. About 64 percent of workers are self-employed. Non-agricultural work dominates both self-employment (61 percent) and paid employment (85 percent), making non-agricultural self-employment the largest source of employment (39 percent), and non-agricultural wage employment

1 ILO (2020c).

Almost two-thirds of those employed are working poor



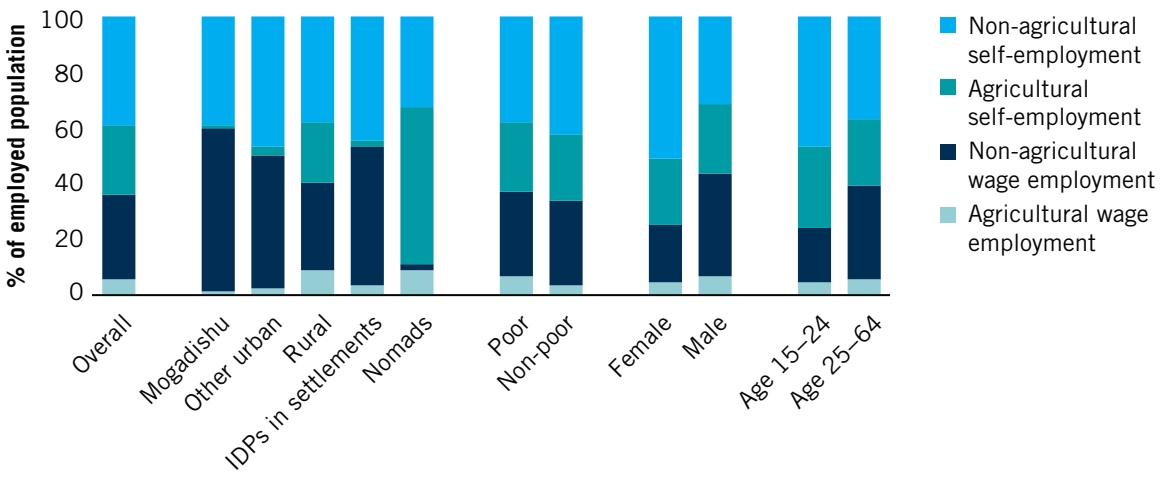
Source: Authors' calculations based on the SHFS 2017–18.

the second largest (30 percent). Although many rural, self-employed Somalis work in agricultural activities, 61 percent also work in non-agricultural activities, highlighting the importance of non-farm incomes. Self-employment is especially an important form of work for women and youth. Three-quarters of women and young workers are self-employed, among which two-thirds work in non-agricultural activities. As a result, half of female and youth workers are non-farm, non-wage workers compared with one-third of men and adults. Thus, women and youth have less access to salaried income and are more likely to engage in more vulnerable forms of employment.

When young people enter the labor force, they start almost exclusively self-employed and gradually transition to wage employment. At age 15, almost 95 percent of young workers are self-employed, equally participating in agricultural and non-agricultural activities. Over time, they gradually move out of self-employment and into wage employment, with most moving out of agricultural and into the non-agricultural sector. By age 34, about two-thirds of the cohort are self-employed, while one-third are engaged in non-agricultural wage employment. Only a small share remains in agriculture, signaling a desire for more non-agricultural employment among young people. The dominance of self-employment in early life points to insufficient wage jobs available in the economy, and suggests that promoting more productive micro-entrepreneurship can improve youth employment and earnings.

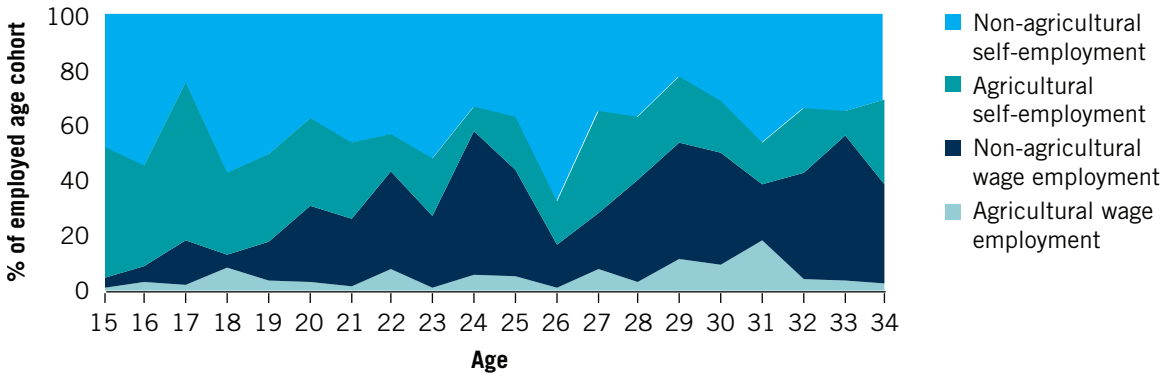
Displacement shifts employment from agricultural to non-agricultural livelihoods. Many displaced Somalis moved from rural areas into settlements, cities, or city outskirts. Most of the shift in employment for IDPs is towards non-agricultural wage employment, although most of the employment remains in non-agricultural self-employment. Relative to other urban dwellers, IDPs less often rely on salaried labor and more on family businesses and informal employment, suggesting that the shift to non-agricultural wage employment does not necessarily improve access to decent work or reduce vulnerability. As a result, IDPs remain among the poorest groups in Somalia. Their average level of consumption also tends to fall much further below the poverty line than other groups, excluding rural dwellers. IDPs also have the highest rate of working poverty (70 percent), further pointing to insufficient access to quality work.

Most employment is self-employment, especially non-agricultural self-employment



Source: Authors' calculations based on the SHFS 2017–18.

Young people start off almost exclusively in self-employment but gradually transition into wage employment



Source: Authors' calculations based on the SHFS 2017–18.

Policies and strategies for reducing poverty and vulnerability in Somalia must generate both more and better jobs, as well as increase worker employability and social protection. More, better, and inclusive jobs are needed to raise incomes of poor Somalis. Meanwhile, social protection schemes are needed to strengthen household resilience against shocks and preserve assets the poor need to build wealth, make investments, or offer collateral for loans. Somalia can reduce poverty through employment with 3 key actions: (a) generate more employment through growth and financial inclusion, (b) generate better employment through long-term development of the formal sector, and (c) increase employability through education and training programs. Reducing vulnerability through provision of public services and assistance requires 3 more actions: (a) expand social protection to the most vulnerable, (b) expand access to education, and (c) improve transport infrastructure to facilitate labor mobility.

Economic growth and financial inclusion are needed to create more jobs, while improving the business environment will help create better jobs, and training can improve worker employability. The economy ought to generate more jobs in sectors in which the poor concentrate. Supporting this kind of growth requires attracting investment in labor-intensive industries including retail, restaurants and hotels, and agriculture, as well as expanding the market for agricultural output. Increasing financial inclusion can reduce unmet financial needs for small and medium-sized enterprises and support self-employment where wage employment is currently lacking. Easing access to credit and creating a more favorable business environment can help build businesses from subsistence levels and generate work while the economy evolves to create more stable employment. Addressing impediments to investment—such as insecurity, unreliable and costly infrastructure, lack of access to finance, or lack of effective regulation—could improve the business environment and promote firm growth. Moreover, developing technical, employment and entrepreneurial skills through education and technical training can help increase the employability of the population, but these programs must focus on skills that firms demand.

Social protection schemes for the most vulnerable will protect them against crises and help them build household resilience. The poor, rural dwellers, and IDPs need most assistance as they have limited access to both employment and education opportunities. Improving distance and cost accessibility to education and availability of education can help to improve the low education enrollment and attainment among these groups. Continued efforts to provide universal, equitable access to primary education and to improve learning are needed to promote access to more productive work. As Somalia continues to urbanize, building public transport infrastructure will facilitate the movement of labor and help reduce spatial mismatches in employment.

Promoting social equity and financial inclusion will open opportunities for women. Employment and livelihood initiatives should adopt gender-differentiated approaches to address key barriers to women's economic empowerment, particularly those related to entrenched social norms and unpaid household services. Closing the gender gap in secondary school enrollment is crucial to improve women's future employment opportunities and reduce gender gaps in inactivity and unemployment. Women's access to financial services could be improved by offering alternative collateral arrangements and a wider suite of financial products while women's economic empowerment could be supported by building financial literacy and business skills. Giving women more access to educational opportunities and finances will likely not only increase their own earnings and assets but also contribute to alleviating poverty.

Integrating young people—socially, educationally, and into the labor market—is important to realize a "demographic dividend" and stability. Creating job opportunities for youth is crucial for harnessing the "demographic dividend" from a rising working-age-population-to-dependency ratio. This is fundamental to break the cycle of exclusion and vulnerability and putting Somalia on a path to prosperity. Young people need help to increase self-employed productivity and earnings, while the economy develops more modern wage employment. Trainings to help youth acquire market-relevant skills can complement increasing access to education.

INTRODUCTION

Jobs are vital for individuals to work their way out of poverty and for promoting shared prosperity. Somalia has few formal social safety nets, and the country is steadily consolidating peace and rebuilding state institutions following decades of conflict. Putting in place a jobs strategy as well as adaptive social protection systems are key to strengthening citizen confidence in state institutions.[2] The Federal Government of Somalia (FGS) seeks to generate economic growth to create jobs and promote economic inclusion, including opportunities for youth, the most excluded and vulnerable group in Somalia. In its recent National Development Plan 9 (2020–2024), the Government spelled out its goal of "reducing poverty and inequality through inclusive economic growth and employment, improved security and rule of law, and strengthened political stability."[3] Decent jobs are central to poverty reduction, and have far reaching implications for stability and security, empowerment, and household resilience (see Box 1).

Central to any efforts to curb poverty is the creation of enough decent jobs to absorb workers, especially youth. Youth represent an integral part of the economically productive population, possessing many years of productive life before them. Increasing youth employment is essential for Somalia's efforts to sustain peace and stability, and youth idleness can derail these efforts because it increases the risk of youth being recruited to participate in armed conflict. In some countries, youth unemployment has been associated with increased risk of political instability. The combination of high youth unemployment, socioeconomic inequalities, and corruption increases the chances of countries being more politically unstable and insecure (see Box 4).[4]

The youth "bulge" and demographic expansion in Somalia suggest a pressing need to create jobs for its youth while equipping future workers with the right set of skills. Somalia's 3 percent annual population growth is among the fastest in the world, driven by a high total fertility rate (TFR) of 6.9 children per woman.[5] The resulting population pyramid is highly skewed towards young people, with three-quarters (75 percent) of the population under age 30, and almost half of the population (46 percent) less than age 15. With each passing year, the number of young people grows. Between 2020 and 2050, Somali youth aged 15–24 are projected to more than double from 3.4 million to 7.1 million. Similarly, the number of children under 15 will almost double from 7.4 million to 13.7 million. While children are not economically productive, they are "workers in waiting" who will need access to adequate health, education, and other services to improve their human capital as well as access to decent jobs when they reach working age.

2 World Bank (2018b).
3 FGS (2019).
4 Azeng and Yogo (2013).
5 DNS (2020).

Building on the Somali Poverty and Vulnerability Assessment, this study provides further analysis to develop a broader and more inclusive jobs strategy in Somalia.[6] Thus far, there is little knowledge about the employment situation in Somalia to inform policymaking. The lack of data and much needed analysis on jobs hampers effective national employment strategies (see Appendix D for data gaps).[7] Data from Wave 2 of the Somali High Frequency Survey (SHFS 2017–18) will serve to document the jobs situation in the country and how this affects poverty and vulnerability (see Box 2). Although SHFS 2017–18 is not a Labor Force Survey (LFS), it has a module that asks questions related to employment and labor, which can help to assess key employment and household labor characteristics. To assess the demand side of the labor market, micro and small-sized enterprise data from select Somali cities complements the household survey.

This report will examine the profile of Somali household workers, and identify job characteristics and constraints for creating more and inclusive jobs. We will discuss labor force participation and joblessness in Somalia, as well as the composition of employment and its links to poverty. Specifically, we evaluate the structure of the workforce, with specific attention to inclusiveness of employment and the distribution of unemployment and under-employment across poor and vulnerable groups such as women, youth, and displaced persons. The study will also evaluate youth employment, patterns of school-to-work transitions, and how well the Somali educational system prepares young people for the job market.

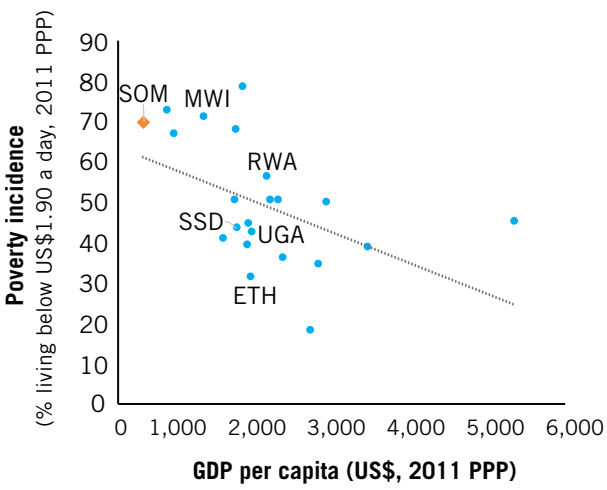
6 World Bank (2019b).
7 Readers will note that key labor indicators for Somalia are missing in the Annex chapters of the 2013 WDR on Jobs.

COUNTRY CONTEXT

Somalia has made progress on consolidating peace, political stability, and rebuilding the economy, but it remains among the poorest and most fragile countries in the world. Somalia established a new federal government in 2012 following more than two decades of conflict. The country has gradually been implementing institutional reforms as it charts a path to inclusive political activity and re-engagement with the region and international financial institutions. But years of conflict and fragility have left the country with a range of challenges including high levels of poverty.

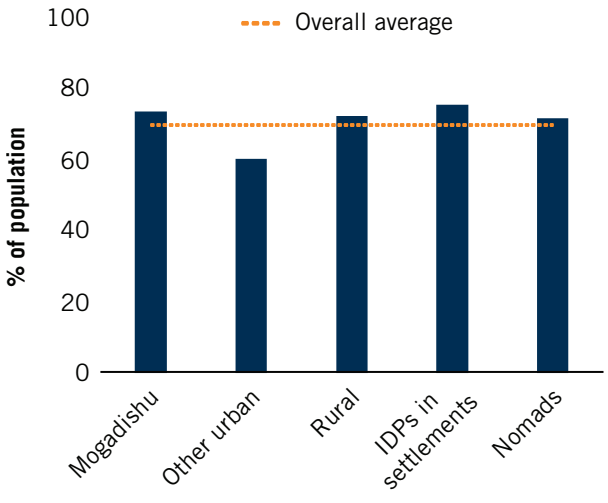
Somalia's gross domestic product (GDP) and living standards remain among the lowest in Sub-Saharan Africa (SSA) (Figure 1). Nearly 70 percent of the population live on less than US$1.90 a day in 2011 purchasing power parity (PPP) terms, and 90 percent live in multidimensional poverty (Figure 2).[8] Insurgency remains a threat to security, although it has been more restrained in recent years. Security incidences and recurrent climate shocks—together with limited household coping mechanisms and access to social protection—have contributed to vulnerability and displacement.[9] The coronavirus

Figure 1: GDP per capita and living standards in Somalia are among the lowest in SSA



Source: World Bank (2019b) based on the SHFS 2017–18, World Bank Macro Poverty Outlook and World Bank Open Data.
Note: GDP per capita estimates for Somalia based on estimates from the SHFS 2017–18.

Figure 2: Poverty is widespread across Somalia



Source: Authors' calculations based on the SHFS 2017–18.

8 Only 55 percent of Somalis can read and write and 16 percent completed primary school, which is considerably lower than the average of 34 percent in other low-income SSA countries (World Bank, 2018d).

9 In recent years, Somalia has experienced devastating droughts, floods and locusts and more recently the coronavirus disease 2019. See World Bank (2019b) for impacts of 2017 drought.

disease 2019 (COVID-19) health pandemic has amplified already dire poverty and social conditions. Somalia's capacity to handle a public health emergency is virtually non-existent as decades of conflict have devastated the medical system (see Appendix C for discussion of the poverty and social impacts of COVID-19).[10] Although domestic revenue mobilization has risen in recent years, the weak fiscal space has restricted spending on social and development programs to well below that needed to adequately build the human capital of Somalia's young and growing population.[11]

Somalia's economy has long depended on traditional, rural pastoralism, but is transitioning to urban, trade and services. Agriculture, especially the livestock sub-sector, still forms the backbone of Somalia's economy, accounting for about 65 percent of Somalia's GDP and 93 percent of total exports.[12] Many Somalis are nomadic or semi-nomadic pastoralists, whose lifestyles are centered around herding livestock.[13] With such heavy reliance on climate-dependent activities, the economy and livelihoods are vulnerable to natural disasters. For example, during the drought in 2017, pastoralists lost around 70 percent of their average annual cash incomes, while agro-pastoralists—who mix crop production and livestock rearing—lost around 30 percent.[14]

Somalia's economy is growing at a moderate pace but not enough to keep up with population growth and significantly improve people's living conditions. Real GDP growth in 2019 remained steady at 2.9 percent, and is forecasted to rebound to 2.9 percent by 2021 after economic contraction in 2020 due to the triple crisis related to COVID-19, locust infestation, and drought (see Appendix C for discussion of the poverty and social impacts of COVID-19).[15] However, given the rapidly expanding population and security constraints, this pace of growth may result in either stagnation or contraction of annual GDP per capita growth and constrain prospects for significant welfare improvements. While employment opportunities are critical for household well-being and resilience, much of Somalia's working-age population remains outside of the labor force.[16] Somalia's economy remains highly informal, providing jobs that tend to be precarious and

10 Karamba and Salcher (forthcoming).
11 World Bank (2019b).
12 World Bank (2018e).
13 World Bank (2019b).
14 World Bank (2018e).
15 World Bank (2020b).
16 World Bank (2019b).

offering little in the form of labor protection.[17, 18] Formal economic activities remain largely restricted to urban areas. Private investment also remains limited and most of the population does not access the formal banking sector, excluding them from financial products and services that support investment.[19] Increased investment following Somalia's reengagement with International Financial Institutions (IFIs) can help create employment opportunities and support poverty reduction efforts, but the vast development needs suggest enormous and sustained investments are needed.[20]

International remittances provide a lifeline to Somalia's economy, improving its current account position and providing a safety net to millions of Somalis.[21] Remittances from migrants based in the United States (US), United Kingdom (UK), and Europe constitute a significant portion of Somalia's national income. Averaging about US$1.3 billion per year, remittances to Somalia match total grants and official aid and exceed foreign direct investment (FDI) three-fold.[22] When accounting for unrecorded flows, the true remittances volume may be even larger. Both remittances and grants have helped finance Somalia's longstanding trade deficits. For households, remittances provide some resilience against shocks and support expenditures on food, health, and education.[23] Still, those most needy, such as internally displaced persons (IDPs) and non-urban populations, are less likely to receive international remittances. Further, remittance costs remain high because of an underdeveloped financial infrastructure for remittance transmission and a challenging regulatory environment, curtailing the flow of remittances to vulnerable communities already facing multiple shocks. The COVID-19 health emergency has had an negative impact on remittances.[24] The economic downturn in countries hosting Somalia's diaspora lowered earnings needed to fund remittances, which represent a lifeline for Somali businesses and households.

Rapid urbanization due to internal displacement and economic migration presents both opportunities and risks. Today, Somalia's urban population is estimated at 7.4 million, making up 46 percent of the national population and placing Somalia among the most urbanized countries in East Africa.[25] In a decade, the proportion living in urban areas will exceed those in rural areas. By 2050, the ratio of urban-to-rural population will have reversed from a 1:2 ratio in 2000 to a 2:1 ratio. While two-thirds of Somalis lived in rural areas in 2000, two-thirds will be living in urban areas by 2050 (Figure 3). Somali cities can be the nexus for prosperity and poverty reduction if this pace of urbanization comes with job-creating economic growth and planning to cope with the influx of new residents. However, rapid and often unplanned urbanization risks

17 The formal sector is largely nascent. Only a small percentage of enterprises are formally registered with Somalia's Ministry of Trade and Investment, while the majority of enterprises are small and operate informally (World Bank, 2018d).

18 Due to a lack of data hindering the production of economic statistics, the contribution of agriculture, industry, and services to total GDP and employment is not fully known and inferences can only be made based on existing data from household surveys.

19 In 2017, only 9 percent of households reported having access to a bank account according to World Bank (2019b).

20 The FGS has taken proactive steps to reengage with the International Financial Institutions. In March 2020, Somalia qualified for debt relief through the Heavily Indebted Poor Countries (HIPC) initiative, clearing US$740 million in arrears to international financial institutions. This first milestone follows progress in maintaining macroeconomic stability, elaborating a poverty reduction strategy, steady implementation of economic reforms and financial assurances from 70 percent of Somalia's creditors for debt relief. This is one of many milestones that will help Somalia gain access to regular financing that can be used to support economic development programs and human capital investments.

21 Since 1990, Somali migrants and refugees living outside Somalia have doubled to more than 2 million by 2017 (World Bank, 2018a).

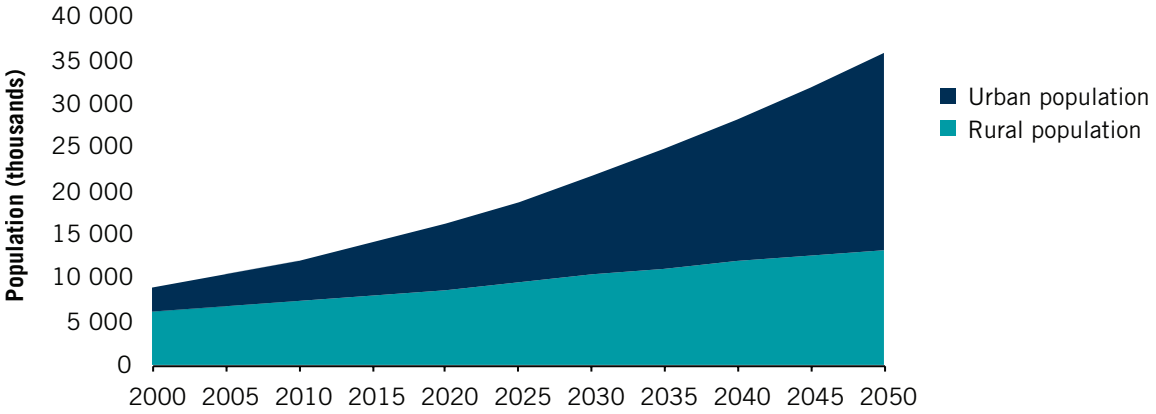
22 World Bank (2019b).

23 For instance, households receiving international remittances have higher incomes, consumption, and expenditures on education and higher school enrollment rates (World Bank, 2019b).

24 Karamba and Salcher (forthcoming).

25 Based on population data from UNDESA (2019).

Figure 3: Somalia is one of the fastest urbanizing countries, presenting both opportunities and risks for poverty reduction



Source: UNDESA (2019).

straining existing public infrastructure and contributing to poor living, housing, and health conditions, and greater air pollution, congestion, and large distances between residential areas and sites of employment. This could impede poverty reduction efforts. The potential for urbanization to promote economic growth depends on conducive infrastructure and institutional settings, and failure to plan accordingly will harm the poorest urban dwellers.[26]

Policymakers must understand the employment situation of Somali workers, especially of poor and vulnerable groups, to inform job creation and inclusivity efforts and improve living conditions. Understanding the extent of the population's engagement in the labor market, the types of economic activities workers are engaged in, and whether these jobs provide sufficient hours or pay can help improve employment policies.

26 Turok and McGanahan (2013).

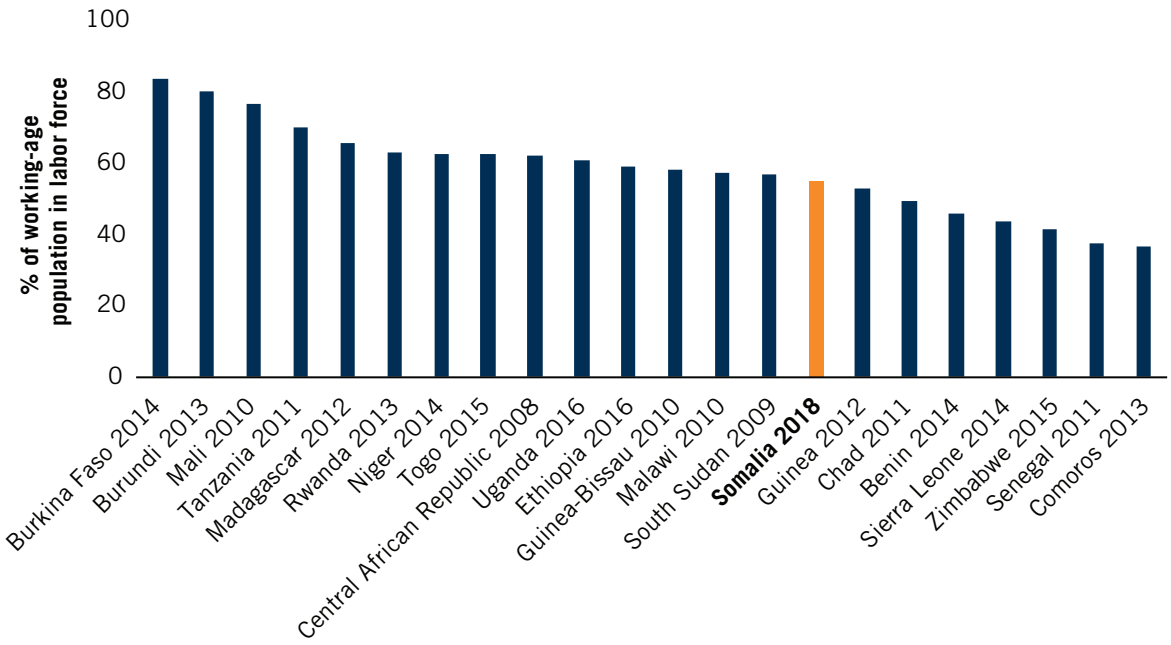
LIMITED AND UNEQUAL ECONOMIC PARTICIPATION AMONG SOMALIA'S WORKING-AGE POPULATION

Only half of Somalia's working-age population is actively engaged in the labor market

The labor force participation rate, a measure of an economy's active workforce, is modest in Somalia. Employed workers and those actively seeking employment (unemployed) together make up the labor force, and represent the supply of labor available in an economy to produce goods and services. Compared with other SSA countries, the labor force participation rate in Somalia is moderately low. About 80 percent of working-age persons in SSA actively engage in the labor market, although participation rates can be as low as about 40 percent (Figure 4). Even in this context, with a rate of 55 percent, Somalia ranks among those with a relatively low participation rate.

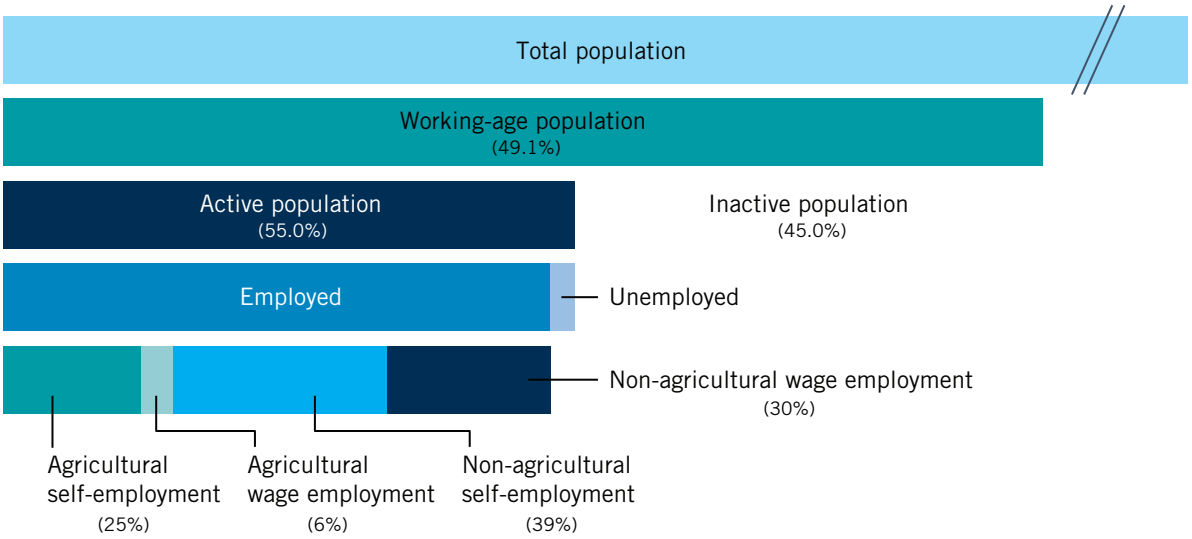
With only half of the working-age population in the labor force, the other half remains economically inactive. People who are neither working nor looking for work are

Figure 4: Somalia ranks near the middle on labor force participation, but lags many other countries in SSA



Source: Authors' calculations based on the SHFS 2017–18, and World Bank International Database of Income Distribution (I2D2).
Note: The I2D2 database was compiled from national surveys and subnational microdata which was first harmonized to produce standardized labor supply indicators.

Figure 5: Only half of working-age population is in labor force



Source: Authors' calculations based on the SHFS 2017–18.

counted as "not in the labor force", with a subset representing the "potential labor force" (see Appendix A for definitions).[27] Having a large proportion of economically inactive people can dampen prospects for economic growth since part of the potential workforce is neither producing goods and services nor developing job skills. An elevated rate of inactivity can also reduce household welfare and income, and other household members must support those not working. The household burden is likely greater where the household contains young dependents. With half of the population below age 15, each working-age person (15–64 years) has about one child to support (Figure 5). However, with only half of these working-age persons actively engaged in the labor market, the burden on those working is greater: each person in the labor force has three people to support.

Much of Somalia's economic potential remains untapped considering low labor force participation rates among women and youth. Only 43 percent of Somali women engage in the labor market compared with 67 percent of men (Figure 6). Relative to other SSA countries, Somalia has among the lowest participation rates for women, but also the largest disparity in participation between men and women (Figure B.1). Entrenched social norms and expectations for women to carry greater responsibility for domestic work, as well as a limited absorption capacity of the labor market, are likely the root cause of low female labor force participation (FLFP) (see Box 3). Somali youth are also less likely to be engaged in the labor market: only 39 percent of youth (those aged 15–24) are in the labor force compared with about 62 percent of adults (those aged 25–64) (Figure 6). This lower rate of participation could indicate that some youth are fully participating in school. However, it could also signal that many other young people find it difficult to enter the labor market due, for instance, to limited employment opportunities. Increasing the participation of women and youth in the labor market is crucial to raise the living standards of Somali households and accelerating economic growth.

27 The 19th International Conference of Labour Statisticians (ICLS) resolution introduced the concept of the "potential labor force". Potential labor force comprises "available potential jobseekers", defined as persons who did not seek employment but wanted it and were available, and "unavailable jobseekers", defined as persons who sought employment even though they were not available but would become available in the near future.

Box 1: What is a job?

In this publication, jobs are defined as "activities that generate actual or imputed income, monetary or in kind, formal or informal." In most of SSA, having a job is not synonymous with having a wage or salaried position with an employer. Somalia is no exception. In addition to providing income, jobs can convey identity, status, and self-confidence, as well as contribute to overall life satisfaction. The type of job, working conditions, additional benefits, and formality all matter for these various dimensions of well-being. In fragile settings, engaging people in productive activities that boost self-esteem and give a sense of identity can also promote social cohesion. The distribution of jobs, and perceptions about who has access to opportunities, can shape people's expectations and aspirations, their sense of having a stake in society, and perceptions of fairness. While certain jobs can be empowering, a lack of (adequate) job opportunities can in extreme cases contribute to violence or social unrest.

Sources: Filmer and Fox (2014); World Bank (2012).

Box 2: Sources of micro-data and caveats

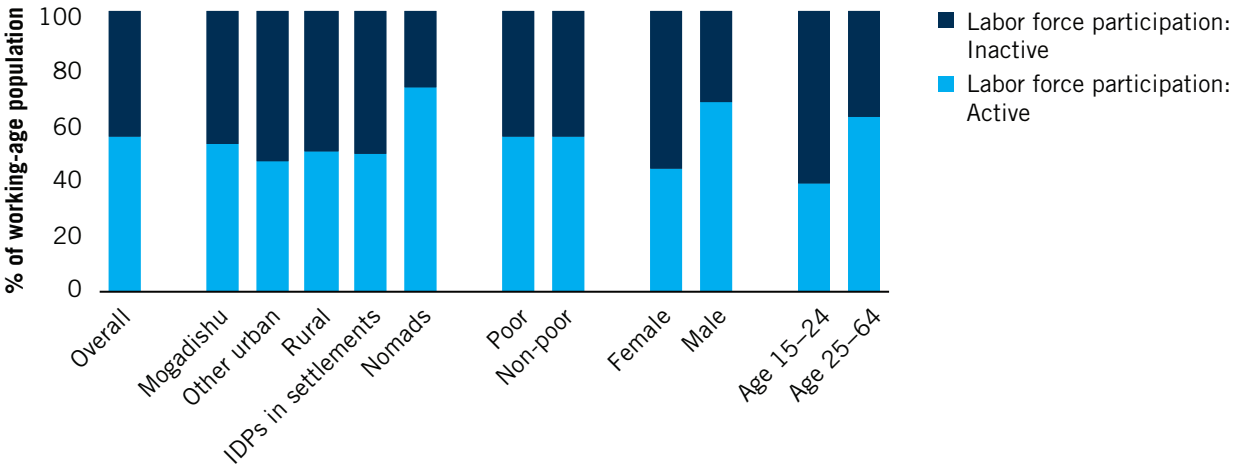
To understand labor market supply characteristics, this publication uses the second wave of the Somali High-Frequency Survey (2017–18) as the primary source of data. This household survey was conducted in all accessible areas of Somalia's pre-war regions, in urban and rural areas, IDP settlements, and among nomadic populations. The survey contains a labor module to analyze the supply side of the labor market, including data on employment, economic conditions, education, access to services, security, perceptions, and (for displaced households) pre-displacement details.

The insecure context within which the SHFS was conducted constrained the length of time available to interview households during fieldwork. This decreased the length of the survey instrument and the level of detail that could be solicited for the labor module. Normally, the labor module includes each working age household member. In conducting the SHFS, however, when the household member is not present, either the household head or a proxy responds to the questions. Response by proxy may cause measurement differences if the proxy is not fully knowledgeable about the types of work activities the other household member is engaged in. In addition, due to security constraints, detailed information on individuals' occupation, sector of additional wage employment activities, or availability to work additional hours are not solicited. Another data limitation is that a person's availability for work is not observed when they are not looking for work, which impedes counting "available potential jobseekers".

We detected some measurement issues, such as discrepancies between the respondent's reported type of main activity and the enumerator's recorded sector of activity. In these cases, we prioritized the respondent's answer.

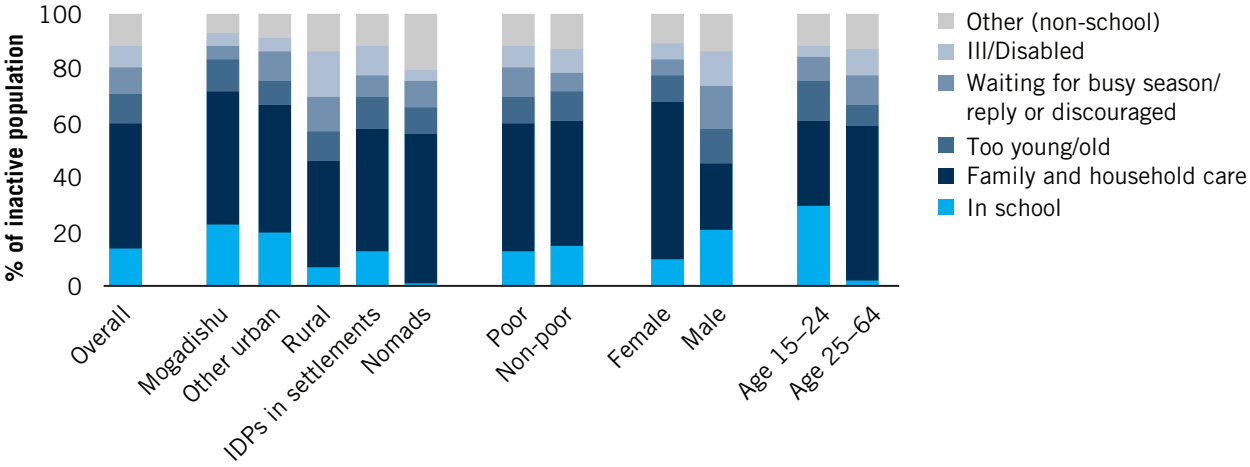
We use the 2019 Enterprise Survey (ES) to assess labor demand and constraints firms face. The ES was conducted in two Somali cities: Mogadishu and Bosaso. The survey is representative of micro, small, and informal firms within accessible markets in these cities in selected sectors, including manufacturing, construction, services, and transport. The following sectors are excluded: public or utilities, financial intermediation, and real estate/rental activities. The Mogadishu and Bosaso ES does not collect data on labor productivity, which would help identify more productive firms and sectors.

Figure 6: Women and youth are least likely to participate in the labor market



Source: Authors' calculations based on the SHFS 2017–18.

Figure 7: Almost half of those outside the labor force are engaged in unpaid care and domestic work



Source: Authors' calculations based on the SHFS 2017–18.
Note: These reflect self-reported reasons for inactivity. Other includes insecurity/conflict, does not want to work, husband does not allow, and religious reasons.

Somali women remain outside the labor force (economically inactive) because of unpaid care and domestic responsibilities, while being discouraged in job search and other market-related factors are notable reasons for men. Nearly half of the population outside the labor force (46 percent) spend their time taking care of their family and household (Figure 7). However, women are more than twice as likely as male counterparts to perform unpaid care and domestic work. In Somalia, 57 percent of women are economically inactive, nearly twice the rate of men (Figure 6). Among these women, 58 percent care for family and household, more than twice the rate of

men (Figure 7). Clearly, Somali women bear a disproportionate responsibility for unpaid care and domestic work compared with Somali men. While caring responsibilities keep women from looking for a job, market-related reasons are more likely to prevent men from looking for job. About 28 percent of economically inactive men want a job but are not actively seeking because they do not believe they will find a job, or the conditions are not right for them to take up a job. However, if opportunities arise, these potential workers may enter the labor force.[28] Among economically inactive men, 16 percent are waiting for the busy season, a reply from their employer, or are discouraged in their job search (Figure 7). Another 12 percent did not search because prospective employers considered them too young or too old.

The high prevalence of inactive women not enrolled in school further suggests that entrenched social or cultural barriers may depress both female school enrollment and labor force participation. Only 18 percent of inactive women are enrolled in school, compared with 28 percent of inactive men (Figure 8). Given Somalia's youthful population, this suggests many young women and men

Box 3: Women, work, and social norms in Somalia

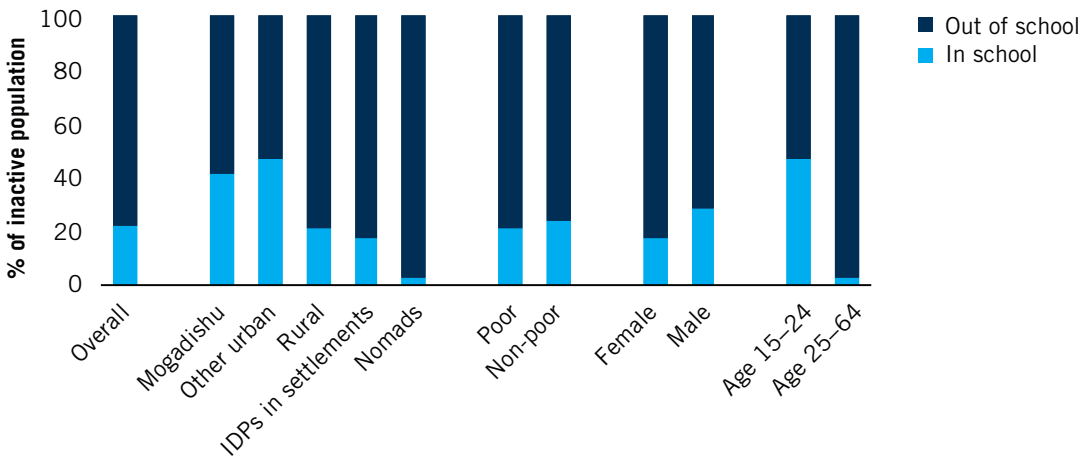
Entrenched social norms often prescribe heavier domestic responsibilities to women and largely relegate their roles to the private sphere. This limits their opportunities outside the home and depresses female school enrollment and labor force participation. Somali girls of secondary-school age (age 14–17) are less likely to be enrolled in secondary school than boys, after controlling for regional effects, age, and other factors. The main reason girls fail to attend school is having to work or help at home, while boys often fail to attend because of a lack of funds. As a result of inequitable access to education, women face poorer future employment opportunities and earning potential. Women's economic opportunities are also inhibited by direct impediments, such as needing to have their husband's signature to do business, though this is slowly changing with men's absences from home—whether because of conflict or migration. Even if norms permit, women are much more likely to not work because of family and household care responsibilities. While about 7 in 10 Somali households believe that most, or all, women in their communities are allowed to work outside the home, women are more than twice as likely to be taking care of family and household duties than men when they are inactive and out of school (64 percent vs. 31 percent).

Shifting social norms is challenging and takes time. Providing information to change misperceived social norms can deliver significant improvement. For instance, Bursztyn et al. (2020) find that the vast majority of young married men in Saudi Arabia privately support women working outside the home, but substantially underestimate how many other men support this. Enabling others to know the support held by their peers increases married men's willingness to help their wives search for jobs. In some cases, time-saving technologies and increased access to electricity reduce time needed for some household chores, freeing women's time. For instance, Dinkelman (2011) suggests that household electrification raises female employment in South Africa by releasing women from home production and enabling operation of microenterprises. Newly electrified communities experienced substantial shifts away from using wood at home toward electric cooking and lighting.

Sources: World Bank (2018d); World Bank (2019b).

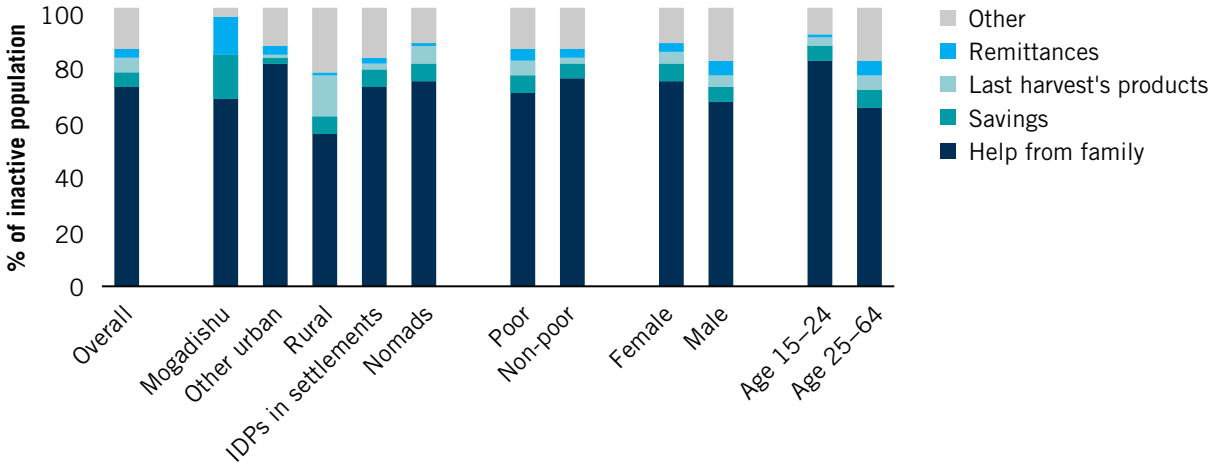
28 Since these individuals are not actively searching for work, they are not considered as unemployed according to the strict definition of unemployment. However, they may enter the labor force if opportunities present themselves, implying unemployment rates might be higher if the strict definition of unemployment is relaxed.

Figure 8: Only half of inactive youth and one-fourth of inactive women are enrolled in school



Source: Authors' calculations based on the SHFS 2017–18.

Figure 9: Inactive persons mainly subsidize their needs through family support



Source: Authors' calculations based on the SHFS 2017–18.
Note: Other includes receiving a pension, rent, grants/transfers, begging, selling assets, support from government/aid agencies/NGOs, borrowing money, and business bonus/share in business.

are not participating in the education system. However, the combination of higher inactivity and lower enrollment compared to men puts women at greater risk for labor market and social exclusion. Greater domestic responsibilities and cultural pressures for early family formation and parenthood likely drive leaving school early and the challenges women face establishing themselves in the labor market. Such barriers inhibit women's economic and educational opportunities and achievement. The gender inequality in unpaid care work not only limits women's labor force participation, but also increases the probability they will access lower quality jobs outside the home: in the struggle to reconcile care responsibilities with paid employment, women are at an increased likelihood of engaging in low-wage and vulnerable employment.

Only half of economically inactive youth are enrolled in school, which is particularly concerning for a country in a fragile situation and with a large youth cohort. In Somalia, nearly 1 in 4 economically inactive persons are in school (Figure 8).[29] Although participation among inactive youth is higher, only 1 in 2 are enrolled. The low enrollment rates of young people are largely driven by the high proportion of people out of school in rural areas, IDP settlements, and among nomads. This is because educational infrastructure is lacking, including school facilities and teachers, as well as long travel distances to access schools and the high costs of schooling.[30] Lack of school enrollment among the inactive in countries with younger populations and low human development is very concerning as it slows human capital formation: young people are neither gaining experience in the labor market and earning an income, nor are they improving their education and skills. Their nonparticipation in education and in labor markets lowers current and future employment and earnings prospects, trapping many in poverty. The resulting frustration risks fueling unrest and jeopardizing prospects for long-term peace and stability (see Box 4). This nonparticipation—along with a poor business environment and inadequate infrastructure—may also deter foreign investment in Somalia due to perceived diminished workforce productivity. These risks signal a need for policies that support youth participation in education and their transition into work.

Family is an important source of financial support for persons outside the labor force. About 3 in 4 inactive persons subsidize their needs through family support (Figure 9). With so many household members not working, the combined gross income from the few that are working needs to be divided among more people. This leads to lower per capita household income and welfare, and increased vulnerability to income shocks. Economically inactive youth (82 percent) and women (74 percent) are more likely to rely on family support as compared with adult (65 percent) and male (66 percent) counterparts. Since youth and women record the highest inactivity rates in Somalia, they are likely most vulnerable to shocks and poverty (Figure 6).

Remittances and savings also help support inactive persons in urban areas, while agricultural harvest supports those in rural areas. Given greater access to telecommunications infrastructure, mobile phone ownership, money operators, and wage employment in urban areas, remittances and savings are more prominent in the nation's capital Mogadishu. In addition to family support, rural dwellers outside the labor force turn to last year's harvest for subsistence. Consuming the harvest when there is little surplus can put households in a precarious food security situation should households deplete seeds needed for future planting.

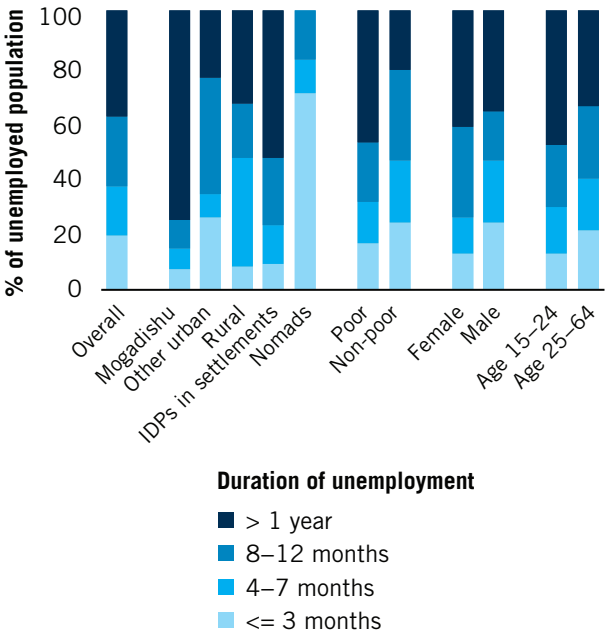
29 There is no consistently increasing or decreasing relationship between inactivity rates and educational attainment (see Figure B.4). Both individuals with no educational qualification and university graduates have lower rates of inactivity than individuals with primary or secondary school education. However, individuals with no educational qualification are much more likely to engage in agricultural self-employment, which includes helping on the family farm, suggesting that the less educated may work more in subsistence rather than market activities (see Figure B.11).

30 World Bank (2019b).

Those looking for work find it hard to secure employment and many have stopped searching

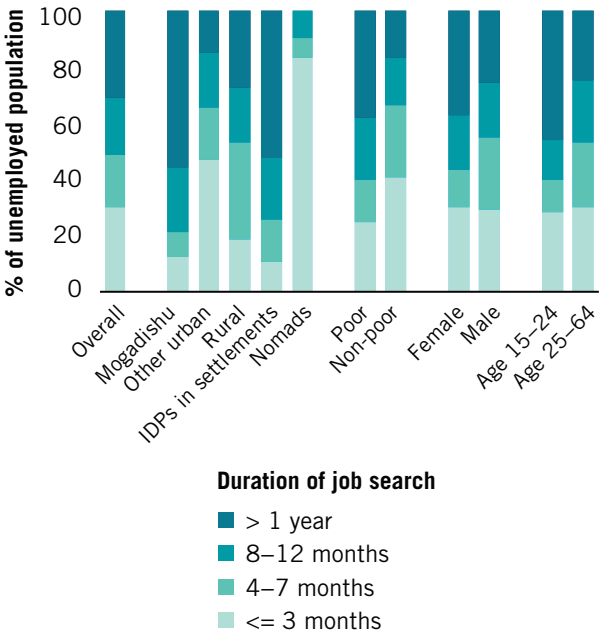
Somalis not working but looking for work experience long spells of unemployment, especially women, youth, and the poor. Over two-thirds of unemployed Somalis spent 8 months or more out of work, suggesting work opportunities are limited and hard to find (Figure 10). Furthermore, women and youth—groups more likely to have "hidden unemployment"—tend to be unemployed for longer periods. Unemployment spells of at least 8 months were more prevalent among women (74 percent) compared with men (54 percent), and among youth (70 percent) compared with adults (61 percent). Mogadishu dwellers and IDPs in settlements also experience relatively more prolonged unemployment spells compared with other dwellers. A growing urban population due to large-scale forced displacement and economic migration can make it harder to find employment in urban areas if job-growth fails to keep pace.

Figure 10: Women, youth, and the poor experience longer periods of unemployment



Source: Authors' calculations based on the SHFS 2017–18.
Note: Unemployment duration is based on strict definition of unemployment.

Figure 11: Women, youth, and the poor experience longer periods of job search



Source: Authors' calculations based on the SHFS 2017–18.

Box 4: Employment, conflict, and violence

In citizen perception surveys conducted in conflict-affected areas, young people consistently cite unemployment and idleness as important factors motivating the decision to join insurgent movements. Some theoretical models of conflict draw a link between employment and violence, and look at this problem from an both an opportunities and motives perspective. Regarding opportunities, individuals participate in dissident movements over alternative income-earning opportunities when their expected gains exceed expected costs. This condition is more likely when employment options are scarce. The motive perspective views violence as a means to redress economic or political grievances. Not being able to find employment and earn a satisfactory income can generate frustration, which may provide fertile ground for rebel recruitment. Employment often conveys status and identity, and a lack of work may lead youth to turn to violent or criminal activity to compensate for lost self-esteem and sense of belonging.

Yet, wide evidence supporting this link between unemployment and violent conflicts is lacking. While Azeng and Yogo (2013) find in a sample of 24 developing countries that youth unemployment is associated with increased risk of internal conflict, a review of the literature on youth unemployment and violence finds that most studies fail to provide an empirical relationship (Idris, 2016). A lack of regular and comprehensive labor market data could in part explain this limited and mixed evidence.

Other research suggests that the link between unemployment and violence is indirect. That is, unemployment is not a root cause of conflict and violence, but it can reinforce it through channels such as identity and social dynamics. Limited employment opportunities (especially in relation to expectations) or high unemployment can exacerbate perceived inequalities and injustice and lead to social segregation, frustration, and marginalization. Evidence from Colombia suggests that many recruits were employed before joining but were motivated by the status or "thrill" of a life of dissidence compared with agricultural wage labor (Gutiérrez Sanín, 2008). Although unemployment can result in frustration and marginalization, other factors can play a more important role in young people resorting to violence. For instance, drawing on surveys on youth, Mercy Corps (2015) finds no link between job status and support for or willingness to participate in political violence in Somalia. Other driving forces can include weak governance—which gives rise to corruption, injustice, and discrimination—and dysfunctional family relationships, strong leadership offered by armed groups, experience of violence, and a culture of acceptance of violence. A study in Ecuador finds that youth joined certain gangs "because they were searching for the support, trust, and cohesion—social capital—that they maintained their families did not provide, as well as because of the lack of opportunities in the local context" (Moser, 2009).

Jobs are not only critical for restoring the livelihoods of individuals affected by conflict and violence but also for reintegrating former combatants into society and rebuilding everyone's sense of belonging. In conflict-affected countries, jobs are key to jump-starting economic activity, rebuilding social networks, supporting social cohesion, and restoring confidence in institutions. Providing more opportunities for productive jobs and generating sustainable growth can contribute to peacebuilding and help maintain stability.

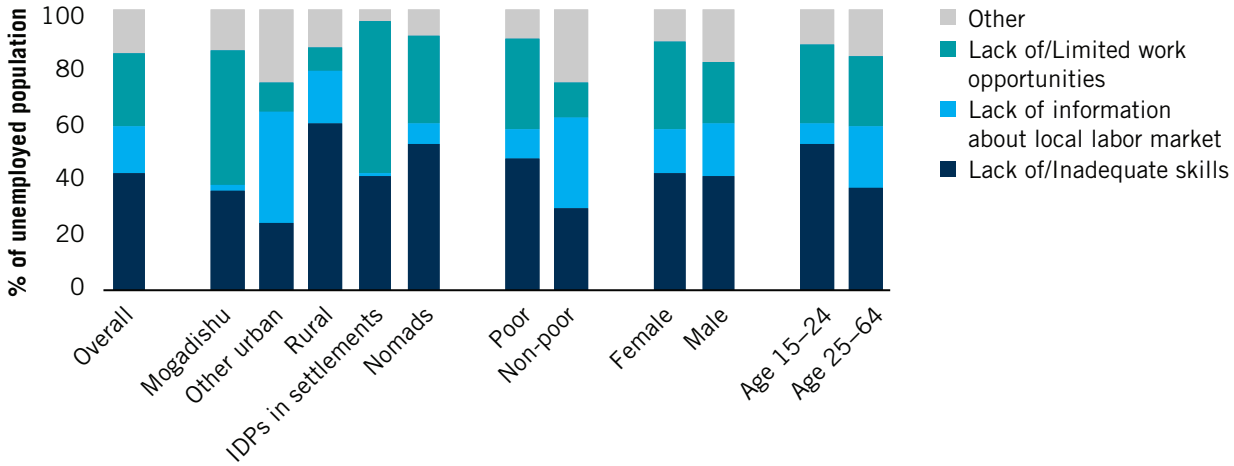
Sources: Cramer (2010); Filmer and Fox (2014); Idris (2016); Mercy Corps (2015); Urdal (2006); World Bank (2011, 2012).

Long-term unemployment carries huge economic, societal, and personal cost. Long-term unemployment induces a financial strain on the household, diminishing standard of living and eroding financial safety nets or social capital the household may have built. Long periods of unemployment are more common among the poor in Somalia, which can further exacerbate poverty and make these households more vulnerable to shocks. Finding a job becomes more difficult the longer one looks, increasing the risk that one becomes discouraged and drops out of the labor force altogether, or that skills are eroded. Other costs include detrimental physical and mental health effects and poorer education outcomes for children. All of these rob the economy of talent.

Inadequate skills and insufficient work opportunities are the biggest obstacles the unemployed face in finding employment. Two-thirds of unemployed Somalis in the SHFS cited a "lack of skills" and a "lack of work opportunities" as the main barriers to securing employment (Figure 12). Skill deficits are perceived as more of an obstacle among the unemployed poor, youth, and non-urban populations, while insufficient work opportunities were more pressing among Mogadishu dwellers and IDPs. Lack of skills may be less of an obstacle in Mogadishu given higher levels of literacy and educational attainment. Both men and women equally feel their lack of skills makes it hard to find work, but women also feel that there are not enough job opportunities, which is consistent with the long spells of unemployment and job search they experience. Only the non-poor and urban dwellers have a substantial share who report not having enough information about the local labor market to find employment. Given these groups are the most digitally connected, this points to search frictions that hinder efficient matching of jobseekers with job openings.

The obstacles identified above suggest that as well as insufficient jobs, key labor market constraints include a mismatch between skills workers have and those employers need. Matching the unemployed with the right job is difficult due to job market "frictions", including skills mismatch and information imperfections. These market inefficiencies depress labor market dynamism and

Figure 12: Inadequate skills and limited work opportunities are major obstacles for finding employment

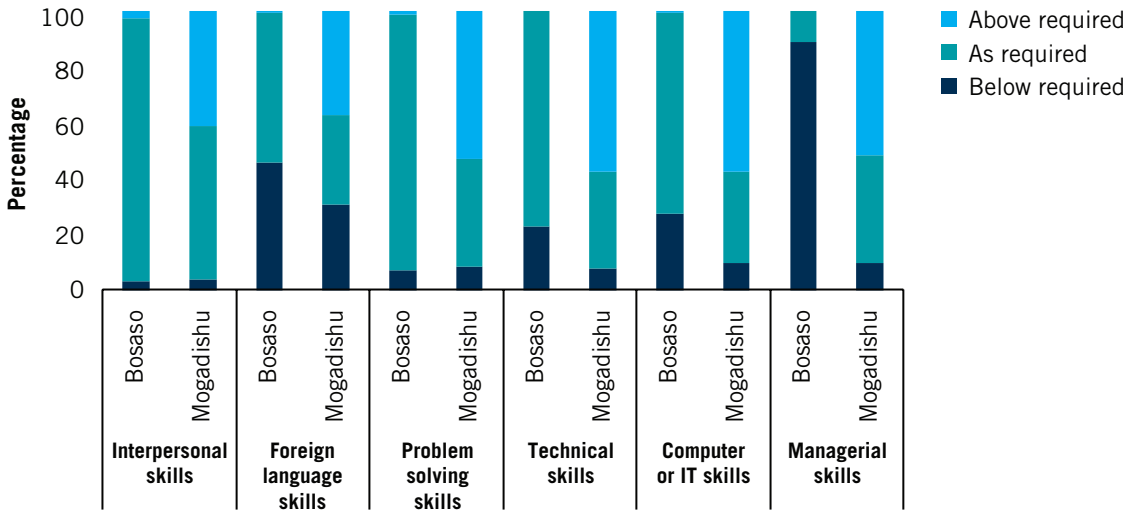


Source: Authors' calculations based on the SHFS 2017–18.

affect job transitions. Skills mismatch and search frictions can lead to prolonged periods of unemployment, noncompetitive wages and benefits, and stunted productivity growth. Many job openings in Somalia are also not widely advertised. Employers tend to overlook job candidates who do not have the right personal connections, come from minority clans, or remain marginalized (particularly IDPs, women, and the poor).[31] The poor and IDPs are more likely to lack social connections necessary to secure employment, contributing to longer spells of unemployment. In 2013, 40 percent of employees in Somaliland were related to the business owner.[32]

While skills inadequacy is a stumbling block for the unemployed, businesses in Mogadishu and Bosaso indicate the skill level of their current workforce is mostly adequate. The Mogadishu and Bosaso Enterprise Survey reveals that at least 90 percent of establishments in Mogadishu report that the interpersonal, problem-solving, technical, computer, and managerial skills their employees possess meet or even exceed their business needs (Figure 13). Similarly, in Bosaso, most establishments have employees with adequate interpersonal and problem-solving skills. While firms in Mogadishu and Bosaso are generally able to find qualified workers, they report substantial deficits in some skill dimensions. Businesses in Bosaso struggle to find employees with adequate managerial skills (89 percent). Employees also lack foreign language skills in both cities. It should be noted that estimates reported reflect evaluation of the currently employed as opposed to those waiting to be employed (unemployed), and therefore reflects a situation where the employer has been successfully matched with an employee.[33]

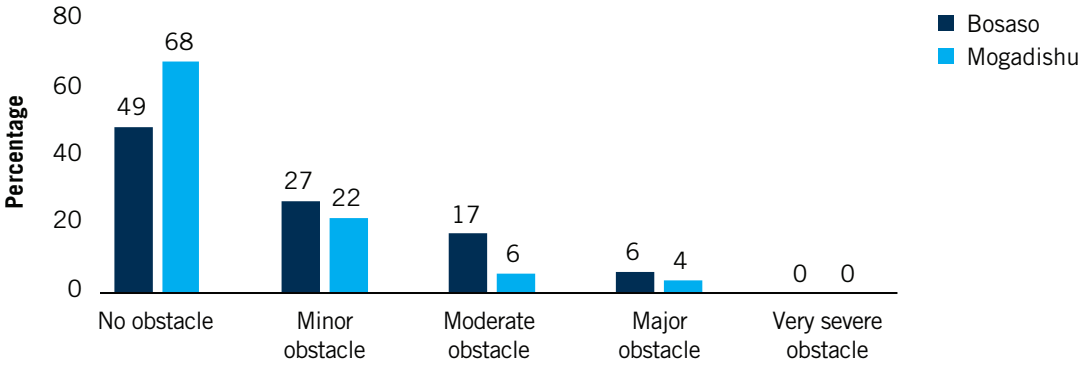
Figure 13: Urban business establishments consider the skill levels of current employees to be mostly adequate for their needs



Source: Authors' calculations based on the Mogadishu and Bosaso ES 2019.

31 IOM/Altai Consulting (2016).
32 World Bank (2013).
33 There is no data on employer's evaluation of skills of the labor force and how long it took to fill a vacancy.

Figure 14: An inadequately educated workforce is not a major obstacle for urban business establishments



Source: Authors' calculations based on the Mogadishu and Bosaso ES 2019.

Skills mismatches are not purely a rural phenomenon—as the prevalence in skill deficits among unemployed rural residents would suggest—but are also an urban phenomenon. The gap between an individual's job skills and labor demand includes employee overqualification in addition to deficient employee skills. More than half of Mogadishu firms report that some of their employees possess skills that exceed business needs. Over 50 percent of firms in Mogadishu indicate their employees have skills in problem-solving, technical work, computing and management that are above what is required for their business needs. This could point to a shortage of high-skilled jobs in Mogadishu, which leads some workers to take a position requiring less skill or education, and therefore pays less than their education, qualification, or experience should command (also see Box 5).

An inadequately educated workforce is not a major obstacle for small, micro, or informal firms in Mogadishu.[34] This is consistent with higher educational attainments among urban dwellers for whom education is more accessible (Figure 48). This may also be consistent with the fact that most jobs in small, micro, or informal businesses do not require high levels of education. Only one-third of businesses in Mogadishu and half of the businesses in Bosaso report a lack of education as an obstacle for their establishments (Figure 14). Moreover, relative to other aspects of the business environment, workers' education levels are cited as among the least problematic obstacles urban establishments face (see Figure B.5).

Instead, unfavorable business conditions constrain private sector development and thereby limit job creation and economic growth. Limited access to land and finance, as well as continued corruption, constitute the biggest obstacles to business operations (see Figure B.5).[35] Loans are typically subject to high interest rates and complicated application procedures. Small business owners often rely on their own funds or borrow from friends, relatives, clan contacts, or the diaspora to start

34 The majority of businesses captured in the Mogadishu and Bosaso ES are small. Over 83 percent of firms have 5–19 full-time employees, with 10 employees as the median. Businesses that employ a larger workforce are few with only 12 percent of businesses employing 20–99 workers and 5 percent employing 100 or more. Moreover, most firms in Mogadishu and Bosaso are in the retail (52 percent) or other services (39 percent) sector.

35 The gap between the supply and demand of financial services is estimated at US$2.2 billion. Only 6 commercial banks operate across the Somali peninsula (World Bank, 2018c).

Box 5: Skills mismatch in the labor market

A skills mismatch arises when the skills individuals possess do not align with the skills employers seek. This could be because "education and training are not providing the skills demanded in the labor market or that the economy does not create jobs that correspond to the skills of individuals" (ILO 2020b article).

On the labor supply side, unemployed Somalis cite a lack of skills as a key barrier to securing employment and that they need training to develop technical skills or skills to start a business (Figure 12 and Figure 15, respectively). The unemployed poor, youth, and non-urban populations perceive a skills gap as more of an obstacle than Mogadishu city dwellers, where levels of literacy and educational attainment are generally higher.

On the labor demand side, small, micro and informal businesses in Mogadishu and Bosaso consider the skill level of their current workforce to meet or even exceed their business needs (Figure 13). This suggests that labor demand is largely for low-quality jobs, which may be consistent with the fact that most jobs in small, micro, or informal businesses do not require high levels of skills or education. While employee skills generally meet business needs, businesses in Mogadishu report substantial deficits in foreign language skills while businesses in Bosaso report deficits in managerial skills.

Different types of skills mismatches appear to be present in the labor market in Somalia, which include:

- Skills gaps among the poor, youth, and non-urban populations.
- Over and under skilling within Mogadishu and Bosaso.
- Skills shortages within Mogadishu and Bosaso.

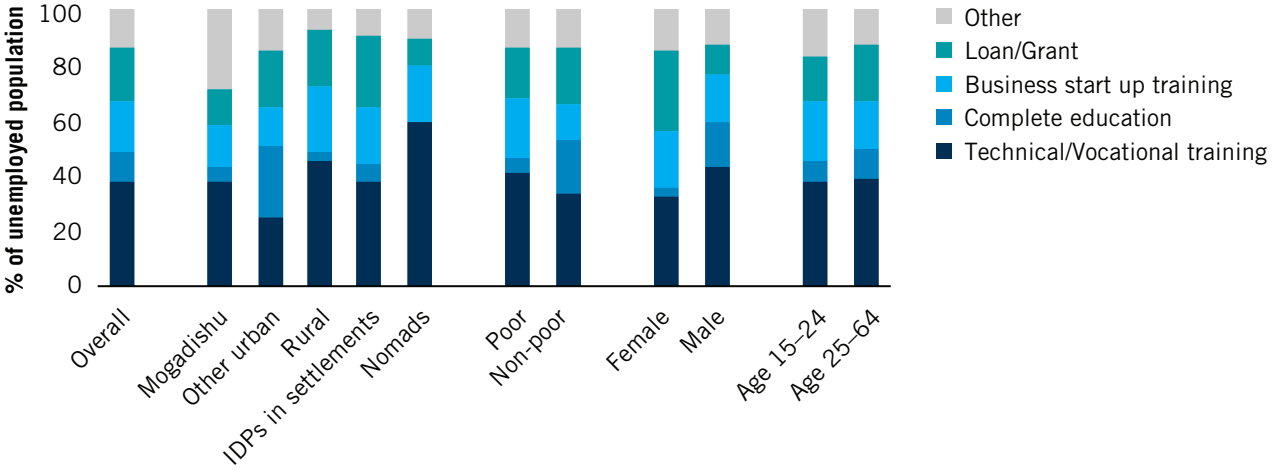
The consequences of skills mismatches affect both individuals and firms. Individuals may face barriers to entry on account of skill deficits and wage penalties due to being over-qualified. This might compromise firm competitiveness, productivity, and profits.

or support business operations. In Mogadishu, 9 of 10 informal and micro enterprises rely on their own funds to finance day-to-day business activities.[36] Moreover, the Somali diaspora provides around 80 percent of the start-up capital for small and medium-sized enterprises, making the diaspora the major investor in the country.[37] While the gap in traditional financial intermediation has given rise to a vibrant mobile money industry, it alone cannot alleviate the credit crunch small businesses and entrepreneurs face. Microfinance institutions, small private banks, and NGOs thus could play a very important role in small business financing. Promoting better access to finance, together with improved infrastructure, land access, skills, innovation, institutions, and regulations can facilitate business growth and support job creation across Somalia's cities.

Somalis see vocational training and business start-up training and financing as more essential to securing employment than completing an education. Consistent with perception of a skills gap, 56 percent of unemployed Somalis indicate they need training to develop either technical skills or skills to start a business (Figure 15). Another 20 percent of unemployed workers state they

36 Mogadishu and Bosaso Enterprise Survey (2019).
37 World Bank (2020a).

Figure 15: Vocational training and business start-up training and financing are needed to secure employment



Source: Authors' calculations based on the SHFS 2017–18.

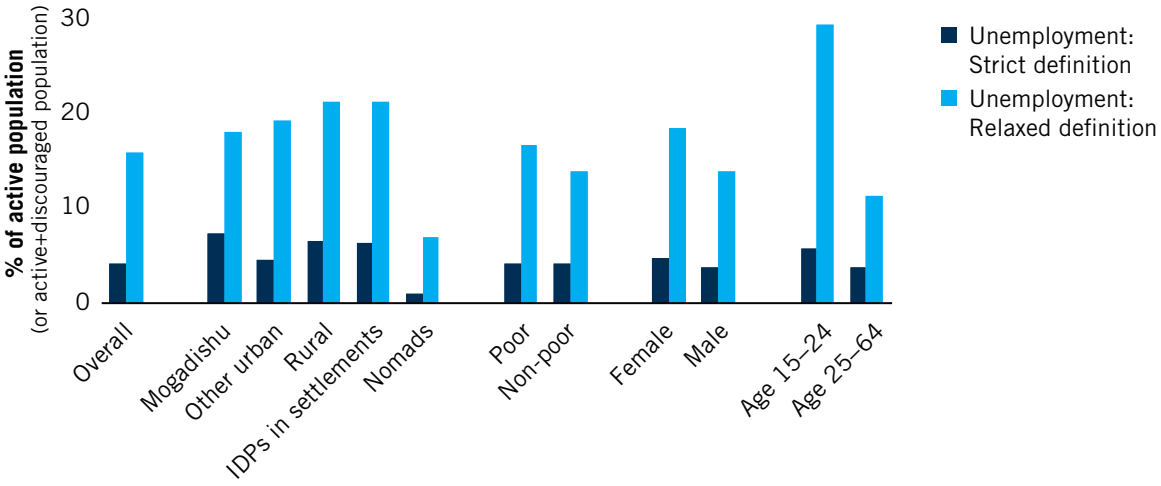
would need a micro-loan or small grant under favorable terms to start or run a business. Women express a desire for a loan or grant more than men, which may suggest that women would rather pursue self-employment than search for wage employment. Across Somalia, few unemployed individuals feel they need continued or completed education to find employment, particularly among rural and nomadic populations. This is to be expected since the formal sector is either small or non-existent in rural areas, thereby providing little gains to increased schooling. Although urban areas have a higher proportion of unemployed workers who feel completed or more education is needed to secure work, this still pales in comparison with their desire for training. This could indicate that the urban labor market does not compensate for higher levels of education. This situation calls for building technical and vocational skills and expanding financial inclusion (see Box 8).

Low unemployment can mask different socioeconomic situations, including substantial poverty and unhealthy labor markets.[38] The relatively low unemployment rate (according to the strict definition) in Somalia, as is the case in many developing countries, paradoxically masks elevated poverty rates and lack of decent job opportunities. These cause various forms of labor underutilization problems, such as underemployment, low earnings, and low productivity. In countries with high poverty and few safety nets (social or employment), many people cannot afford to be unemployed. Thus, they will undertake some form of activity to earn a living even if it is low-paying and low quality. At the same time, those not looking for work because it fruitless to search are not counted as unemployed. For instance, it may not make sense to search for a job during a low labor-demand season or when there are few opportunities. Given the seasonal nature of a number of economic activities (such as agriculture) in many developing countries, unemployment has strong seasonal patterns.[39] The SHFS was implemented in December 2017 when a chronic drought had taken hold in many Somali regions, so many people who were out of work may not have looked for work in the 4-week period prior to data collection.

38 The estimate of unemployment presented in Figure 16 is based on a consistent application of the international (strict) definition of unemployment.

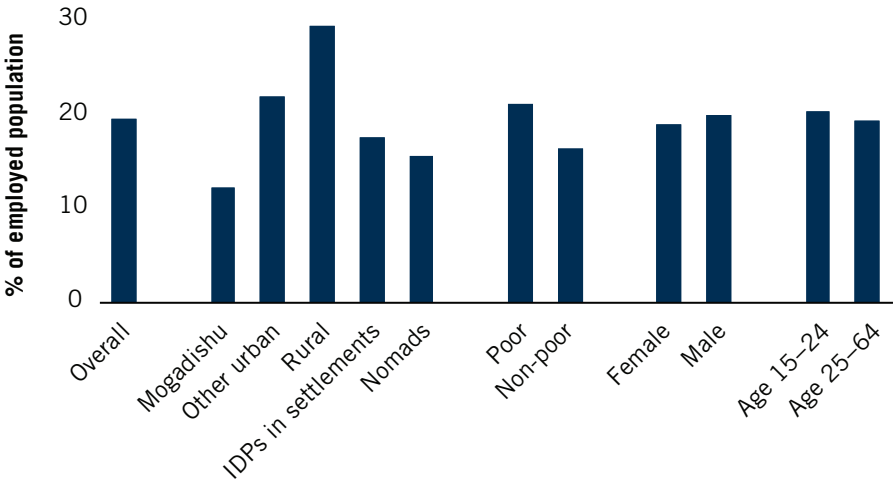
39 The timing of data collection and the reference period used influence the estimates generated.

Figure 16: Broad unemployment reveals some hidden unemployment



Source: Authors' calculations based on the SHFS 2017–18.
Note: The denominator for the strict definition of unemployed is the labor force. The denominator for the relaxed definition is the sum of labor force and persons who are out of work but not actively seeking for a job because they are discouraged.

Figure 17: Underemployment is highest among rural dwellers and poor



Source: Authors' calculations based on the SHFS 2017–18.

Broader "unemployment" reveals a considerable lack of employment in Somalia. Unemployment figures only count people as "unemployed" if they are without work, available to work, and "actively seeking", according to the strict definition (see Appendix A for definition). However, this definition is ill-suited for most African countries where, on the one hand, few people can afford not to work, and on the other, certain situations make looking for work futile. Relaxing the definition of unemployment to include persons who do not actively look for a job more than triples the unemployment rate to an estimated 16 percent in Somalia (Figure 16).[40] Therefore, there are people outside the labor force who may want to work but do not actively seek it because they do not expect to find a job or they face social, cultural, or structural barriers to entry. This group of "available potential jobseekers"—which includes discouraged workers or workers waiting for a busy season—represents those with a less visible lack of employment (Figure 16). The underemployed represent another group with a less visible lack of employment, who we discuss in further detail (Figure 17).

The broad unemployment rate is particularly high for women and youth, suggesting many are either discouraged or face barriers impeding them from seeking work. The broad unemployment rate for youth is more than twice as high compared with adults, and is also much higher for women than for men. Women are more likely be excluded from the strict unemployment count because they face social barriers that prevent them from looking, although they may be available to work (see Box 3). Further, women may need more time to make arrangements for child or elderly care and other household affairs before they can avail themselves to work outside the home. Although some may not be currently available to work—and therefore not counted in broad unemployment—this group may become available to work soon after the reference period. Because women often manage most household affairs and care work, they sometimes form a significant part of these "unavailable jobseekers".[41] Among men, discouraged workers likely constitute a substantial share of hidden unemployment (see Figure 7). The challenge in Somalia is therefore not limited to creating jobs, but also includes creating better and more inclusive jobs with more stable forms of employment.

Even among those employed, the employment situation is far from satisfactory since many prefer to work more hours. Almost 20 percent of employed Somalis expressed interest in working additional hours regardless of actual hours worked (Figure 17).[42] This highlights insufficient volume of work available in the labor market. Underemployment is most prevalent among poor and rural dwellers. Despite already working on average more hours than the non-poor, the poor are more likely to report underemployment, which points to either insufficiency of hours or of pay (Figure 20). This indicates the poor have low-quality jobs and reflects their desire to earn more income. Underemployment is also highest in rural areas, which is linked to the limited or irregular work opportunities available in these areas. Underemployment is equally high for men and women and for youth and adults.

Somalia has an enormous reservoir of underutilized labor, reflecting an economy that cannot employ people to their full availability. Labor underutilization is the mismatch between labor demand and supply and reflects the unmet need for employment. Time-related underemployment, unemployment, and overlooked potential labor force are forms of labor underutilization (Figure 18). A significant share of Somalia's underutilization of labor is "hidden" and not counted in standard unemployment statistics. Looking beyond the narrow unemployment

40 Note: Due to data limitations, this relaxed definition only captures a subset of available potential jobseekers (discouraged workers) and therefore slightly underestimates the full extent of unemployment according to the relaxed definition. Discouraged workers are defined as those waiting for a reply from an employer, waiting for a busy season, do not expect to find a job, and considered too young/old for work.

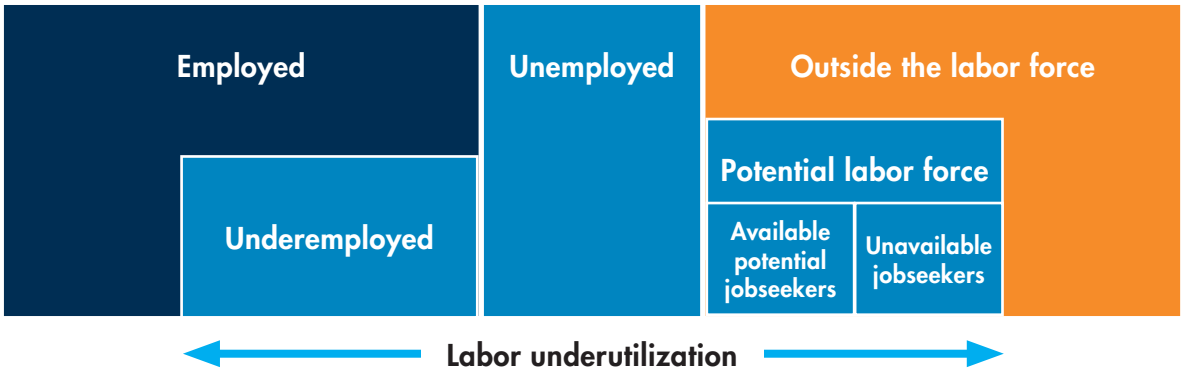
41 Among persons out of the labor force, less than 1 percent are without work, looking for a job but not available (unavailable jobseekers) in the SHFS. Among these, 38.1 percent are women.

42 When considering actual hours worked, among those who worked less than 40 hours a week, 11 percent wanted to work more hours (Figure B.6).

rate reveals a less visible lack of employment among those outside the labor force and the employed (see Figure 16 and Figure 17). Some people outside the labor force are "available" or "seeking" employment while some employed persons want to work more hours and are available to do so. Underemployment suggests a lack of available paid hours while unemployment and potential labor force suggest a lack of jobs.

The Somali economy is not generating enough jobs for those who want to work, nor is it maximizing the productive capacity of its employed population. Taking other forms of labor utilization into account reveals that a combined rate of underemployment and unemployment—the LU2 measure of labor underutilization—currently stands at 23 percent.[43, 44] Due to data limitations, we are not able to compute a combined rate of unemployment and potential labor force (LU3 measure) nor a combined rate of underemployment, unemployment, and potential labor force (LU4 measure).[45] However, based on the combined rate of unemployment, discouraged workers, and unavailable jobseekers (16 percent), and the combined rate of underemployment, unemployment, discouraged workers, and unavailable jobseekers (33 percent), the LU3 and LU4 rates of labor underutilization are expected to be greater given that only a subgroup of available potential jobseekers was captured (see Box 6 for comparator benchmarking of key labor statistics). The full capability of the Somali working-age population is therefore not being realized.

Figure 18: Illustration of labor underutilization



Note: Illustration based on composition of the working-age population by labor force status.

43 ILO (undated).
44 ILO (2018). Underemployment reflects underutilization of the productive capacity of the employed population.
45 Due to the instrument design, the SHFS does not allow for computation of "available potential jobseekers", that is, those who are not looking but available to start a job since only those looked are asked the question on one's "availability". Therefore, the size of the potential labor force consisting of "available potential jobseekers" and "unavailable jobseekers" is unknown.

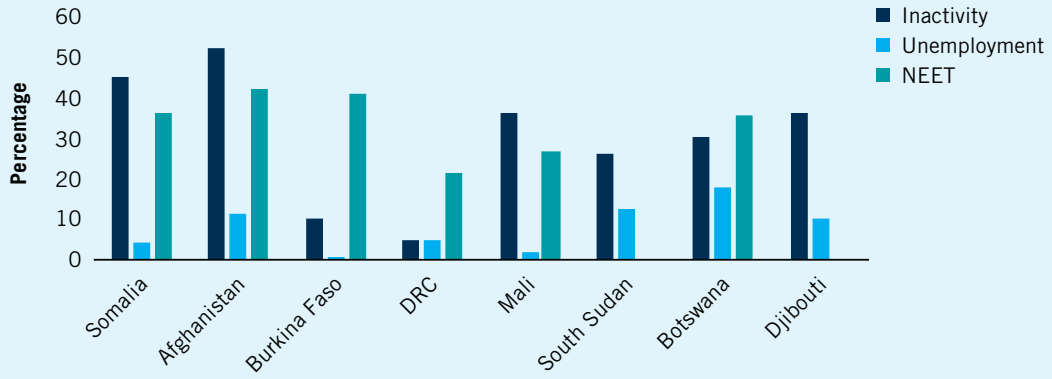
Box 6: Benchmarking key labor market statistics

The challenge of creating enough jobs amidst population growth and labor underutilization is not unique to Somalia. Inactivity rates are generally high in countries affected by fragility, conflict, and violence (FCV), and generally more pronounced among women. The inactivity rate in Somalia, however, is markedly higher than in other FCV-affected countries, such as Burkina Faso, the Democratic Republic of the Congo (DRC), Mali, and South Sudan, albeit not as high as Afghanistan. Somalia's inactivity rate is also higher than in Botswana—a country which underwent a similar transition from a traditionally pastoralist to a diversified and urbanized economy—and in Djibouti, Somalia's small neighboring country to the northwest.

Among these comparator countries, Somalia's unemployment rate ranks in the middle: Burkina Faso, DRC, and Mali record higher rates, while Afghanistan, Djibouti, and South Sudan record lower rates. Yet, Burkina Faso's impressively high labor force participation rate and low unemployment masks sizable shares of working poor, high rates of underemployment, and the challenges the economy faces in providing better jobs (Weber, 2018). Underemployment appears to be an important challenge in DRC more than unemployment (Aterido et al., 2017). While unemployment tends to be a predominantly urban phenomenon, underemployment is rampant in rural areas in DRC and Burkina Faso. Botswana, where the labor market is highly urbanized and more formalized, records a relatively higher unemployment rate.

Youth in other FCV-affected and neighboring countries also find it difficult to fully participate in the labor market or access educational opportunities. Compared with Somalia, the share of youth not in education, employment, or training (NEET) is as high or even higher than in Afghanistan, Burkina Faso, and Botswana. While NEET rates are substantially lower in DRC and Mali, the chances of finding productive employment are likely still low. In all of these comparator countries, young women are more likely to have NEET status than young men. The gender gap in NEET rates is even more pronounced in Afghanistan, Burkina Faso, and Mali, while more attenuated in DRC and Botswana.

Altogether, inactivity and underemployment characterize labor markets in other FCV-affected countries, and access to better jobs is a challenge even in countries with higher labor force participation. Given that access to better jobs is equally as pressing as more jobs, job creation and productivity improvements need to be tackled in parallel. Access to better, higher paying jobs will help improve livelihoods and reduce poverty. Moreover, addressing pervasive youth NEET will not only help harness the "demographic dividend", but contribute to peace-building. Including women in the labor market will be instrumental to realization of the demographic dividend.



Sources: Somalia: authors' calculations based on the SHFS 2017–18; Afghanistan: 2017 national estimates, accessed through ILOSTAT; Burkina Faso: 2014 national estimates for inactivity and unemployed, accessed through Weber (2018) and 2018 NEET, accessed through WDI; DRC: 2012 national estimates, accessed through ILOSTAT; Mali: 2018 national estimates, accessed through ILOSTAT; South Sudan: 2019 modeled ILO estimates, accessed through WDI; Botswana: 2013 national estimates for inactivity, 2010 national estimates for unemployment, both accessed through ILOSTAT, and 2009 national estimates for NEET, accessed through WDI; Djibouti: 2019 modeled ILO estimates, accessed through WDI.

Having a job is no guarantee against poverty since most jobs do not provide enough hours or pay

Given the pervasiveness of poverty and vulnerability in Somalia, differences in labor market outcomes between the poor and non-poor are subtle. Nearly 70 percent of the total population live below the international poverty line of US$1.90 per person per day at 2011 PPP, and around 10 percent of the non-poor cluster within 20 percent of this poverty line.[46] This implies about 80 percent of the Somali population are either poor or near poor. The poor and non-poor not only share similar patterns of joblessness (inactivity and unemployment) but also share surprisingly similar employment profiles.[47] Longer working hours and a higher intra-household dependency ratio appear to be the main distinguishing differences, as is shown in Figure 20 and Table 1. Gender, age, and geography are the main drivers of labor market outcomes in Somalia, and therefore represent dimensions critical to understand the employment situation.

A considerable share of Somali workers lives in extreme poverty despite having a job. Two-thirds of employed Somalis (63 percent) live on less than US$1.90 per day (Figure 19). All workers, regardless of age, gender, or area of residence, face high rates of working poverty. Comparing working poverty rates and poverty rates across age, gender, or area of residence reveals no discernible differences (see Figure B.15). This suggests those with employment are not less likely to live in poverty compared to those outside the labor force. Given the importance of employment as a driving force for lifting people out of poverty, the sheer magnitude of employed persons living in poverty—also known as the "working poor"—suggests that most jobs in Somalia are of insufficient quality and low-paying. Put in the context of the preceding discussion, this means that poverty in Somalia is not only a manifestation of a lack of jobs and social protection, but also of a lack of high-paying jobs. This universally high proportion of working poor implies that the poor need more, better, and higher paying jobs.

What distinguishes the working poor from the non-poor is insufficient quality of employment. Long hours of work go hand-in-hand with involuntary underemployment among the poor (Figure 19).[48] Despite working longer hours than the non-poor, many working poor (about 20 percent) want to work more hours but are unable to do so for various reasons (Figure 17). Informality is likely at the heart of the challenge of lack of decent work. These jobs provide insufficient employment quality, including insufficient earnings despite long hours, job insecurity, and unsafe working environments. The combination of working poverty and informality puts workers in the most vulnerable situation; few have resources to fall back on in terms of savings, alternative sources of income such as international remittances, labor protection and benefits, or social protection. This means that lapses in income have more severe consequences for the poor and that there is limited disposable income to invest in upgrading skills for better employment.

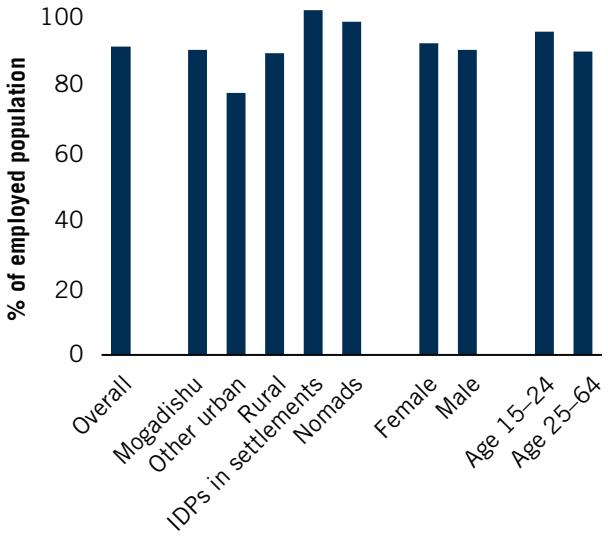
Because poverty status is determined at the household level, workers may also be poor because many more household members live off the earnings of the few working household members. Poor households have high intra-household dependency ratios: poor households have fewer workers relative to household members ($p<0.01$) and 1.1 more children than non-poor ($p<0.01$) (Table 1). Policies for reducing poverty must not only boost economic opportunities and job quality for the working poor, but also provide immediate support through social protection.

46 World Bank (2019b).

47 See Figure 6 for labor force participation rates, Figure 16 for unemployment rates, and Figure 21 for employment profiles. With the exception of slightly more non-poor workers engaging in non-agricultural self-employment, differences between the poor and non-poor are not statistically significant.

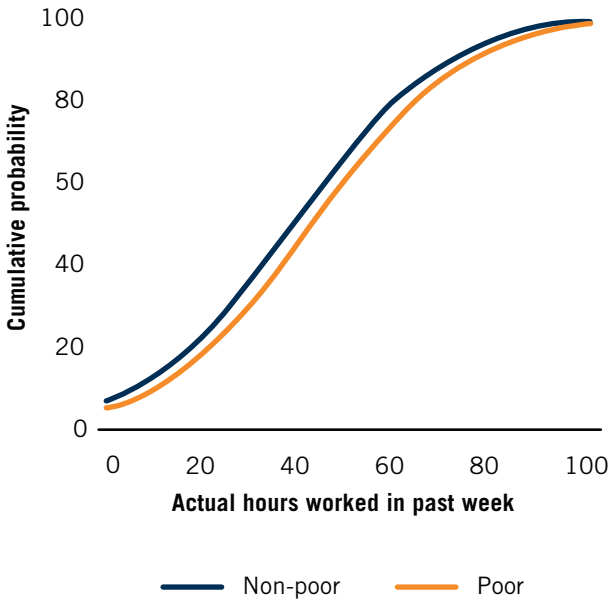
48 See Figure B.13.

Figure 19: Almost two-thirds of those employed are working poor



Source: Authors' calculations based on the SHFS 2017–18.

Figure 20: The poor work more hours



Source: Authors' calculations based on the SHFS 2017–18.

Table 1: Poor households have fewer workers relative to household members

HOUSEHOLD CHARACTERISTICS	POOR	NON-POOR	DIFFERENCE
Household size	5.9	4.5	1.4***
Age dependency ratio	1.5	1.0	0.5***
Number of children	3.0	1.9	1.1***
Number of workers	1.5	1.3	0.15*
Proportion of men in the household	50.1	49.5	0.7
Share of households headed by men	60.2	54.7	5.5
Age of household head	39.9	37.7	2.2***
Share of literate household heads	48.9	52.1	-3.2
Share of literate members in the household	44.1	49.9	-5.8*
Share of agricultural self-employment	25.4	24.3	1.2
Share of non-agricultural self-employment	37.4	42.4	-5.1
Share of agricultural wage employment	6.5	3.6	3.0*
Share of non-agricultural wage employment	30.7	29.7	1.0

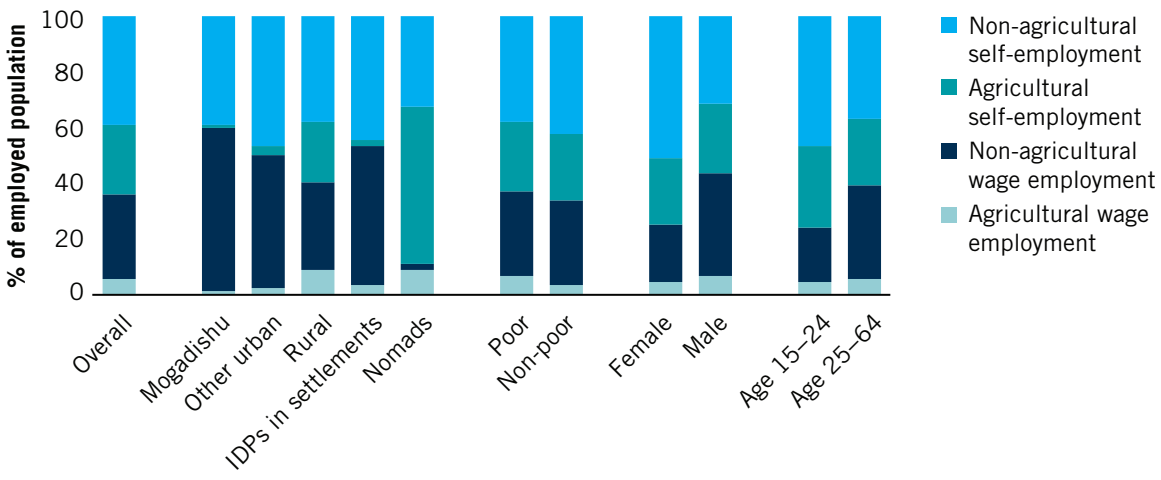
Source: Authors' calculations based on the SHFS 2017–18.
Note: Significance level: 1% (***), 5% (**), and 10% (*). The value displayed for t-tests are the differences in the means between poor and non-poor households. The coefficients estimated from the logistic regression correspond to the marginal effects and include region and population fixed effects. The poverty status used in the regression was derived from total core consumption and a rescaled poverty line.

Self-employment accounts for the majority of employment, especially among women, youth, and non-urban dwellers. About 64 percent of employed persons are self-employed as opposed to 34 percent in paid-employment (Figure 21). Non-agricultural work dominates both self and paid employment, accounting for 61 percent and 85 percent, respectively. As such, non-agricultural self-employment constitutes the largest source of employment (39 percent) and non-agricultural wage employment constitutes the second largest (30 percent). Poor and non-poor workers share surprisingly similar work profiles, with comparable distributions across employment types, although non-poor workers hold slightly more non-agricultural self-employment jobs compared with poor workers. The livelihoods of poor and non-poor households also consist of a similar mix of salaries, small businesses, and agriculture (Figure 22).

Women and youth are more likely to work in non-farm businesses owned by other household members than to work on their own account. Among the employed, women are more than twice as likely to help in a non-farm family business than men (28 percent vs. 12 percent; $p<0.01$), and Somali youth are almost twice as likely as adults to help in a non-farm family business (28 percent vs. 16 percent; $p<0.01$). Youth, in turn, are less likely to engage in non-farm own-account work, such as being a business owner, than adults (10 percent vs. 17 percent; $p<0.01$), whereas there are no differences by gender. This could suggest that women and youth have limited ownership of productive assets and are limited to a supporting rather than leading role to generating household income. For instance, households headed by women or individuals aged 35 years and below are less likely to have access to a plot of land.[49] Households headed by women or younger adults are also less likely to have raised any kind of livestock over the past 12 months.[50]

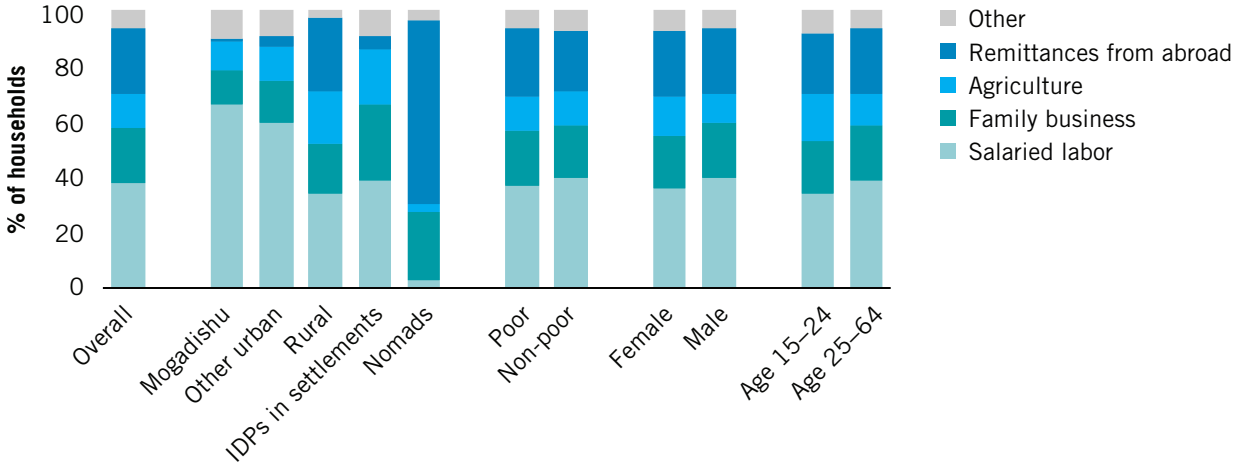
49 Authors' calculations based on the SHFS 2017–18.
50 Authors' calculations based on the SHFS 2017–18. Any kind of livestock includes cattle, sheep, goats, camels, chickens, donkeys, and horses.

Figure 21: Most employment is self-employment, especially non-agricultural self-employment



Source: Authors' calculations based on the SHFS 2017–18.

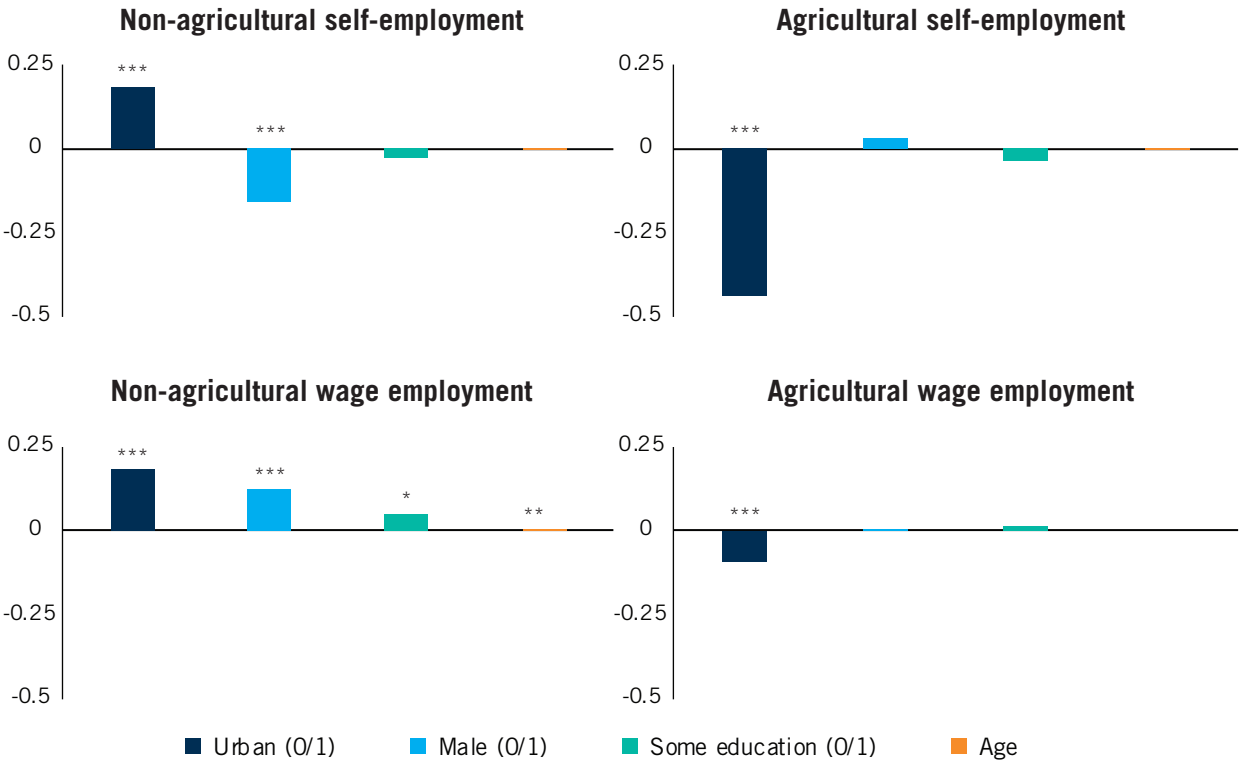
Figure 22: Households rely on a mix of livelihoods but salaried labor constitutes an important source



Source: Authors' calculations based on the SHFS 2017–18.
Note: This shows the households' main source of income/livelihood.

Self-employment is the predominant form of employment for rural workers and nomads, but the level of participation is 1.5 times higher among nomads. Although agricultural activities form an important share of self-employment for non-urban dwellers, many of the rural self-employed (61 percent) are also engaged in non-agricultural activities, which highlights the importance of rural non-farm incomes. Women and youth have similar employment patterns. Three-quarters of female and young workers are in self-employed, among which two-thirds engage in non-agricultural activities. As a result, half of all employed women and youth are non-farm, non-wage workers, compared with one-third of men and adults. Likewise, one-third of all employed men and adults are non-farm wage workers compared with one-fifth of women and youth. Thus, women are less likely to earn wages, and

Figure 23: Gender and area of residence are important predictors of employment type



Source: Authors' calculations based on the SHFS 2017–18.
Note: Results of probit regressions where the outcome variable is employment type and controls include age and binary indicators for urban, male, and some educational attainment. This graph shows marginal effects estimated at the means of these explanatory variables. *** p<0.01, ** p<0.05, * p<0.10.

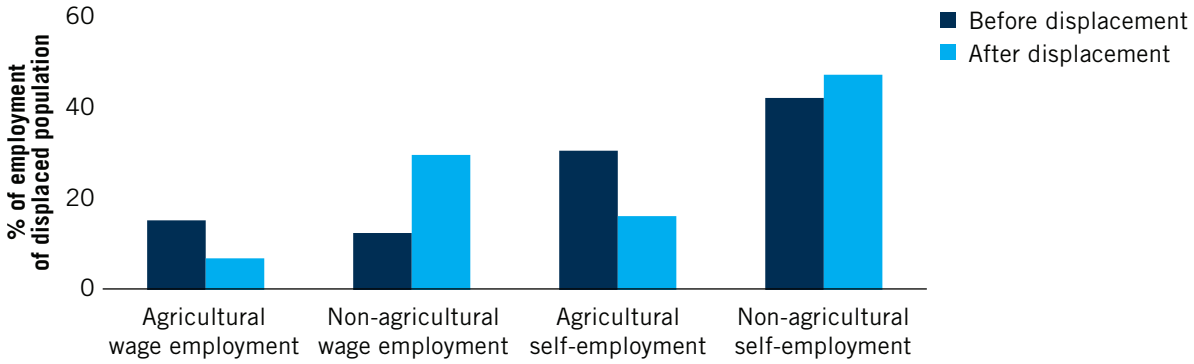
this gender gap in wage employment is similar across rural and urban areas, suggesting that cities do not erode gender disparities.

Displacement shifts access to employment from agricultural to non-agricultural livelihoods. Prior to being displaced, almost half of IDPs relied on agricultural livelihoods. Following displacement, they tend to shift from agricultural to non-agricultural livelihoods, with only one-quarter of IDPs remaining in agriculture (Figure 24). Most of the shift is toward non-agricultural wage employment, though most of the employment remains in non-agricultural self-employment. This shift is consistent with many displaced Somalis moving from rural areas into settlements, cities, or city outskirts. However, the shift to non-agricultural wage employment is not necessarily associated with improved access to decent work or reduced vulnerabilities since skills developed in agriculture may not easily transfer to cities. Relative to other urban dwellers, IDPs rely less on salaried labor and more on family businesses and informal employment (Figure 21).

IDPs remain among the poorest groups in Somalia, with incomes falling far below the poverty threshold. Their average level of consumption also tends to be much further below the poverty line than other groups, excluding rural dwellers. Working poverty is highest (70 percent) among IDPs in settlements, suggesting the quality of employment is not sufficient to offer higher pay (Figure 19). However, IDP households with relatively more working-age members are less likely to fall below the poverty line, implying the importance of employment for IDPs.[51]

51 World Bank (2020a).

Figure 24: Employment for IDPs shifts from agricultural to non-agricultural activities following displacement



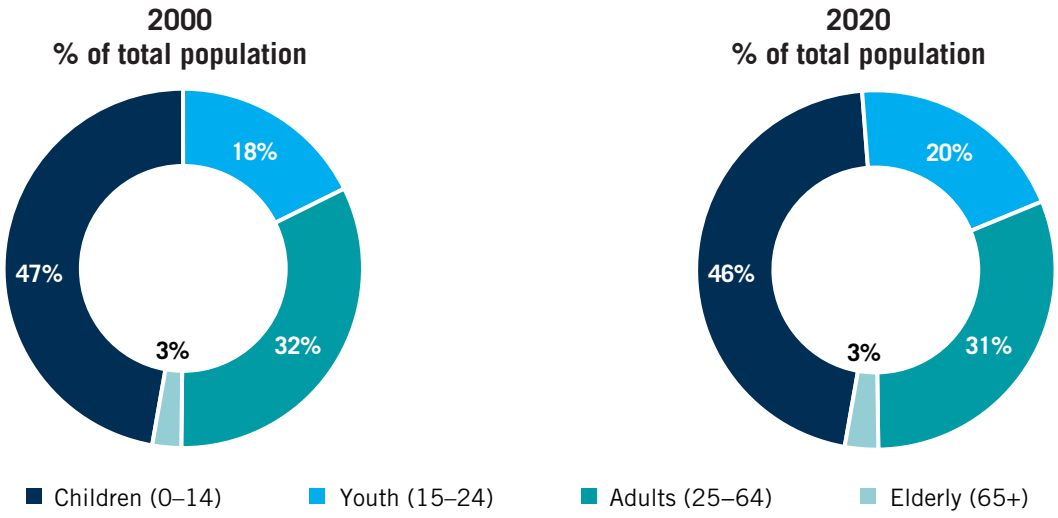
Source: Authors' calculations based on the SHFS 2017–18.

Displacement is widespread in Somalia, and durable solutions to integrate the displaced into society and the economy are critical for long-term stability and development. Given changed livelihoods and lack of safety nets, enabling displaced person with access to income-generating opportunities and stable employment will be critical for household stability and resilience. Given that forced displacement speeds urbanization, job creation in cities will increasingly become pressing.

YOUTH EXCLUSION FROM JOBS AND INCOMPLETE SCHOOL-TO-WORK TRANSITION ARE IMPORTANT CHALLENGES FOR SOMALIA

Somalia's current and projected demographic structure suggests that more and better jobs are needed today and in the future for its young people. About half of Somalia's total population is under age 15 (47 percent), while another 20 percent is between age 15 and 24 (Figure 25). Only 3 percent are elderly people ages 65 years and above. Since children are currently too young to participate in the labor force, they represent "workers in waiting" who will enter the labor market in the near future. As they "wait", the present challenges are to provide adequate education opportunities and enough decent jobs for the sizable and expanding youth population. This situation presents both opportunities and challenges. Young people are more adaptable, tend to be early adopters of new technologies, and bring new ideas and perspectives to their workplaces. At the same time, their limited experience and other structural barriers prevent them from smoothly entering the labor market, so they have less favorable labor market outcomes compared to adults. The overarching goal should be to increase the number of high-quality jobs and to help young people access these jobs through training and education.

Figure 25: Almost half of Somali population are "workers in waiting"



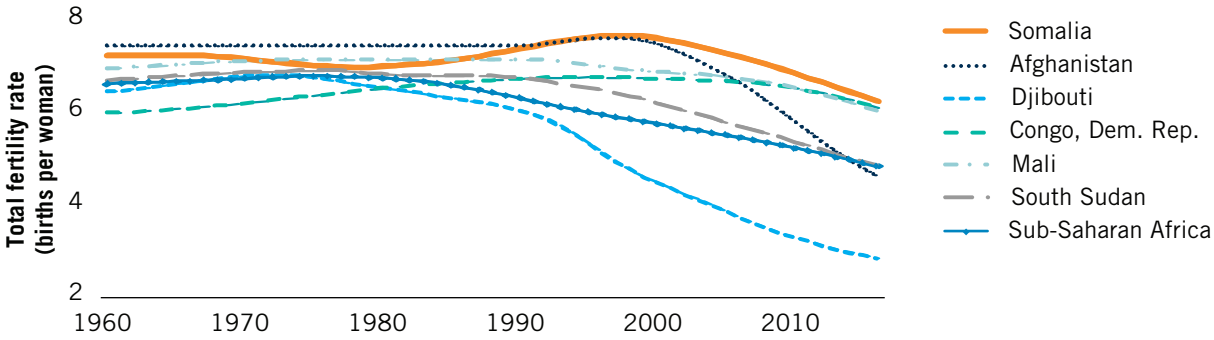
Source: UNDESA (2019).

Fertility trends have led to rapid population growth, and a population composed mainly of children with a low share of working-age people. Births per woman in Somalia exceeded many countries, including in SSA (Figure 26). From 1960 to 2018, the population of Somalia increased from an estimated 2.8 million to 15 million, increasing by

445 percent in 58 years.[52] Given the resulting youthful age structure, the share of working-age in total population remained largely on par with the share of dependents. For a period, the share of working-age people decreased in Somalia in contrast to the increasing share across SSA, a result of both high births and adult mortality during the war (Figure 27). Following a subsequent decade of stagnation, this share started to slowly rise. A higher share of working-age in total population is generally desirable as more potential workers are available to support dependents. Although in recent years the total Somali fertility rate has been slowly declining, it still exceeds the average SSA rate by about one child per woman. This implies that a substantial share of children and young people will continue to characterize Somalia's demographic structure.

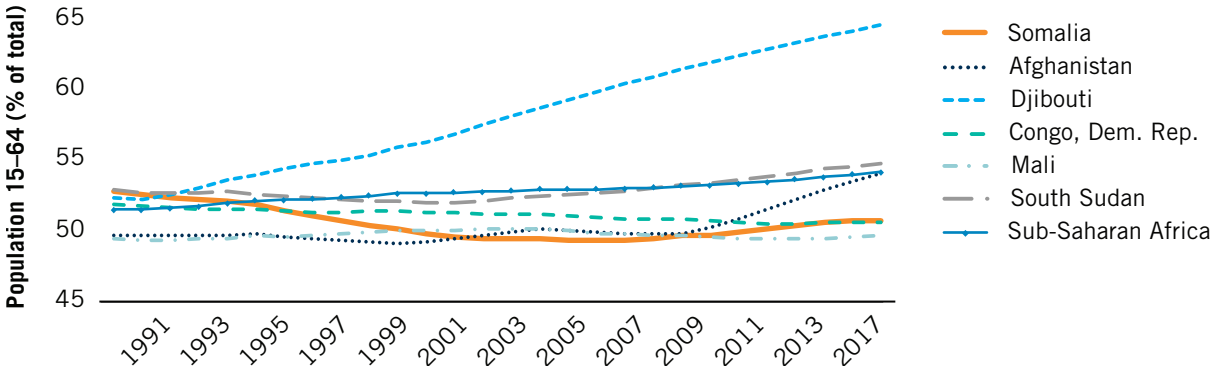
Somalia is slowly entering a period of falling dependency—and a rising share of working-age population—offering long-term prospects for demographic dividends under the right conditions. Although child dependency will remain high for many decades, the proportion of dependent children relative to working-age people is falling in Somalia in line with SSA and other low-income countries (Figure 28). As fertility rates decline, the share of child

Figure 26: Past trends in fertility led to high population growth and a very young population



Source: World Development Indicators (2018).

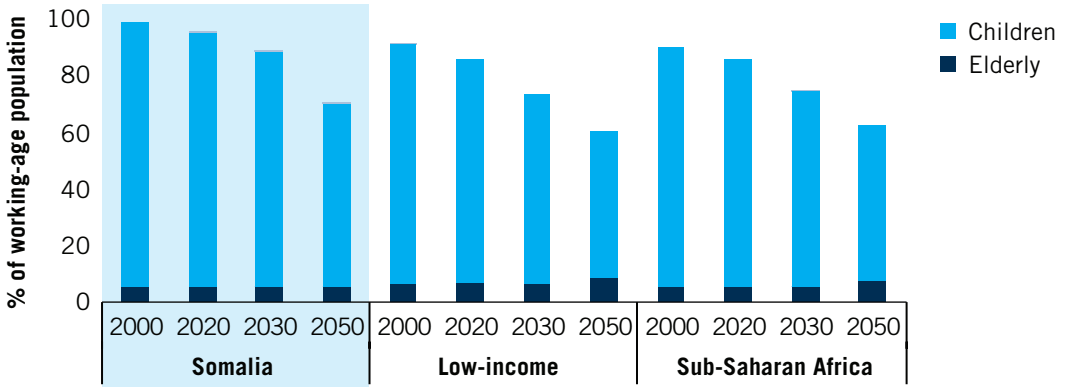
Figure 27: Somalia's working-age population share is rebounding after declining



Source: World Development Indicators (2018).

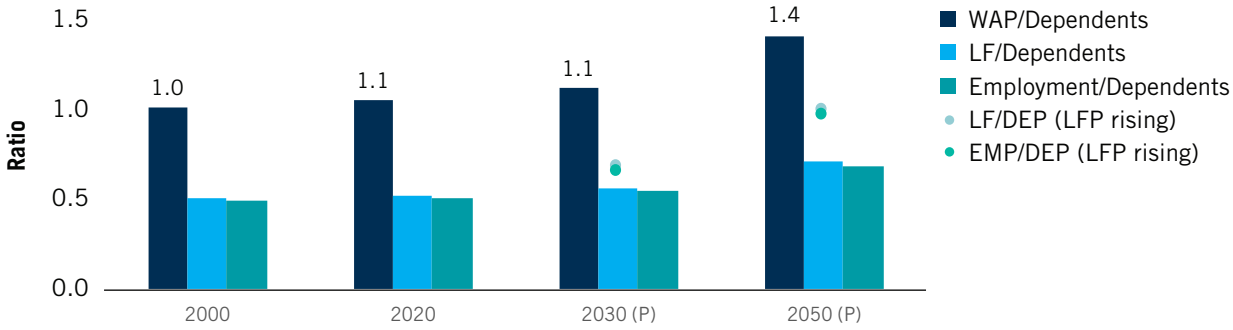
52 World Development Indicators (2020).

Figure 28: Child dependency in Somalia is higher than in low-income countries but is falling



Source: UNDESA (2019).

Figure 29: A growing share of working-age population can eventually offer demographic dividends

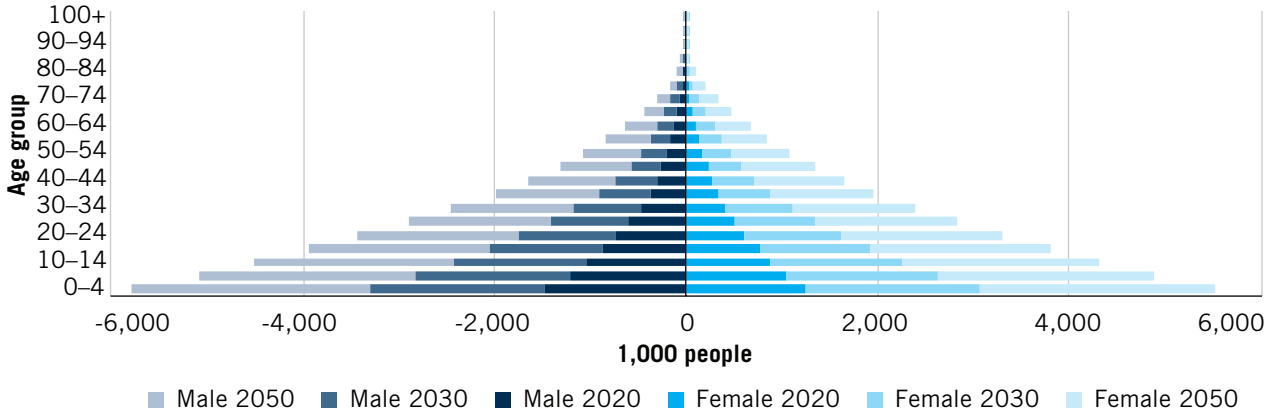


Source: UNDESA (2017).
Note: "LFP rising" assumes LFP rate of 60 percent in 2030 and of 70 percent in 2050 (compared with a baseline of 50 percent).

dependents will continue to decrease, in turn raising the share of working-age people in the population (Figure 29). If this increasing working-age population is engaged in income-generating work, household welfare will improve as income earners (workers) outnumber consumers (dependents). To realize this welfare-increasing opportunity, it is crucial that new labor market entrants be able to find employment. Moreover, female workers must gain opportunities to maximize the benefits of the positive spiral of economic growth and poverty reduction from the demographic dividend. Somalia remains in the pre-dividend stage of the demographic transition: it has yet to experience its first demographic dividend as it is still a high-fertility, low-income country lagging in many human development indicators.[53] But an economic window of opportunity will arise when it experiences lower fertility (children per woman) and lower child mortality (deaths).

53 Ahmed et al. (2016).

Figure 30: Somalia's youth will more than double by 2050

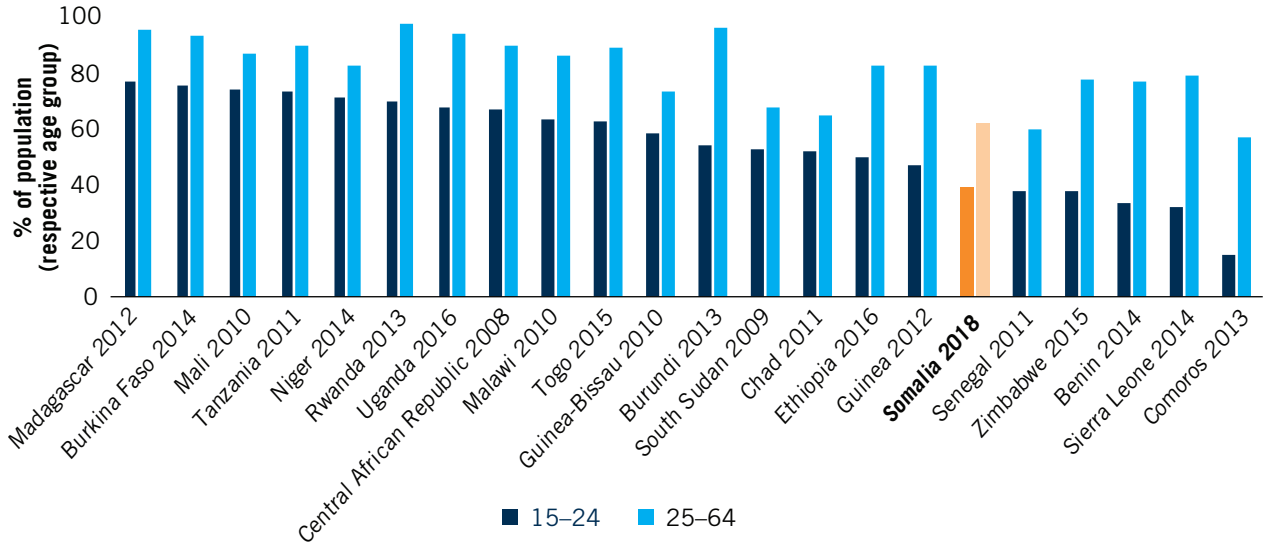


Source: UNDESA (2019).

Young people aged 15–24 have less favorable labor outcomes than young adults aged 25–35

Youth aged between 15 and 24 account for one-third of the Somali working-age population, and as such require special attention in development policy. Despite accounting for one-third of the working-age population, youth make up only one-fifth (22 percent) of the entire labor force. In general, youth worldwide have lower labor force participation rates than the rest of the adult population. However, few countries have youth participation rates as low as Somalia, which stands at around 40 percent (Figure 31). If a larger proportion of young people are attending school—resulting in a better-skilled workforce in the future—then a low labor force participation rate signals a positive development. However, low participation rates can also signal slow school-to-work transitions or discouragement in settings with slow jobs creation. Low labor force participation combined with low enrollment rates are most problematic, signaling that a substantial number of young people are NEET.

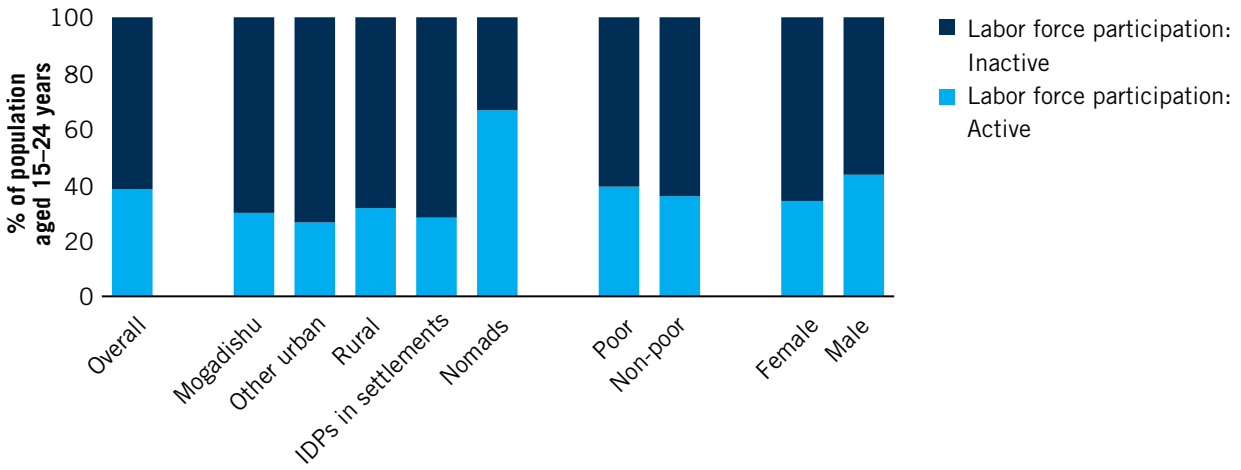
Figure 31: Somalia has among lowest youth labor force participation in Africa



Source: Authors' calculations based on the SHFS 2017–18, and World Bank International Database of Income Distribution (I2D2).

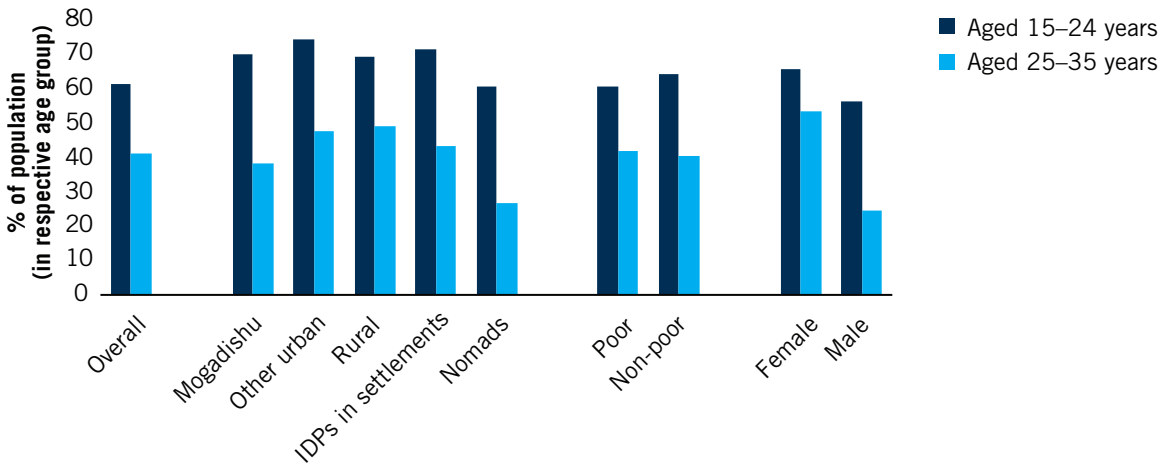
While labor force participation for young Somalis improves with age, the gender gap widens considerably as more men than women enter the labor market. As young people get older, more enter the labor force, thereby decreasing inactivity rates from 3 of 5 for youth to only 2 in 5 for young adults (ages 25–35) (Figure 33). Though it is reassuring that labor force participation increases with age, it does not guarantee that young people are gaining decent and productive employment. Further, the gender gap in labor force participation emerges early in life as female youth have higher inactivity rates (66 percent) than males (56 percent) (Figure 6). Moreover, the gender gap in inactivity rates—and hence labor force participation—widens with age from a 10 percentage-point difference between female and male youth to nearly a 30 percentage-point difference between young female and male adults (Figure 33). Increasing participation of women in the labor market will be important to accelerate economic growth and raise the living standards of Somali households. To this end, it is crucial that policies aim to reduce barriers to women working and change perceptions about women working outside the home.

Figure 32: Inactivity is high among youth, more so for female youth



Source: Authors' calculations based on the SHFS 2017–18.

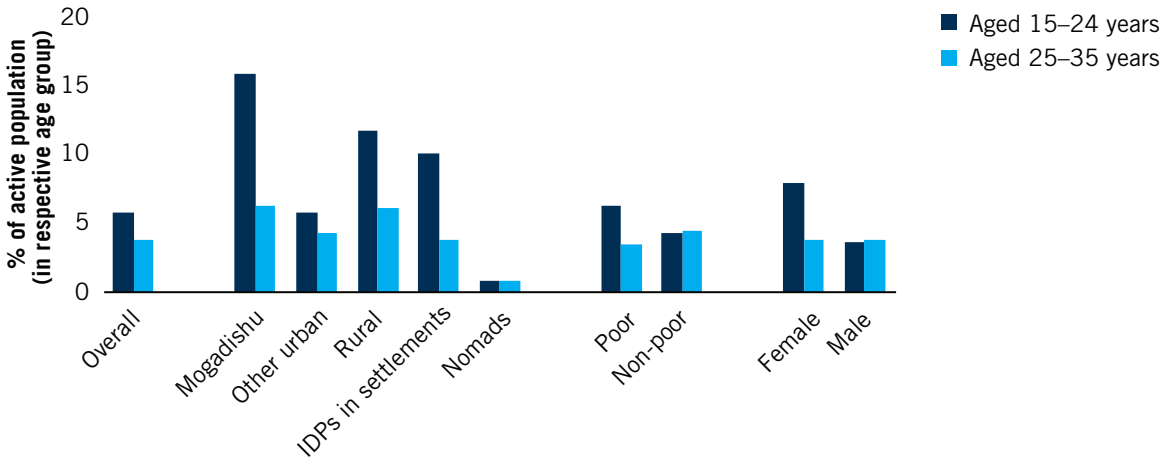
Figure 33: Inactivity falls with age but the gender gap widens as women lag in entering the labor force



Source: Authors' calculations based on the SHFS 2017–18.

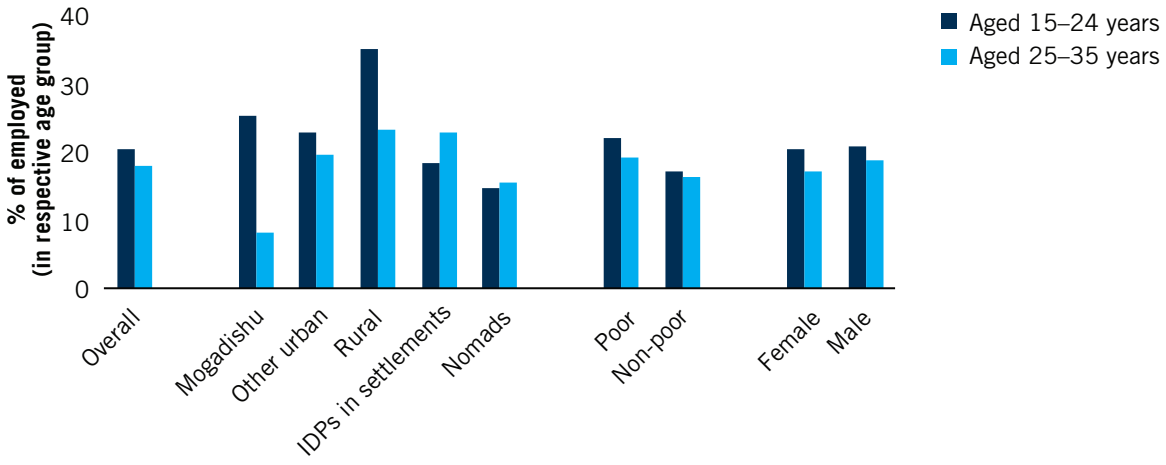
Labor underutilization is higher for youth than young adults. Unemployment for young people is almost twice as high as among young adults, while underemployment is equally high among them (Figure 34 and Figure 35).[54] However, both youth unemployment and underemployment are elevated in Mogadishu and rural areas, and among poor youth. High underemployment indicates that many of these youth are working at less than their full productive capacities, likely because they are failing to secure more productive and remunerative jobs (see Figure 46). A lack of productive and decent work impedes the poor from raising their incomes, and can help drive rural-to-urban migration (see Figure 3).

Figure 34: Unemployment among youth is almost twice as high as among young adults



Source: Authors' calculations based on the SHFS 2017–18.
Note: Defined according to the strict definition.

Figure 35: Underemployment is higher among youth living in Mogadishu and rural areas



Source: Authors' calculations based on the SHFS 2017–18.

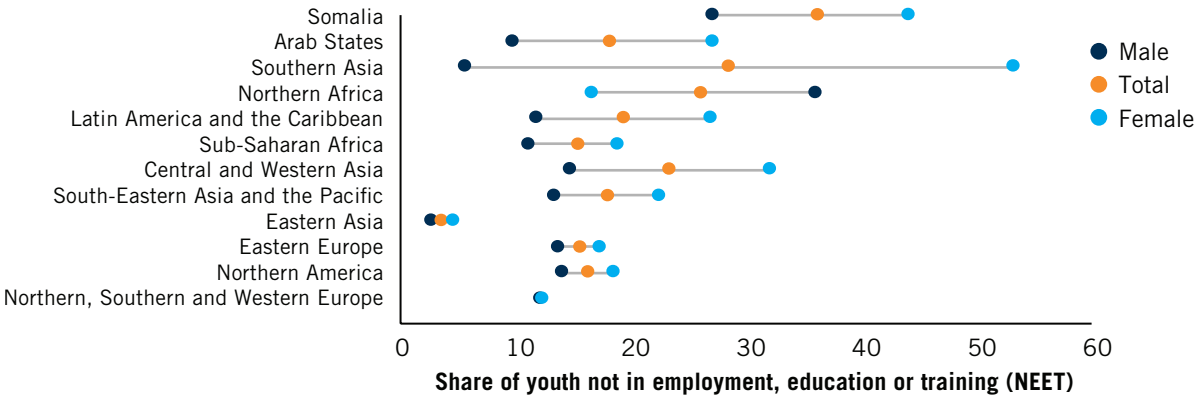
54 Globally and in SSA, youth unemployment is 13.5 percent and a little over 10 percent, respectively (ILO, 2020).

A substantial share of potential youth labor force also exists. These are individuals not working but would be available or seek work if they perceived a higher chance of success. The combined rate of youth unemployment, discouraged workers, and unavailable jobseekers in Somalia is around 30 percent, however the combined rate of youth unemployment and potential labor force (LU3 measure) is expected to be higher if the available potential jobseekers were fully captured.[55] The SSA LU3 rate of underutilization is 16 percent and 20 percent globally.[56] This suggests that the mismatch between labor supply and demand is more acute for youth than it is for young adults.

Two in five young people are not in employment, education, or training (NEET)

Globally, a substantial number of young people are NEET, a majority of whom are young women.[57] In 2019, around 22 percent of young people worldwide and 20 percent in SSA were NEET (Figure 36).[58] The youth NEET rate is a useful broad measure of youth underutilization. NEETs represent both opportunities and risks. They reflect the untapped potential of youth that could contribute to national development and growth through work or furthering their education.[59] However, NEETs can also pose a risk to peace and development as labor market and social exclusion traps many in a vicious cycle of low-skill, low-wage jobs.

Figure 36: Somalia's share of youth not in employment, education or training (NEET) is substantial

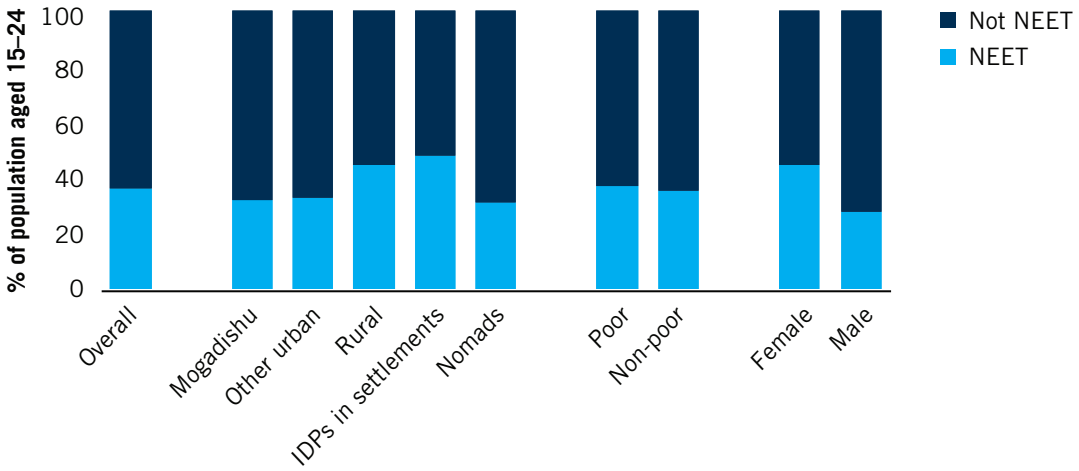


Source: ILO (2017). NEET rates based on ILOSTAT and ILO School-to-Work Transition Surveys. Population estimates based on ILO Trends Econometric Models, April 2017. NEET rates for Somalia based on the SHFS 2017–18.

55 Note, potential labor force is the sum of available potential jobseekers and unavailable jobseekers. Due to data limitations, available potential jobseekers could not be computed. Discouraged workers, a subset of available potential jobseekers, is estimated to approximate the extent of LU3.
56 ILO (2020a).
57 Youth outside of the educational system, not in training, and not in employment (unemployed or outside of the labor force) are considered to have NEET status.
58 ILO (2017).
59 ILO (2017).

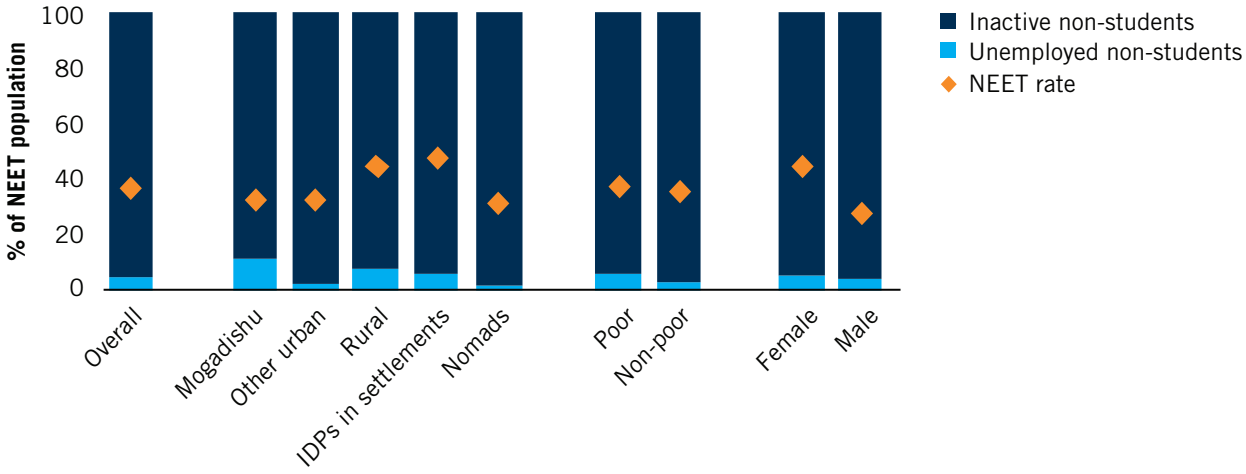
Young people's limited labor market engagement in Somalia reflects the persistent youth NEET status. While some young Somalis who are not working (that is, unemployed or inactive) are in school, many others are not (see Figure 41). Among the 3 of 5 Somali youth who are economically inactive, half are not enrolled in school (Figure 32 and Figure 8). In addition to inactive non-students, there are unemployed non-students. Together, they form the NEET population. Over 36 percent of young Somalis are NEET, many of whom are women (Figure 37). A high NEET rate reflects that a large proportion of young people are not earning an income through work, gaining experience in the labor market, nor building skills and knowledge through schooling. Consequently, many are not improving their future employability.

Figure 37: Women, rural and IDP youth are more likely to have NEET status



Source: Authors' calculations based on the SHFS 2017–18.

Figure 38: The overwhelming majority of NEETs are inactive non-students

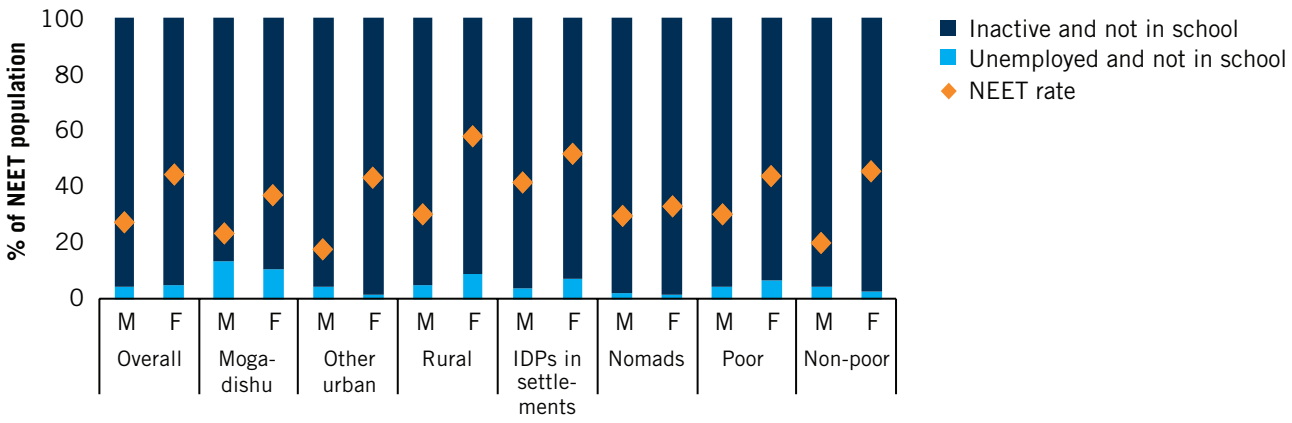


Source: Authors' calculations based on the SHFS 2017–18.
Note: Youth are defined as 15–24 years. NEET are defined as youth "Not in Education, Employment, or Training" (NEET).

Young women and non-urban youth are more likely to have NEET status and are most at risk for both labor market and social exclusion. Young women are more likely to have NEET status (44 percent) than young men (27 percent) (Figure 37). This high NEET rate among young women signals some institutional barriers and greater responsibilities in unpaid care work (see Figure 7 and Box 3). Non-urban youth also have NEET rates around 1.5 times higher than urban youth. The NEET rate is higher for rural and IDP youth than for urban youth, largely because of their exclusion from participating in the labor market and education system (see Figure B.3). Place of residence and wealth have a bearing on access to education: since educational facilities concentrate in cities, the opportunities for school attendance and educational progression are slightly better for urban than rural dwellers or nomads. While nomadic households are most disadvantaged in terms of access to education, they are also more likely to be actively participating in the labor force, and thus have relatively lower NEET rates than rural and IDP youth (see Figure 33).

Inactivity among young people is a more pressing problem rather than unemployment. A closer look at the subcategories of NEETs reveals that young people with NEET status are predominantly inactive non-students rather than unemployed non-students (Figure 38). Inactive non-students remain a dominant share in total NEETs across all population groups regardless of poverty status, gender, or area of residence. This indicates many NEETs across the country are not looking for work, perhaps because they perceive low chances of finding work due to low demand or because of cultural obstacles. When viewed by gender, the share of inactive non-students in total NEETs dominates for both male and female youth. However, the NEET rate is significantly higher for young women across all population groups, except for nomads (Figure 39). Young women have twice the NEET rate of young men in rural areas and other urban areas, and almost twice the rate in Mogadishu. Similarly, the NEET rate among non-poor female youth is twice that of non-poor male youth.

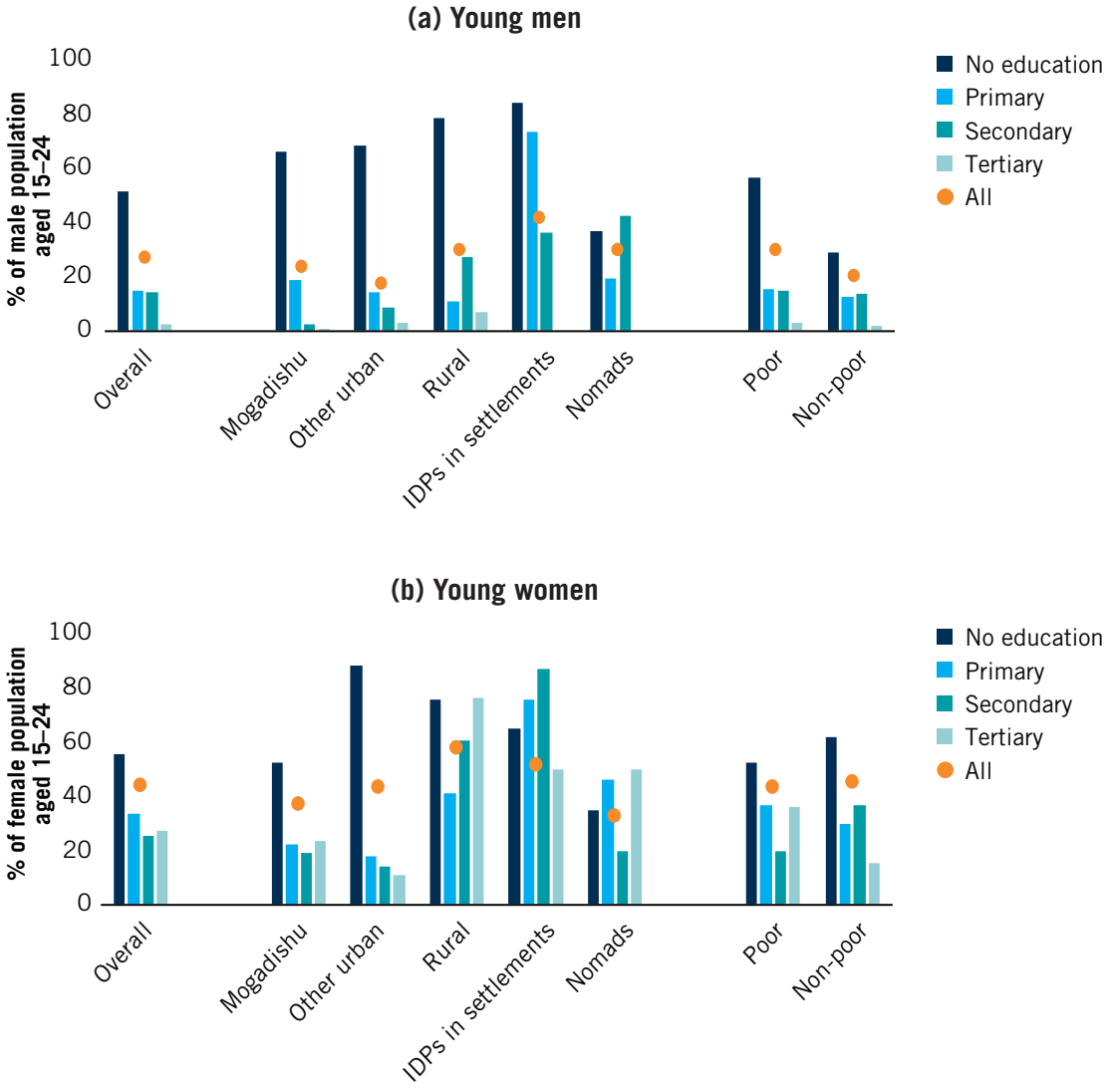
Figure 39: Young women generally have higher NEET rates regardless of poverty status or population group



Source: Authors' calculations based on the SHFS 2017–18.
Notes: M = male, F = female.

The least-educated youth are most at risk of being NEET, although those with higher education are not exempt. Young people with no education have a NEET rate of 53 percent, while those who have attained a primary education or more have a rate below 25 percent (see Figure B.12). Even though young people with higher education qualifications tend to have lower NEET rates, young people in rural areas and IDP settlements still face elevated rates. Higher NEET rates among those with higher education is most pronounced among young women (Figure 40). This likely reflects that a significant share of women is not entering the labor force following the completion of educational qualification.

Figure 40: The least-educated youth are most at risk of having NEET status

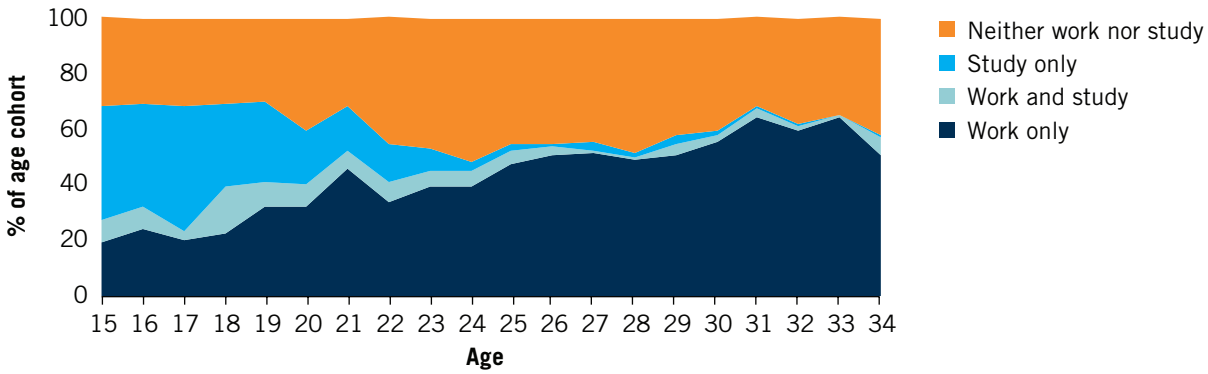


Source: Authors' calculations based on the SHFS 2017–18.
Note: Bars show NEET rates conditional on a given level of educational attainment. Dots show NEET rates irrespective of educational attainment.

The school-to-work transition is modest but incomplete with many young people entering low-quality jobs while others remain jobless, especially young women

While some young Somalis transition out of school to work, a growing share are neither working nor enrolled in school. At age 15, about half the cohort is in school or combining both school and work, while another 19 percent is working exclusively (Figure 41). The remaining 32 percent are neither working nor studying. As young people age, participation in school diminishes as some transition into employment and others remain out of work or outside the labor force. Between the ages of 15 and 24, the share in employment doubles from 19 percent to 39 percent. At the same time, the share of young people neither working nor studying almost doubles, increasing sharply from 32 percent to peak at 52 percent. By age 34, 51 percent are working exclusively while 42 percent are neither working nor studying. These results indicate that school-to-work transitions are quite modest as those entering the labor force is slightly offset by those who do not.

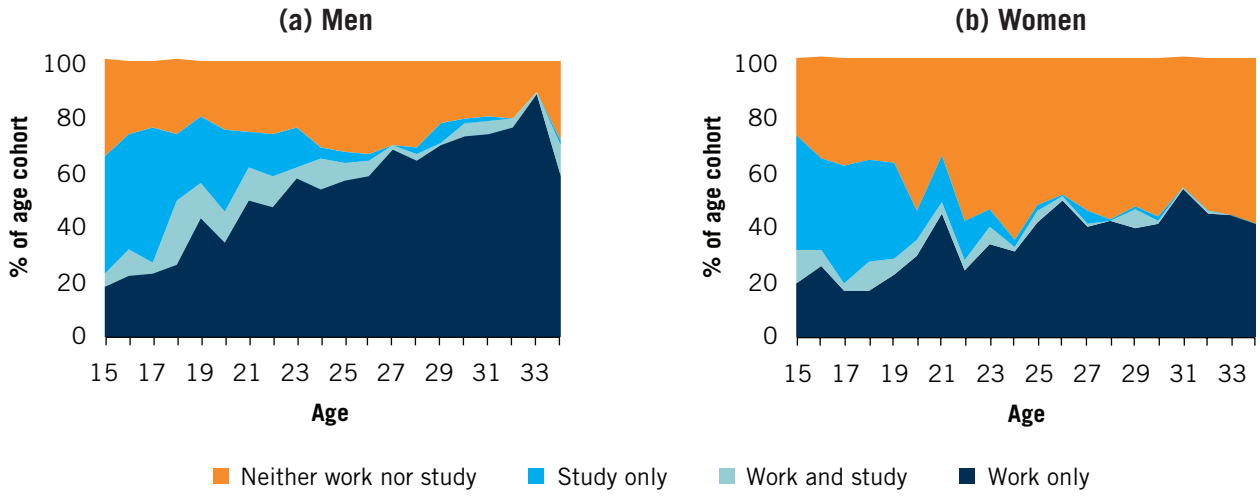
Figure 41: A growing share of youth transition into NEET status



Source: Authors' calculations based on the SHFS 2017–18.

The school-to-work transition differs by gender: most young men transition to work, while most young women transition into NEET status. At age 15, a small but similar share of young men and young women work exclusively. With age, the share of young men working more than triples while it only doubles for young women (Figure 42). At age 34, almost 60 percent of men work exclusively as compared with 40 percent of women. Most of the young men who are studying early in life, both exclusively and in combination with working, eventually transition out of the education system into exclusive employment. As such, the male NEET rate remains relatively stagnant and even slightly diminishes with age. On the other hand, most young women transition out of school and do not enter the labor market. Enormous declines in participation in the education system are observed between the ages of 18 and 24, although the decline starts earlier for teenage girls. As young women exit the school system, many increase their participation in the labor market but many more do not. As such, the NEET status rate for women more than doubles from 28 percent for those aged 15 to 59 percent for those aged 34.

Figure 42: While men largely transition from school to work, women transition into NEET status

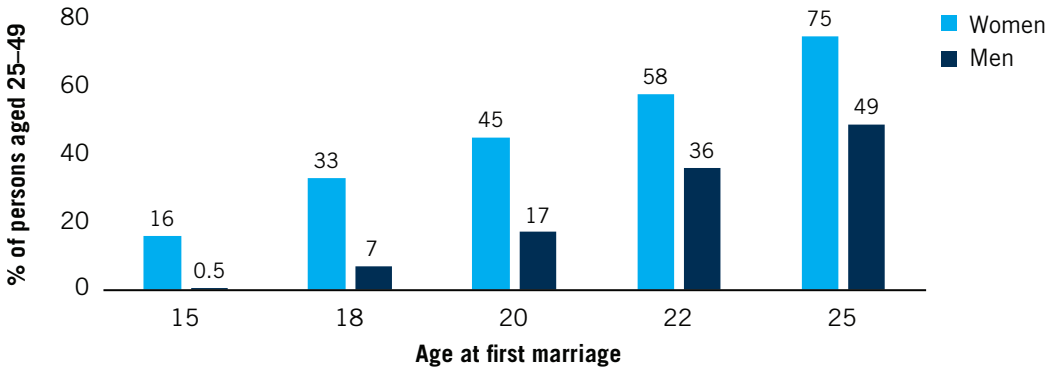


Source: Authors' calculations based on the SHFS 2017–18

Early parenthood helps produce gendered outcomes, pushing young men into the labor force and keeping young women out.[60] Early marriage is still widely practiced in Somalia. The Somali Health and Demographic Survey reveals that sixteen percent of women in aged 25–49 married by the age of 15 (Figure 43). A further 33 percent and 45 percent of women aged 25–49 entered their first marriage by the age of 18 and 20, respectively. In contrast, only 0.5 percent of men aged 25–49 entered their first marriage by the age of 15, 7 percent by the age 18, and 17 percent by the age 20. Early marriage is associated with early family formation. The median age at which childbearing commences is 20 years, with two-fifths of women aged 25–49 having given birth to their first child by age 20 and one-fifth by age 18 (Figure 44). About 14 percent of Somali teenage women aged 15–19 are mothers or pregnant with their first child, 12 percent had already given birth to a child, and 2 percent were pregnant with their first child.[61] Early family formation helps drive leaving school early and weak women's attachment to the labor force (see Figure 33).

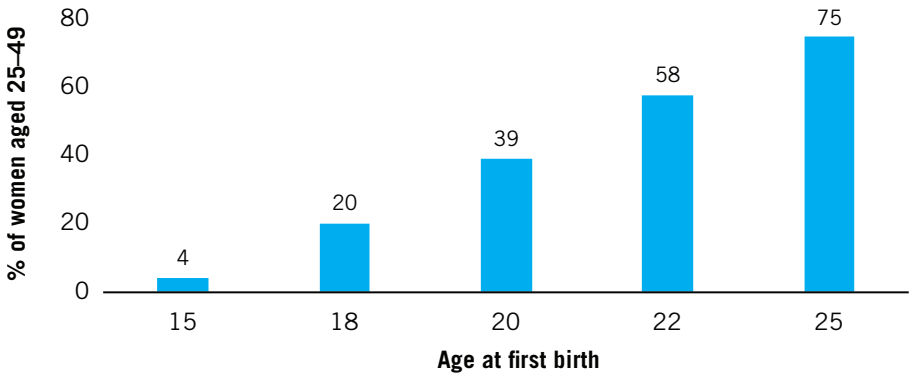
60 United Nations (2018).
61 DNS (2020).

Figure 43: Early marriage is more common among women than men



Source: Somali Health and Demographic Survey 2020.

Figure 44: Two-fifths of women commenced childbearing by age 20



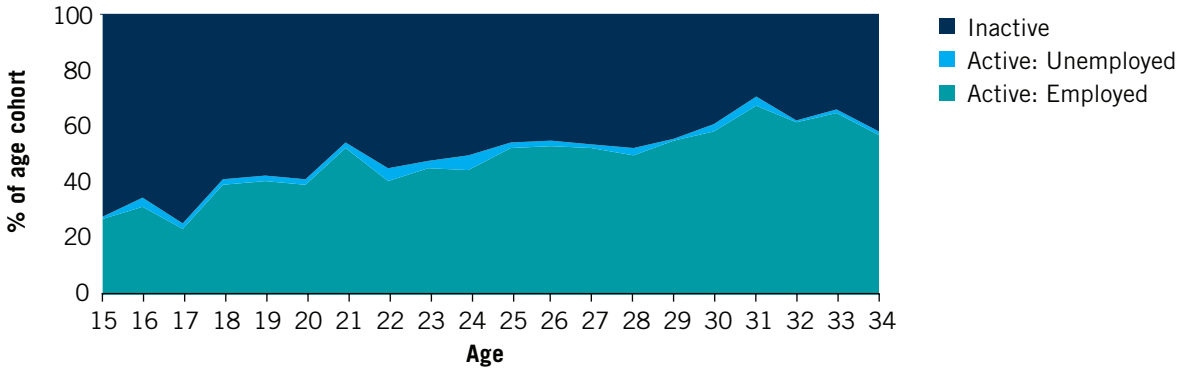
Source: Somali Health and Demographic Survey 2020.

Promoting female school enrollment can improve women's employment prospects and labor force attachment and, by lowering fertility, can accelerate Somalia's demographic transition. Female educational attainment is an important determinant of age of first birth and thereby of overall fertility. In Somalia, women's median age at first birth does not vary much by background characteristics, with the exception of women with higher education having their first child later, at 22 years, compared with women with primary education, who had their first child at 19 years.[62] In other SSA countries, disruptions in female schooling due to economic and political turmoil are linked to stalls in fertility decline.[63] Conversely, this suggests that the education sector, together with social protection programs, could hasten the benefits derived from a demographic transition.

The NEET situation has significant social, political, and economic consequences. A difficult labor market situation for young people stalls their self-sufficiency and ability to contribute to household income. As a consequence, in the absence of adequate public support,

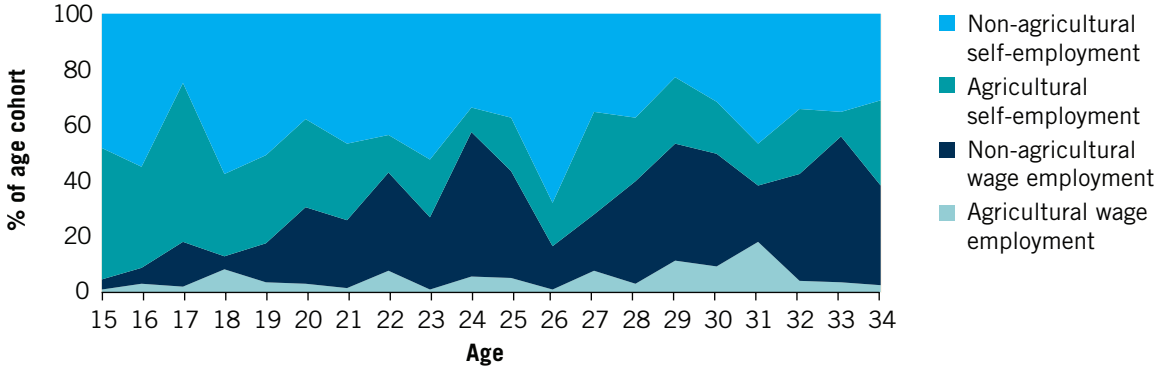
62 DNS (2020). The median age at first birth is 20 years for both women with secondary education and no education, however.
63 Kebede et al. (2019).

Figure 45: Youth transition into the labor force is modest



Source: Authors' calculations based on the SHFS 2017–18.

Figure 46: Young people start off almost exclusively in self-employment but gradually transition into wage employment



Source: Authors' calculations based on the SHFS 2017–18.

there is increased risk that NEETs and the households they live in cannot adequately meet essential food, housing and healthcare needs, thereby diminishing well-being. Prolonged joblessness can also lead to discouragement, have lasting negative effects on employment and earnings, and drives disengagement from society. This can contribute to negative social and health outcomes.[64] Young people grappling with joblessness at the outset of their careers can miss out on building the self-esteem from being empowered economically, while a lack of educational advancement can dampen their civic engagement (see Box 1). Social, education, and labor market integration of young people, especially of young women, is therefore a policy priority for Somalia.

When young people enter the labor force, they work almost exclusively in self-employment and gradually transition into wage employment. As young Somalis transition into the labor force, many enter employment as opposed to unemployment (Figure 45). However, the jobs they

64 OECD (2015); Carcillo et al. (2015).

access are characterized by informality, low productivity, and vulnerable employment. The school-to-work transition is considered incomplete until young people can find a "satisfactory" or "decent" job.[65] At the age of 15, almost all (95 percent) young Somalis are self-employed, equally participating in agricultural and non-agricultural activities (Figure 46). As young people age, they gradually move out of self-employment and into wage employment, with most moving from the agricultural sector to the non-agricultural sector. Among young people ages 20–24 who are employed, 33 percent have non-agricultural wage jobs compared with only 9 percent of young people ages 15–19. Between the ages 15–34, non-agricultural wage employment increases 10-fold. Despite the increase in wage employment, self-employment continues to be the dominant form of employment for young people and young adults. Many young people who are employed also desire to work more hours (see Figure 35). This suggests the transition of young people to stable employment or to satisfactory self-employment is quite difficult.

By age 34, one-third of the cohort is engaged in non-agricultural wage employment while about two-thirds remain self-employed. Only a small share remains in agricultural employment, signaling a desire for more non-agricultural employment among young people. The dominance of self-employment in early life highlights the importance of this form of employment in activating youth labor force participation and the insufficiency of wage jobs available in the economy. This suggests enabling more productive self-employment/micro-entrepreneurship opportunities for young people and supporting early development of entrepreneurial skills to improve their employment and earnings prospects as they wait for more stable, higher-paying jobs.

Successful and speedy school-to-work transition and educational opportunities are essential to address skills supply and demand imbalances. Ideally, a steep rise in employment between the ages of 15 and 24 would occur as youth transition from education to employment and the transition is considered successful if their transition is to stable employment or satisfactory self-employment. In Somalia, this is not the case due to a lack of decent jobs in the economy to absorb the rapidly growing labor force (skills demand), protracted searches for work (skills activation), and gaps or mismatches in skills as demanded by the labor market (skills availability). Failure to activate youth's skills may be a result of: (a) inadequate work experience, (b) lack of information and networks to connect to jobs, (c) lack of access to financial capital to start a business, (d) spatial mismatches, and (e) social and cultural norms. Skills gaps and mismatches are likely due to (a) poor skill foundations laid in early childhood and basic education, (b) barriers to accessing skills development opportunities in terms of cost and distance, (c) poor quality and weak market-relevance of skills development systems (for example, education), and (d) gender bias effects on study and work choices.[66]

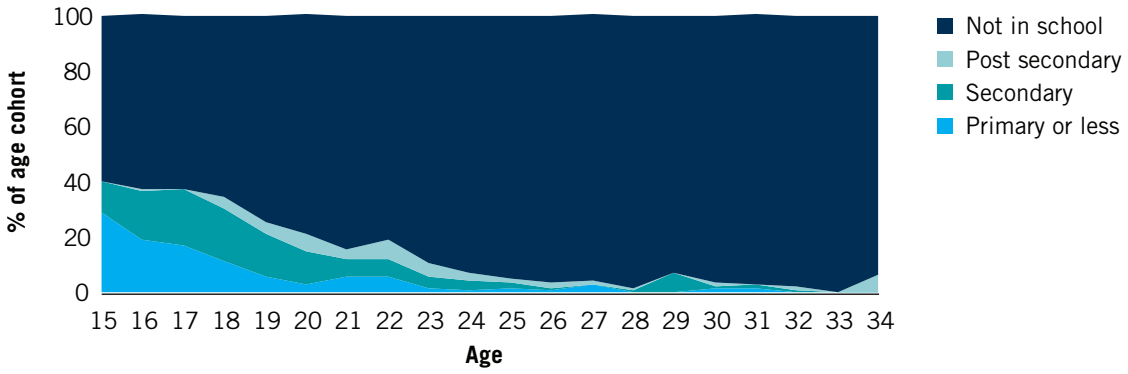
65 Elder and Kone (2014).
66 UNICEF (2019).

Low education attainment hampers access to productive employment

Young peoples' education profiles determine the level of workforce skills that employers can access. Fundamental primary education skills such as literacy and numeracy are important for all employment, including informal self and agricultural employment. These skills are also prerequisites for progressing to higher levels of education and for access to higher-skill occupations.[67] Thus, the education system must produce the skills necessary for productive jobs. At the same time, the labor market must also produce decent jobs for the skills generated. Failure to do so could discourage individuals from developing their skills, whether through the education system or the labor market. For instance, young people may choose not to pursue a post-primary education anticipating a lack of high-quality jobs that remunerate this level of educational attainment.

In Somalia, most school-age youth are not in school while those who are enrolled tend to be overage. The majority of young people in Somalia are not in the education system, while those that remain tend to be overage or start to exit in large numbers at the age of 18, especially young women. Among 15-year-olds, 60 percent are not enrolled in school while 29 percent are still attending primary school (Figure 47). In Somalia, key factors explaining primary school enrollment include distance of schools, remittance receipts, and literacy of household head. For 1 in 3 households, schools are at least 30 minutes walking distance away, and distance from school is negatively associated with primary school enrollment.[68] High grade repetition rates and enrollment of overage students explain higher age-for-grade enrollment. Parental perceptions about the age at which their children should start attending school in part explains the late enrollment in primary school. Nearly three-quarters of parents of children ages 6–9 who are not enrolled in school consider their children too young to attend school. As a result, 27 percent of children enrolled in primary school are older than age 13 and more than half of those enrolled in secondary school are not of the typical age.[69]

Figure 47: Many young people do not go to school and those who do tend to be overage



Source: Authors' calculations based on the SHFS 2017–18.

67 In some countries, secondary education might be the minimum educational attainment to access better-quality wage jobs in the formal sector and needed for this sector to provide more and better jobs for the population.
68 World Bank (2019b).
69 World Bank (2019b).

While male and female net enrollment rates in primary school are on par, female enrollment rates in secondary school are lower than male rates. Male and female teenagers fail to attend secondary school for different reasons, with secondary school-aged boys (ages 14–17) mostly citing lack of money while girls cite having to work or help at home (see Box 7 for discussion on unpaid household services and child labor).[70] Young women also tend to exit the education system rapidly starting at age 18, likely as a result of family formation (see Figure B.17). Access to secondary education is far from universal in Somalia, and even fewer pursue post-secondary education.

Educational attainment remains low in Somalia, with important geographic and gender disparities. About 3 in 5 in the working-age population have not completed any formal education (Figure 48). Nomads and IDPs are most likely to have no formal education (about 80 percent), followed by rural dwellers (about 50 percent). Disparities in access to education drive the geographic differences. Availability of educational facilities and accessibility in terms of costs and distance are barriers for nomads, IDPs, and rural dwellers. Education is more accessible for urban dwellers, who live relatively closer to schools and have higher incomes or remittance receipts to pay for attendance.[71] Women also are more likely to not have any formal education compared to men (64 percent versus 55 percent). Efforts to promote educational attainment and inclusion and equity must address group-specific barriers.

Box 7: Unpaid household services and child labor

In low-income countries, many children aged 5–14 engage in some type of work because their families are desperately poor. The term "child labor" for children aged 5–11 is defined as being engaged in either "economic activities" for at least 1 hour, or in "domestic activities" for at least 21 hours per week. Among children aged 12–14, the threshold for economic activities rises to at least 14 hours per week.

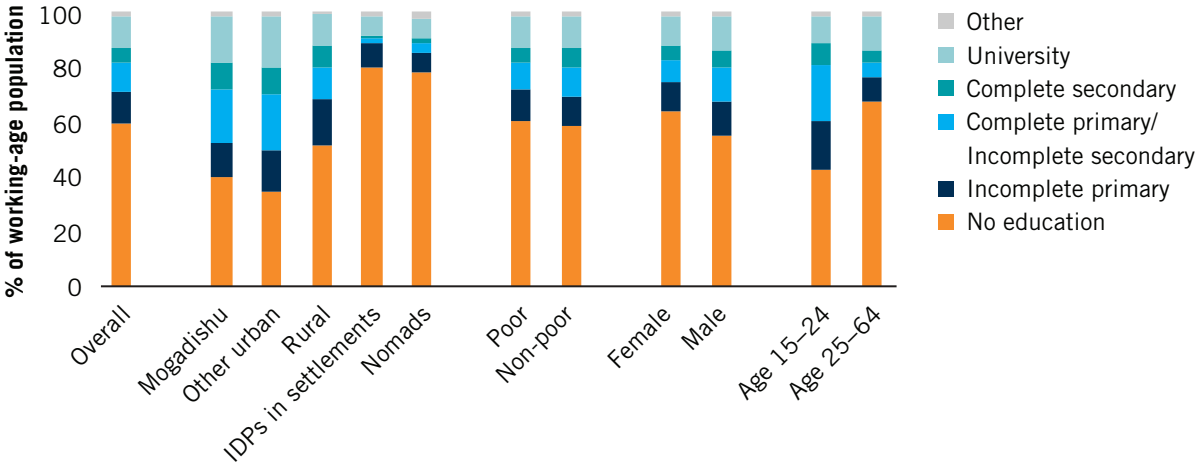
In Somalia, around 1 in 4 children aged 5–14 work. Economic rather than domestic activities tend to drive child labor in Somalia, and the majority of working children are involved in the family business. Child labor is more prevalent among poor households and in rural areas. More girls (29 percent) than boys (23 percent) engage in some type of work. The gender differences are more pronounced for children aged 12–14, and appear to be driven by stronger involvement of girls in household chores. Teenage girls aged 12–14 are more involved in household chores for at least 28 hours (17 percent) than teenage boys (4 percent), and more than girls (6 percent) and boys (2 percent) ages 5–11. While activities that are not economic in nature, such as household chores, are generally considered not to pose risks to children's well-being, excessive unpaid household services can give rise to child labor.

Child labor has been associated with slower human capital accumulation, less school attendance, and lower school attainment.[72] In Somalia, 25 percent of children ages 5–14 enrolled in school are also involved in some form of work, while 42 percent of child laborers also attend school. The combination of school and work is more prevalent among children living in poor households and in rural areas.

Source: UNICEF (2014).

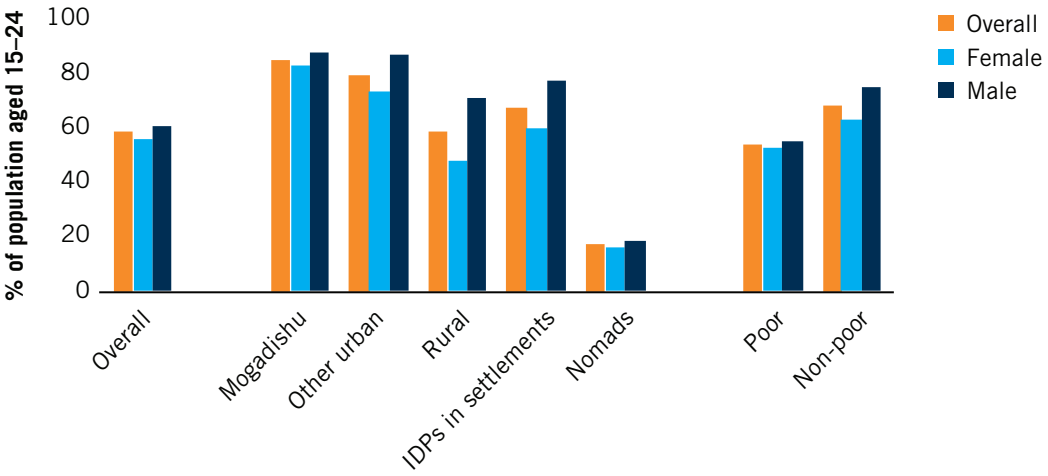
70 World Bank (2019b).
71 World Bank (2019b).
72 Beegle et al. (2009).

Figure 48: Youth and urban dwellers are more likely to have attained some formal education



Source: Authors' calculations based on the SHFS 2017–18.
Note: Other includes post-secondary technical education and non-formal education.

Figure 49: Literacy for young women is lower than for young men



Source: Authors' calculations based on the SHFS 2017–18.

Some improvement in educational attainment has occurred across generations. Despite large geographical and gender disparities in access to education, the younger generation has better educational outcomes than adults. Youth are almost twice as likely to have some formal education than adults (57 percent vs. 33 percent) (Figure 48). Consequently, younger people have higher literacy rates compared with the rest of the population: 62 percent of Somalis aged 15–19 are literate compared with only 50 percent of the working-age population (see Figure B.9). Nevertheless, literacy rates among the general population remain low, and access to primary and secondary education is far from universal, even among youth and urban dwellers. To meet current and future skills the labor market demands requires thoughtful investments in human capital. Although these investments appear to be rising, the pace of increase might not be fast enough to meet demand for future productive employment (see Box 8). Policy efforts should aim to increase enrollment rates while trying to close existing spatial and gender disparities.

Literacy rates for young women remain slightly lower than for young men. Only 56 percent of women are literate compared with 61 percent of men (Figure 49). Given that primary school-aged girls and boys are equally likely to be enrolled in primary school in Somalia, the gender gap in literacy rates may eventually narrow.[73] However, if older girls continue to bear the brunt of household duties—thereby depressing female secondary school enrollment—the gender gap in educational attainments will persist (see Box 3).[74] In line with distance to school being a key factor influencing school enrollment, literacy rates are higher for urban dwellers. The nearest school is less than a 30-minute walking distance for about 90 percent of households in urban areas compared with 30 percent of all households nationally.[75] Lower literacy rates and educational attainment can negatively affect the type of employment young people can access. With increasing educational attainment, employment activities tend to shift from agricultural self-employment to non-agricultural self and wage employment, suggesting that a minimum educational achievement is required to access certain wage jobs (Figure B.11).

73 World Bank (2019b).
74 World Bank (2019b).
75 World Bank (2019b).

Box 8: Education in Somalia

Decades of conflict and state fragmentation had a very damaging effect on both access to and quality of education in Somalia. The civil war destroyed more than three-quarters of schools and qualified teachers became scarce.[76] As a result, many Somalis could not go to school or develop skills for more productive employment. Low adult literacy rates attest to the system's poor performance for generations, while low school enrollment attests to continued supply challenges that make it difficult to raise education levels. Somalia has among the lowest school enrollment rates in the world, with gross enrollment for primary school at 32 percent, compared with 74 percent in other low-income SSA countries.[77]

The current technical and vocational education and training (TVET) system is not well positioned to equip young people with employable skills. The TVET system is highly fragmented, lacks qualified teaching staff, and is based on outdated curricula, and is not demand-driven. Private sector businesses are not sufficiently involved. Thus, Somalia faces enormous challenges to restore access to education and boost its human capital. At present, it is questionable whether Somali youth have enough opportunities to acquire the knowledge and skills to become more productive contributors to the economy.

Somalia's education sector is however undergoing a major transformation, and some progress has been made in laying the foundations to improve access to quality education. The Federal Government of Somalia has introduced a unified education system consisting of 4 years in lower-primary, 4 years in upper-primary, and 4 years in secondary school.[78] In addition, a national curriculum is being introduced in phases—in 2018 for grades 1 to 4, in 2019 for grades 5 to 8, with plans for secondary education in 2020. The new curriculum introduces the consistent use of languages: the language of instruction in primary school will be Somali, and English and Arabic in secondary school. Increased mobile connectivity offers opportunities for improving education services on digital platforms. Digital platforms could also provide quality learning opportunities to children in harder-to-reach areas, or enable students in insecure areas to stay in contact with schools when the security situation prevents physical access.

Source: World Bank (2019a).

76 World Bank (2019a).

77 Somalia's 2015/16 estimate is based on Federal Government of Somalia Education Statistics Yearbook 2015/16 from World Bank (2019a).

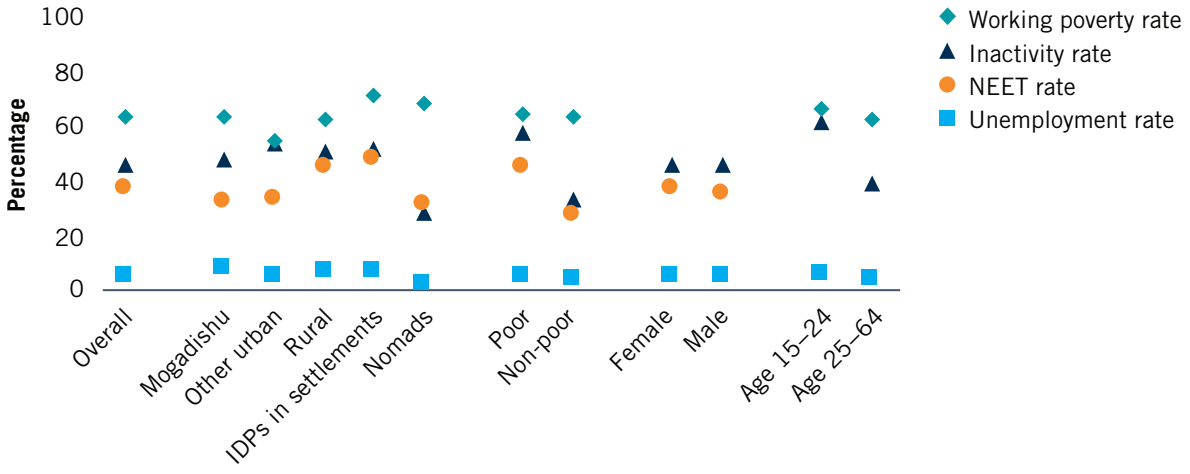
78 For decades, there used to be two distinct educational cycles, one in public schools using the 8–4 system and the other in non-state schools mainly using the 9–3 system.

CONCLUSION

To inform employment and poverty reduction strategies, this report seeks to focus attention on and assess the Somali jobs situation. The findings are based on analysis of extensive Somali household data across geographic areas and population groups. The household data helps illustrate the extent of employment and joblessness, the structure of the labor force, and the types of jobs workers have. Somalia is a low-income country with a significant proportion of its population living in poverty, while the country experiences an expanding young population and urbanizing economy. The results of our analysis highlight a need to orient policies to promote more, better, and inclusive jobs to eradicate extreme poverty. We pay special attention to outcomes for poor and vulnerable groups, including women, youth, and the internally displaced. Policies need to be tailored to each group of workers depending on the issues that affect them most (see Figure 50 for summary of selected labor outcomes across population groups).

Employment in Somalia is characterized by limited and unequal economic participation and extensive labor underutilization. Half of Somalia's working-age population is not in the labor force, many of whom reflect those who have stopped searching for work and therefore are not counted in standard unemployment statistics. Those who are looking for jobs spend months searching and encounter "frictions" in their search due to skills mismatch, inadequate opportunities, and information imperfections. Women and young people struggle most finding jobs, and disproportionately represent the jobless population. Underemployment and working poverty among

Figure 50: Summary of selected key labor market indicators



Source: Authors' calculations based on the SHFS 2017–18.
Note: NEET rate is only relevant for the youth population.

the employed are common, suggesting available jobs provide inadequate wages or hours, leading to low earnings. Labor underutilization is considerable with almost one-fourth of employed workers wanting to work more hours, and a sizable subset of those out of the labor force representing "hidden" potential workers not accounted for in standard unemployment statistics who would work if they thought they could succeed at finding a job.

Weak growth and structural factors are at the heart of the jobless problem, and cultural norms drive differences in outcomes by gender. The current labor force participation rate signals either poor attachment to the labor market or important challenges that potential workers face—one being that there are not enough jobs. Somalia's economy is not growing at a rate fast enough to absorb many of its working-age people, let alone absorb new entrants. With growth on par with population growth, annual growth in GDP per capita remains relatively small. As such, incomes do not adequately grow to meet the needs of the population. Joblessness is not only a direct result of economic factors, but inferring from the information stemming from the unemployed, also of structural factors. Mismatches between the skills people have and the requirements of employers represent a key market friction. This issue affects young and poor people disproportionately. For women, barriers stemming from structural, institutional, and cultural norms, including early marriage and childbearing, appear to limit their engagement in the labor market. While women make important contributions to Somalia's economy, it is often through unpaid care and domestic work.

The lack of decent and productive employment opportunities lies at the core of widespread poverty in Somalia. Working—even working long hours—does not preclude people from being poor, nor guarantee decent living conditions. Almost two-thirds of workers in Somalia live in extreme poverty despite having a job, and almost one-fourth of these workers are underemployed despite working longer hours than the non-poor. All population groups, regardless of areas of residence or gender, have a high proportion of working poor. While there are few differences in the extent of joblessness (inactivity and unemployment) and types of employment between poor and non-poor workers, what truly distinguishes them is their experience in the job market and the quality of jobs they access. The poor spend considerably more time in unemployment and searching for a job. In addition to working longer hours and having insufficient working time when employed, the poor have jobs that do not provide adequate pay, security, or stability. A combination of precarious employment, low earnings, limited savings, and lack of social protection exacerbate the vulnerability of poor Somalis.

Young people struggle with both educational and labor exclusion. About 40 percent of young people are outside the labor force and 64 percent of young people of school-age are not participating in the education system. As such, two-fifths of young people are NEET. The full potential of young people is not realized as evidenced by high NEET rates, underemployment, and probably the potential "hidden" labor force. The most vulnerable—women and non-urban dwellers—are most likely to find themselves NEET. The reasons for this exclusion vary. Early marriage, childbearing, social and cultural norms—including disproportionate responsibility for household, childcare, and other unpaid work—help keep women out of the education system and labor market. The exclusion of IDPs and young people in rural areas from education and the labor market stems from a lack of both job and education opportunities.

Young people also struggle in the labor market from a lack of good jobs and labor market frictions. Unemployment and inactivity are generally higher among young people aged 15–24 than their closest age peers aged 25–35. Those not working but actively seeking work spend longer periods searching as they contend with a labor market that cannot produce enough jobs. They also contend with labor market "frictions" due to skill-mismatches and lack of information. Young employed people tend to have poorer-quality jobs and are likely to earn lower wages than older workers. They face high rates of poverty and are exposed to less secure employment, especially at the onset of their work careers.

POLICY CONSIDERATIONS

Effective policies and strategies for poverty and vulnerability reduction in Somalia must focus not only on generating more jobs, but also on generating better jobs, increasing the employability of workers, and providing social protection. More, better, and more inclusive jobs are needed to raise the incomes of the poor, while social protection schemes are needed to strengthen household resilience against shocks and preserve assets needed to build wealth, invest, or provide collateral for loans. Reducing poverty through employment can be achieved through 3 key actions: (a) generate more employment through growth and financial inclusion, (b) generate better employment through long-term formal sector development, and (c) increase worker employability through education and training programs. Additional policies and strategies beyond employment measures are needed to support the poor and most vulnerable. Reducing vulnerability and building resilience can be achieved through 3 key actions: (a) support the most vulnerable through public services and social protection schemes, (b) continue efforts to ensure universal and equitable access to education and improve learning, and (c) improve transport infrastructure to support the movement of labor.

Generate more employment through growth and financial inclusion

Economic growth that creates more jobs inclusively is central to poverty reduction. Growth is a necessary condition for creating jobs, but how that growth is shared depends on where and how those jobs are created. More jobs ought to be created in sectors in which the poor concentrate. For Somalia, these jobs are largely in the services sector for urban dwellers and IDPs, in the agricultural sector for nomads, and in a combination of both for rural dwellers. Supporting this kind of growth requires attracting investment in labor-intensive industries including retail, restaurants and hotels, and agriculture, as well as expanding the market for agricultural output.

Increasing financial inclusion will support self-employment. Paid-employment is lacking in Somalia. Given the nascent formal sector and the entrepreneurship of the Somali people, self-employment is the dominant form of employment. The opportunity costs of opening a micro or small enterprise are relatively low, and these businesses provide incomes where formal jobs are not available. Most young Somalis use self-employment as their entry point into the labor force, suggesting that they are creating jobs for themselves, accounting for most “new jobs” in the economy. Providing microcredit schemes, reducing barriers to entry, and creating a more favorable business environment can support self-employment while the economy evolves to create more stable jobs.

Generate better employment through long-term development of the formal sector

Improving the business environment to attract investment and promoting development of the modern wage sector will generate better jobs. Most microenterprises and small enterprises exist by necessity rather than by choice and lack some basic labor protections. Creating more stable employment with reasonable wages will protect workers against the income volatility that often comes with informal jobs and will help lift people out of poverty. Therefore, long-run expansion of the size of the modern, formal wage sector is important to creating more and better jobs. Such job creation will require growth and improvement in the business environment in which private firms operate. Addressing impediments to investments, such as insecurity, unreliable and costly infrastructure, lack of access to finance, or lack of effective regulation could support firm growth. A more developed modern wage sector could help provide higher wages and also better returns to education, thereby encouraging higher educational attainment.

Improving the quality and productivity of existing jobs will help the poor gain higher incomes. Since structural changes in the economy take time, the majority of the population will remain self-employed and in informal work for the foreseeable future. It is imperative that the quality of employment across all activities, including agricultural and non-agricultural self-employment, improves in the short to medium term to improve earnings. A strategy centered on "better jobs" should also be more inclusive, as access to wage jobs often is particularly limited for vulnerable groups, such as women, the poor, and rural households. A jobs strategy of "productive inclusion", creating a more supportive business environment, and raising sectoral productivity would also contribute to poverty reduction.

Increase employability through education and training programs

Increase population employability by developing technical and business skills through education and technical training programs. Focusing on skills firms need will be crucial. Facilitating access to, and improving the quality of, training opportunities could be one option. In addition to technical skills, avenues to improve business and behavioral skills—both of which are relevant for worker productivity and success in self or wage-employment—within as well as outside the education system could be explored. In addition to supporting skills development, the education system could provide job search assistance in the form of career counseling programs and internships to improve the formal links to the job market.

Support the most vulnerable through provision of public services and assistance

Social protection schemes for the most vulnerable will protect them against shocks, and help build household resilience. Spatially, rural dwellers and IDPs in settlements are among the most vulnerable as they have limited access to both employment and education opportunities, in addition to experiencing high poverty. Moreover, both availability of education and distance and cost accessibility need to be improved for these vulnerable groups with very low education enrollment and attainment. Social protection schemes could support the poor and vulnerable to find jobs, improve productivity, invest in health and education, and cope with shocks.

Continued efforts to provide universal and equitable access to primary education and improved learning are needed. Years of conflict damaged the availability and quality of education services, and given Somalia's demographics and young population, access and attainment challenges will grow. Increasing access to education for children and youth will allow more productive opportunities when they join the labor force. Foundational skills such as literacy and numeracy obtained through primary education are important for all employment activities, including informal self-employment and agriculture. These skills are also prerequisite for progressing to higher levels of education and for accessing higher-skill occupations. Yet, policies aimed at improving access to education and increasing enrollment need to consider disparities and the specific needs of vulnerable groups such as females, IDPs, and rural and nomadic households. While access is still a key barrier for most Somalis, and building more schools is one alternative, policies to reduce dropout rates and increase levels of educational attainment are also needed.

Building public transport infrastructure to support labor mobility will help reduce spatial employment disparities. As Somalia continues to urbanize, there is a risk that low-income and vulnerable residents will live far from available jobs, which can lead to higher and longer joblessness. Those fleeing from conflict or climate shocks experience less access to jobs, especially if they are not fully integrated within the local community. Affordable and efficient public transportation infrastructure is needed to narrow the mismatch between where jobs are located and where job seekers live.

Foster greater social, economic, and education inclusion for women and youth

Policy interventions for women should focus on promoting social equity and expanding financial inclusion. Women are less likely to enter the labor force and are also more likely to hold vulnerable forms of employment that typically offer low and unstable incomes. Employment and livelihood initiatives should adopt gender-differentiated approaches to address key barriers to women's economic empowerment. Particularly, they must address entrenched social norms and the disproportionate domestic household, childcare, and other burdens women face. Promoting shared responsibility within the household will help free women's time to pursue work and leisure. Offering alternative collateral arrangements and a wider suite of financial products could improve women's access to financial services, while building financial literacy and business skills could support women's economic empowerment. Moreover, policies and interventions to promote women's economic inclusion should attempt to minimize exposure to harm, harassment, or gender-based violence. Closing the gender gap in secondary school enrollment rates is crucial to improve future employment opportunities for girls and promote declines in fertility. Giving women more access to educational opportunities and finances will likely not only increase their own earnings and assets but also contribute to alleviating poverty, as women tend to spend a greater share of their income on child healthcare and education.

Policy interventions for young people should focus on their social, education, and labor market integration along 3 main youth groups: (a) young people in education transitioning into work, (b) young people already in the labor market, and (c) young people who are not in the labor force but available to work, including those who are NEET. Investing in the human capital of young people in Somalia will be essential to break the cycle of exclusion and vulnerability, and to put the country on a path to prosperity. Encouraging young men and women to attend school will not by itself solve the problem of youth joblessness. It is important that school curricula be high-quality and build skills the labor market demands, and, where possible, for schools to help young people establish formal links to the job market. Training can help young people acquire labor market-relevant skills, including technical, vocational, entrepreneurial, digital, and core work (soft) skills. Combining training with on-the-job learning has proven to be successful in both developed and developing countries.[79] To help young people improve labor market outcomes and productivity, both increasing informal self-employed earnings along with promoting development of modern, formal wage employment in urban centers are needed.

79 ILO (2015).

Prepare the economy for sustainable urbanization and for reaping the benefits of a demographic dividend

Preparing the economy for sustainable urbanization is paramount. A range of benefits are associated with urbanization. Incomes tend to rise, for example: On average, a 1 percent increase in urbanization is associated with an increase in GDP per capita of 4 percent.[80] A diversity of job opportunities, better services and, in some cases, better security enable vulnerable people to diversify incomes and live more peaceful lives. Provision of education and other public services and goods is also more widespread in urban areas. Non-agricultural wage employment in the formal sector, which tends to provide better pay, more stability and formal contractual relations, mostly concentrates in urban areas. Ensuring that job creation in cities keeps pace with the rate of urbanization will be critical. In addition, proper urban planning that takes into account where people live and where jobs, education, and health centers are will be paramount to reducing spatial matching frictions and supporting human development.

To reap the possible demographic dividend created from a growing ratio of working-age population to dependents, investments in Somalia need to start generating growth and jobs and improving the productivity of labor. Somalia has a large youth bulge and needs to ensure that most entering workers find gainful employment. Job opportunities for youth will not only be crucial for harnessing the demographic dividend, but this is also fundamental to sustain poverty reduction, mitigate vulnerability, and help avoid conflict.

80 World Bank (2020a).

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APPENDICES

Appendix A. Definition of key terms

Working-age population: The working-age population comprises all persons above a specified minimum age threshold. For international comparisons, working-age population is defined as those aged 15–64 years (inclusive).

Youth: Youth are those aged 15–24 (inclusive). International organizations commonly define youth according to the aforementioned age group. The term 'young people' may be used interchangeably with the word 'youth'. In this publication, the term 'young adults' refers to those aged 25–35 (inclusive).

Labor force participation rate: The labor force participation rate is a measure of the proportion of the working-age population that actively engages in the labor market, either by working or looking for work. The labor force (formerly known as the economically active population) is the sum of the number of persons working (employed) and the number of persons not working but actively looking for work (unemployed).

$$Labor\ force\ participation\ rate = \frac{Labor\ force}{Working\text{-}age\ population} \times 100$$

Inactivity rate: The inactivity rate is the proportion of the working-age population not in the labor force. An inactive person refers to all persons of working age who are outside of the labor force (formerly known as economically inactive population). These persons are neither employed nor unemployed during a reference period.

$$Inactivity\ rate = \frac{Number\ of\ inactive\ persons}{Working\text{-}age\ population} \times 100$$

Employed: The employed comprises all persons of working age who during a specified brief reference period—in this case, the last 7 days—worked for at least 1 hour in any activity to produce goods or provide services for pay (cash or in-kind), profit, or in a family business. A person is also considered employed if he/she was not working but had a job to return to. Reasons for temporary absence from work include personal leave, illness, and industrial disputes. The employment-to-population ratio is defined as the proportion of a country's working-age population that is employed.

$$Employment\ to\ population\ ratio = \frac{Number\ of\ employees}{Working\text{-}age\ population} \times 100$$

Working poor: An employed person whose income falls below a given poverty line.

$$Working\ poverty\ rate = \frac{Number\ of\ employees\ living\ below\ poverty\ line}{Number\ of\ employees} \times 100$$

Underemployed: In this publication, a person is considered underemployed if he/she wanted to work more hours during the past four weeks. Due to data limitations, this definition differs from the ILO definition of time-related underemployment which considers a person underemployed if, during a reference period, he/she satisfied three criteria: (a) wanted to work additional hours, (b) was available to work additional hours, and (c) worked less than a threshold related to working time.

$$Underemployment\ rate = \frac{Number\ of\ underemployed}{Number\ of\ employees} \times 100$$

Unemployed (strict definition): A person is considered unemployed if he/she was (a) without work, but (b) available for work, and (c) actively seeking work in a specified recent period—in this case, the last 4 weeks.

$$Unemployment\ rate = \frac{Number\ of\ unemployed}{Labor\ force} \times 100$$

Unemployed (relaxed definition): Relaxing the criterion of seeking work, the relaxed definition of unemployment (also known as broad unemployment) includes persons who are not actively looking for a job. This is broader than the strict definition since it satisfies the first 2 conditions (without work and currently available) but not the third (seeking). The inclusion of "available non-seekers" among the unemployed (relaxed) can sometimes make a noticeable difference on the number of unemployed. The strict definition of unemployment is ill-suited to capture the prevailing employment situation in developing countries where "the conventional means of seeking work are of limited relevance, where the labour market is largely unorganized or of limited scope, where labour absorption is, at the time, inadequate, or where the labour force is largely self-employed" (ILO, 1983). For instance, a person may not seek a job simply because they do not expect to find a job (discouraged workers) or are waiting for a busy season.

Due to survey instrument limitations in the SHFS Wave 2, one cannot observe a person's availability for work when they are not looking for work. Relaxing the "seeking" criteria without accounting for this limitation would have erroneously included those outside the labor force who do not want employment. As such, one cannot compute the number of "available non-seekers" (also known as "available potential jobseekers"). However, a particular group within the available potential jobseekers, the "discouraged" jobseekers can be observed. Discouraged jobseekers are made up of persons available for work but not seeking employment for labor market-related reasons (waiting for a reply from an employer, waiting for a busy season, not expecting to find a job, considered too young or too old for work). Therefore, this publication considers this subgroup of discouraged jobseekers unemployed according to the relaxed definition.

NEET: NEET refers to the number of young persons not in education, employment or training, regardless of their efforts to find work. The NEET rate is NEET as a percentage of the total youth population, defined in this publication as those aged 15–24 years. It offers a broader and better measure of potential youth labor market entrants than the youth unemployment rate and youth inactivity, respectively. As such, it is one of the Sustainable Development Goal indicators tracked under Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all) to convey the labor market situation of a country's young population.

$$NEET\ rate = \frac{Number\ of\ youth\ not\ in\ education, employment\ or\ training}{Youth\ population} \times 100$$

Potential labor force: The 19th International Conference of Labour Statisticians (ICLS) introduced the concept of the potential labor force. Potential labor force comprises "unavailable jobseekers", defined as persons who sought employment though they were not available but would become available in the near future, and "available potential jobseekers", defined as persons who did not seek employment but wanted it and were available.

Labor underutilization: Labor underutilization refers to mismatches between labor supply and demand owing to insufficient labor absorption. Measures of labor underutilization include unemployment, time-related underemployment, and potential labor force. Standard indicators that serve as a measure of labor underutilization are normally computed as below.

Unemployment rate (LU1):

$$LU1 = \frac{Unemployment}{Labor\ force} \times 100$$

Combined rate of time-related underemployment and unemployment (LU2):

$$LU2\ = \frac{Time\ related\ Underemployment + Unemployment}{Labor\ force} \times 100$$

Combined rate of unemployment and potential labor force (LU3):

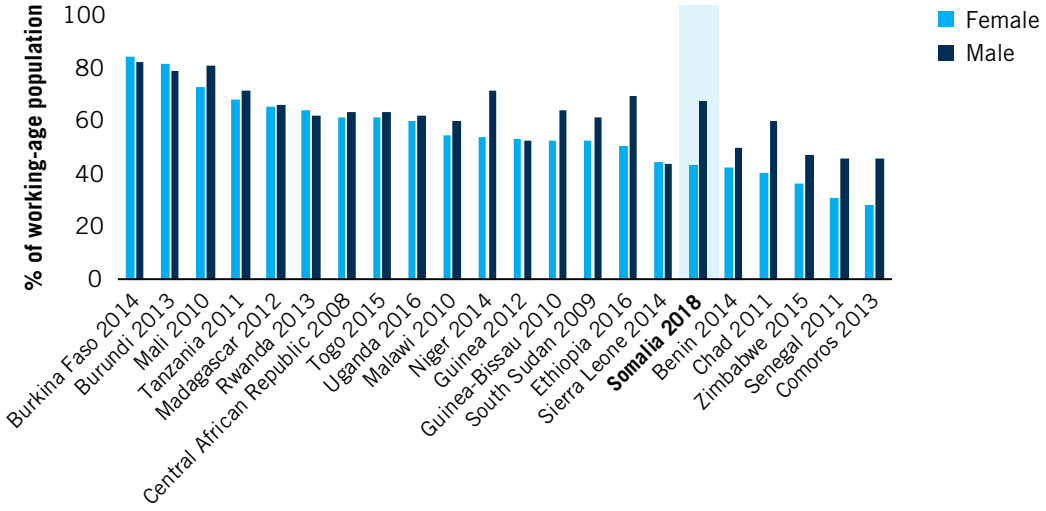
$$LU3 = \frac{Unemployment + Potential\ labor\ force}{Labor\ force + Potential\ labor\ force} \times 100$$

Composite measure of labor underutilization (LU4):

$$LU4 = \frac{Time\ related\ Underemployment + Unemployment + Potential\ labor\ force}{Labor\ force + Potential\ labor\ force} \times 100$$

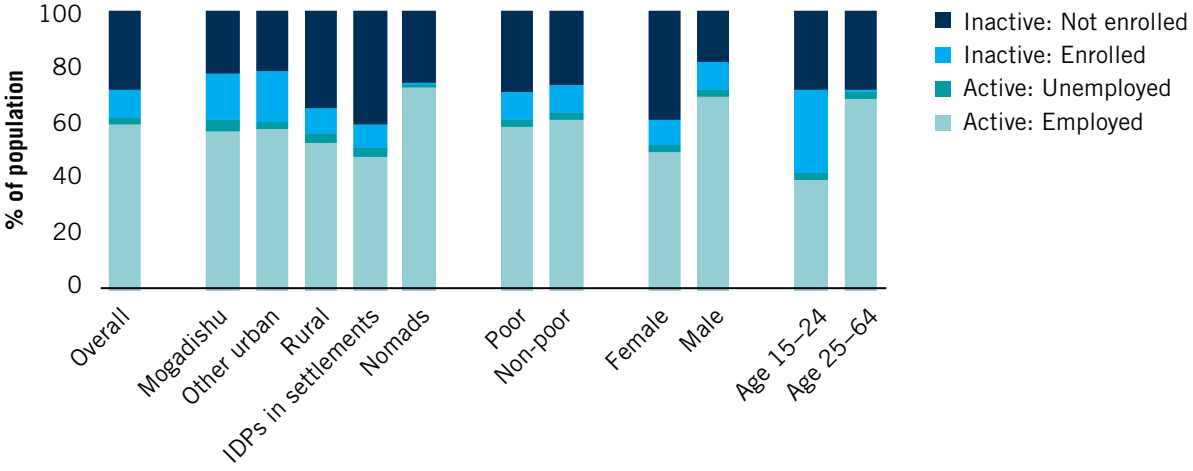
Appendix B. Figures and tables

Figure B.1: Somalia has among the lowest participation rates for women and largest disparities between men and women



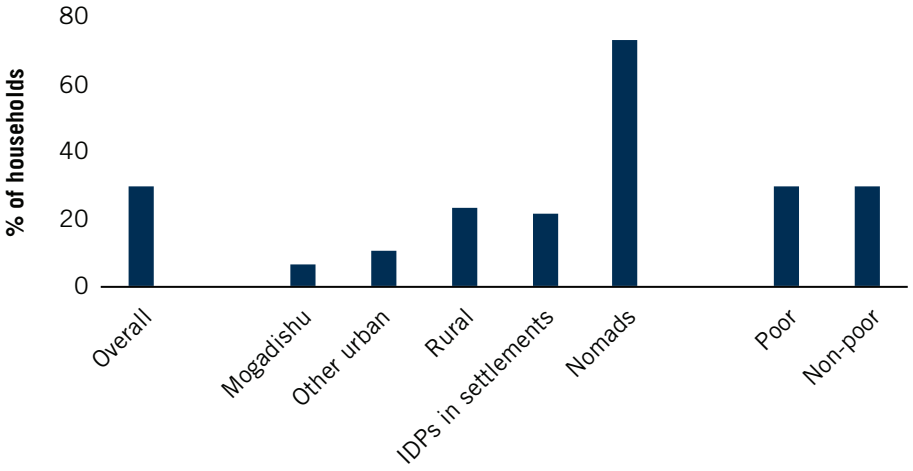
Source: Authors' calculations based on the SHFS 2017–18.

Figure B.2: Most inactive persons are not enrolled in school



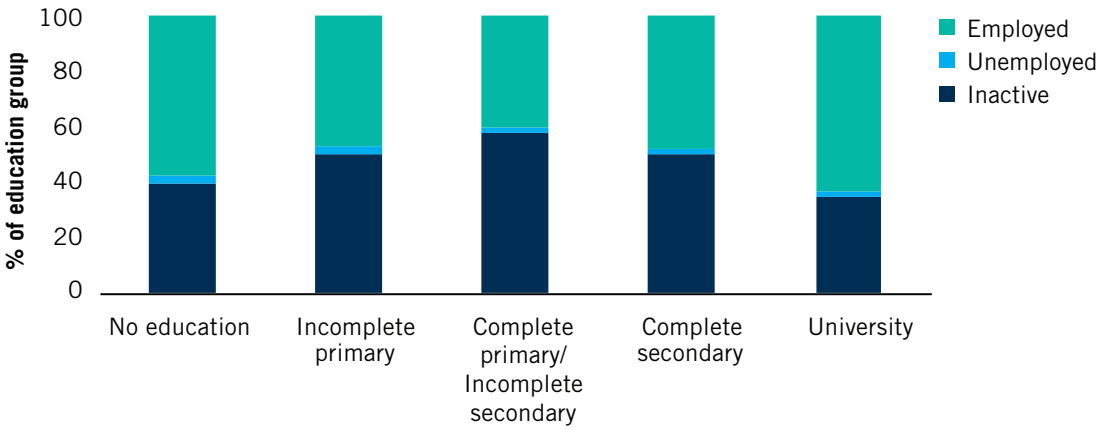
Source: Authors' calculations based on the SHFS 2017–18.

Figure B.3: Households more than 30 minutes away from the nearest school



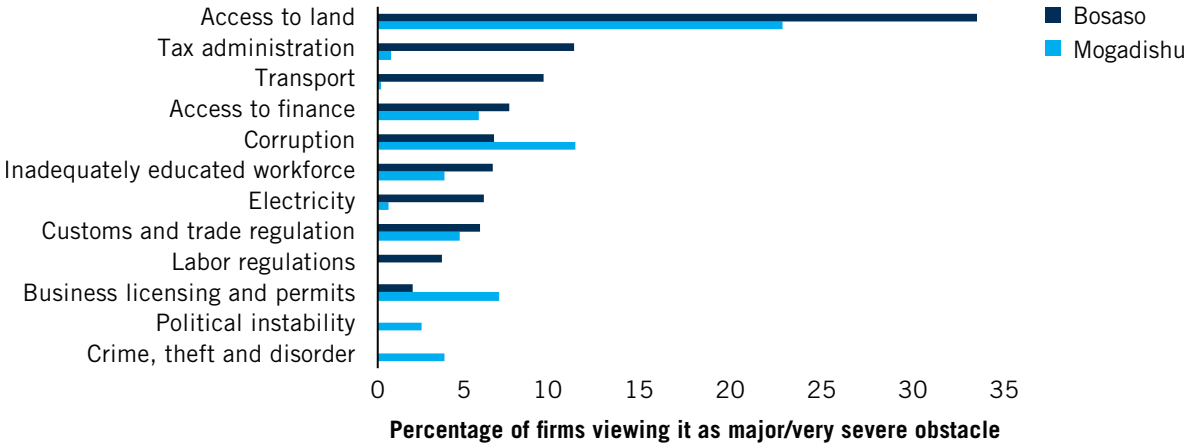
Source: Authors' calculations based on the SHFS 2017–18.

Figure B.4: Inactivity rates are not falling with educational attainment



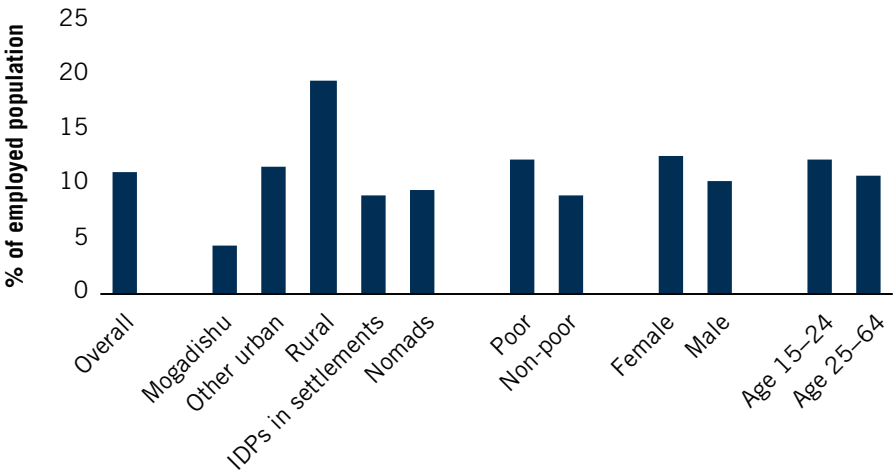
Source: Authors' calculations based on the SHFS 2017–18.
Note: Working-age population with non-missing data on educational attainment.

Figure B.5: A lack of access to land and finances are biggest obstacles urban business establishments face



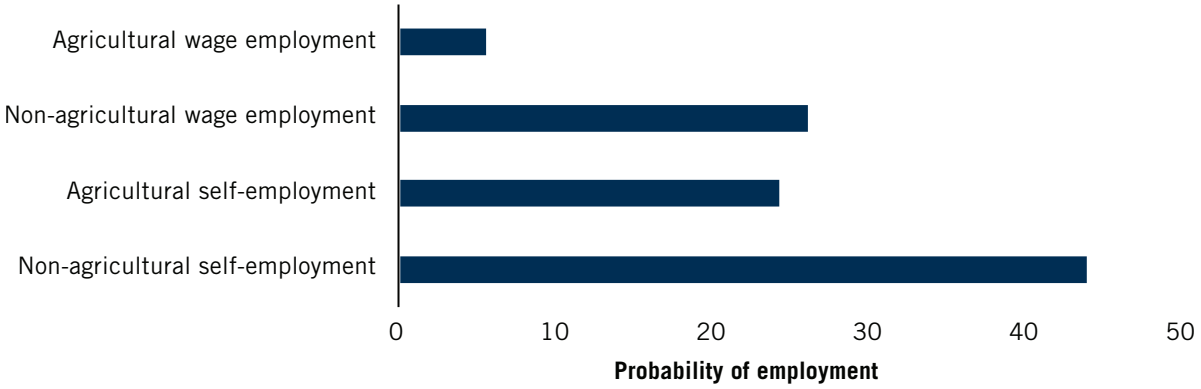
Source: Authors' calculations based on the Mogadishu and Bosaso ES 2019.
Note: Corresponding survey question: "How much of an obstacle is …?"

Figure B.6: Underemployment is highest among rural dwellers according to alternative definition



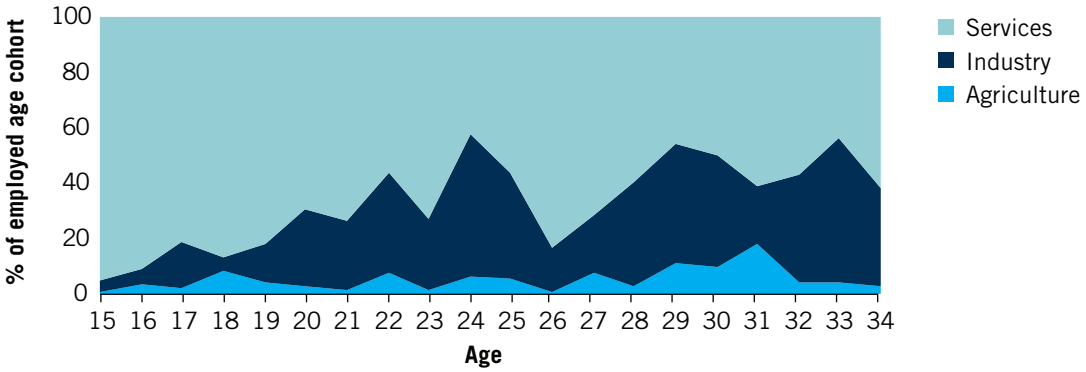
Source: Authors' calculations based on the SHFS 2017–18.
Note: Alternative definition of underemployment: wanted to work more hours during the past four weeks and worked less than 40 hours a week during the past week.

Figure B.7: High probability of being involved in non-agricultural self-employment



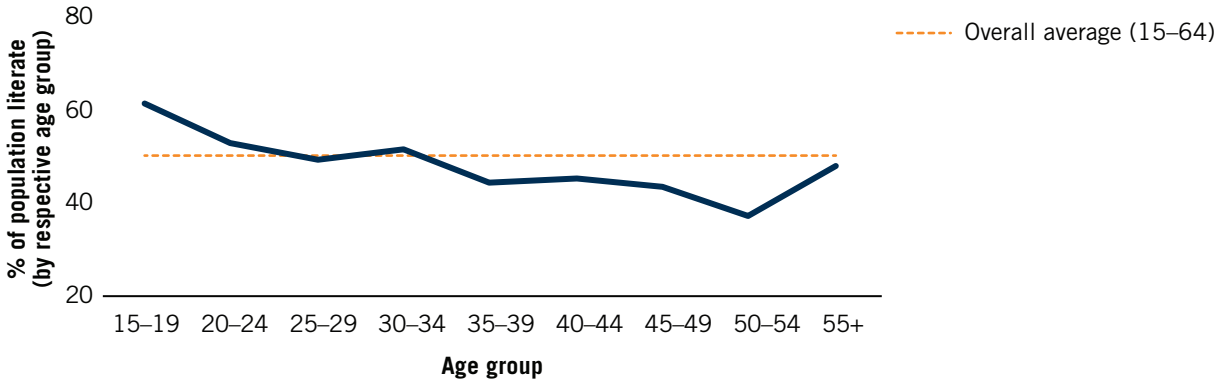
Source: Authors' calculations based on the SHFS 2017–18.
Note: Probability of being engaged in a given type of employment predicted using a probit regression with population type, gender, age, and education as explanatory variables.

Figure B.8: Service sector provides most employment opportunities for young Somalis



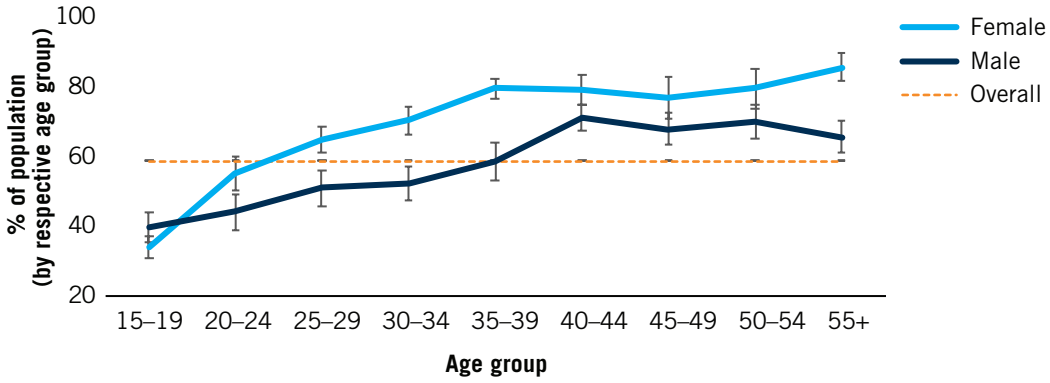
Source: Authors' calculations based on the SHFS 2017–18.

Figure B.9: Somali youth are the most literate cohort



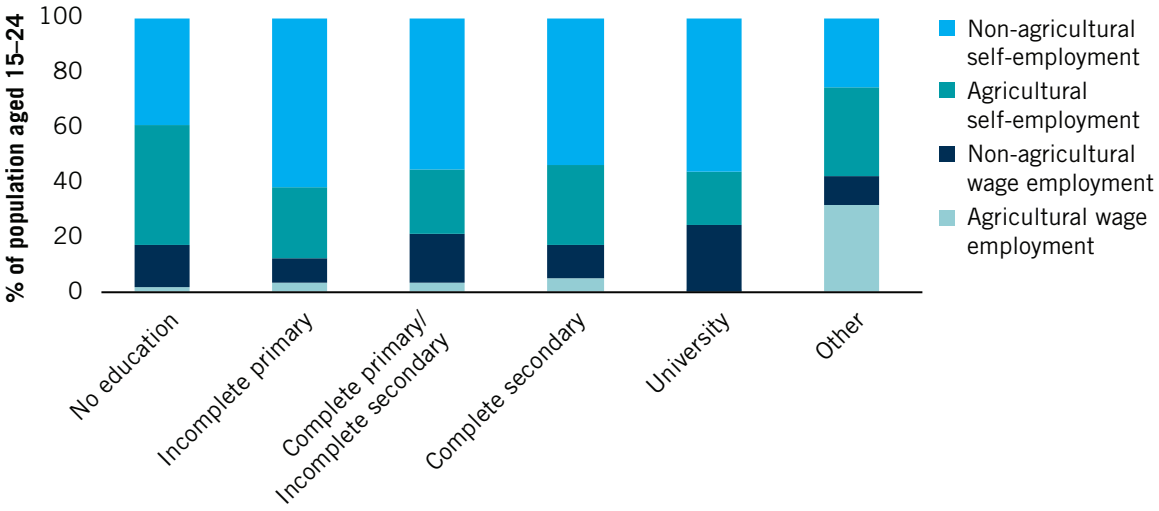
Source: Authors' calculations based on the SHFS 2017–18.

Figure B.10: No formal education correlated with age



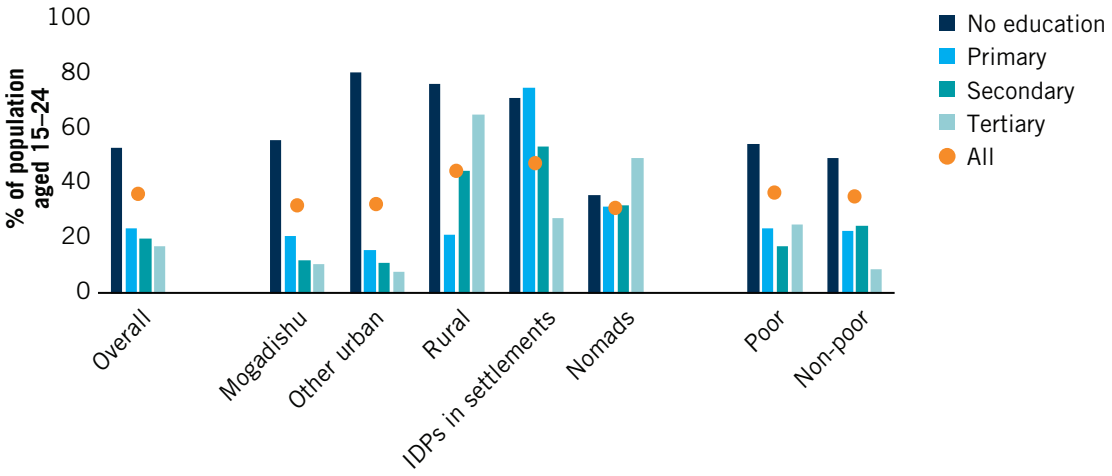
Source: Authors' calculations based on the SHFS 2017–18.

Figure B.11: Agricultural self-employment decreases and non-agricultural self-employment increases with educational attainment



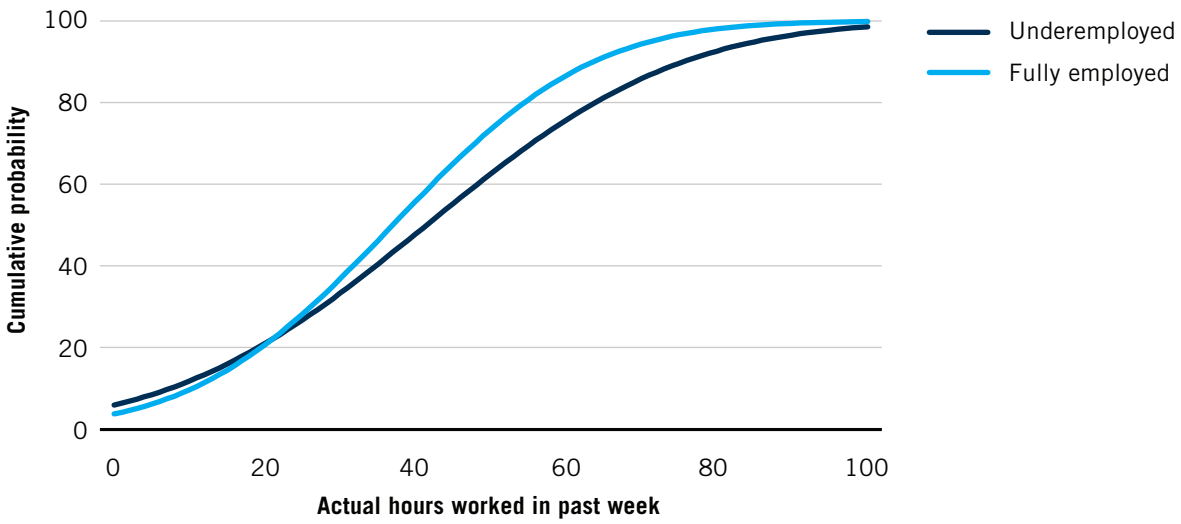
Source: Authors' calculations based on the SHFS 2017–18.

Figure B.12: NEET rate for youth by educational attainment



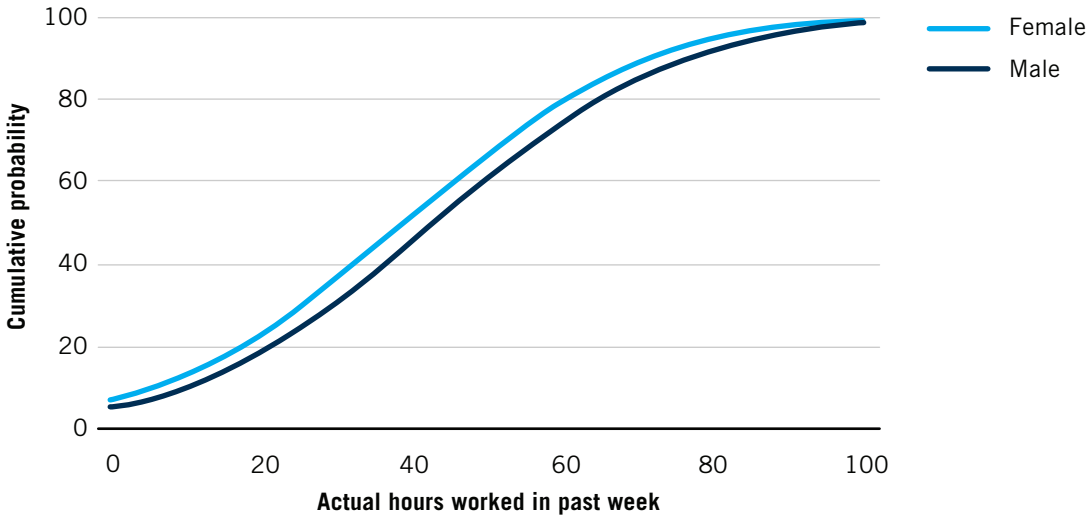
Source: Authors' calculations based on the SHFS 2017–18.

Figure B.13: Long work hours and underemployment go hand-in-hand



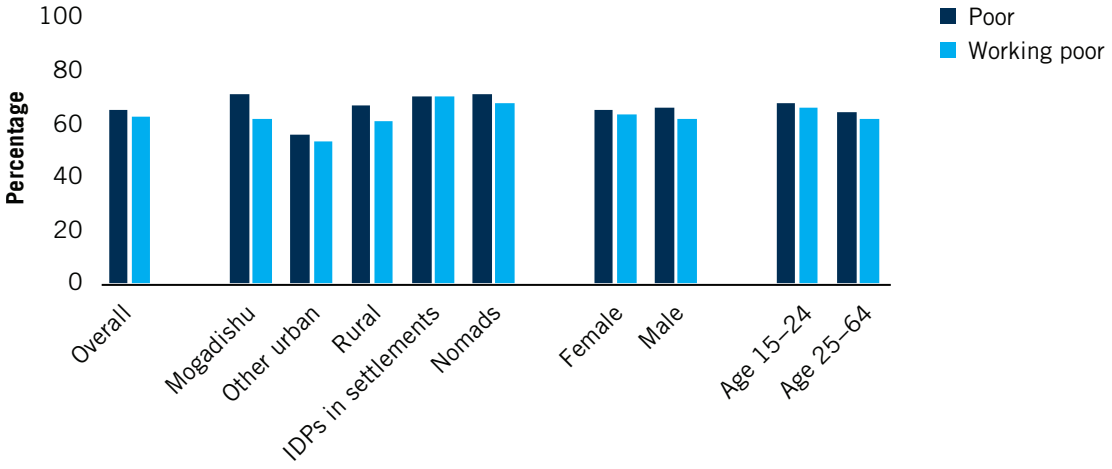
Source: Authors' calculations based on the SHFS 2017–18.

Figure B.14: Women work fewer hours than men



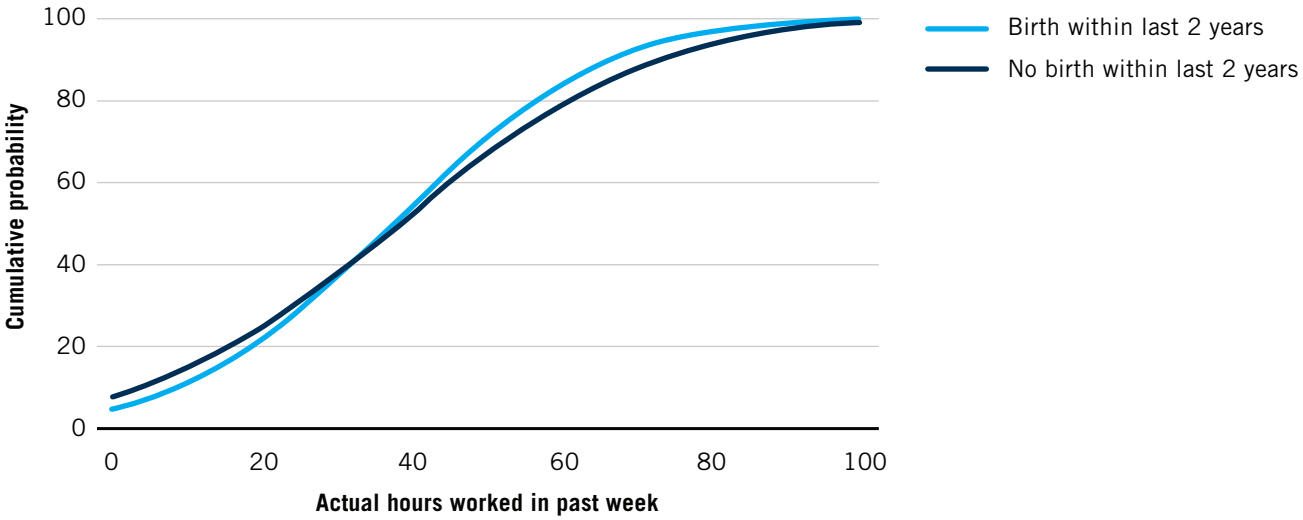
Source: Authors' calculations based on the SHFS 2017–18.

Figure B.15: Poverty and working poverty rates are similar



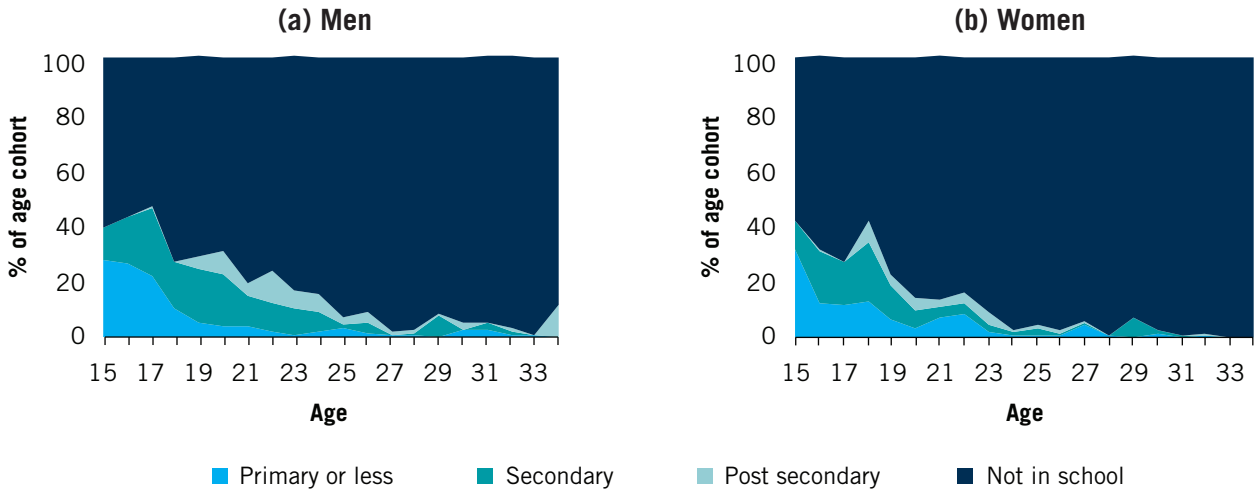
Source: Authors' calculations based on the SHFS 2017–18.
Note: Poor refers to proportion of the population living below the US$1.90 poverty line expressed in 2011 PPP.
Working poor refers to the proportion of employed persons living below the US$1.90 poverty line expressed in 2011 PPP.

Figure B.16: Women who have not had a recent birth tend to have longer work hours



Source: Authors' calculations based on the SHFS 2017–18.

Figure B.17: Women begin to exit the education system en masse at age 18



Source: Authors' calculations based on the SHFS 2017–18.

Table B.1: Urban dwellers are more likely to have non-agricultural jobs and men to have wage jobs

	(1)	(2)	(3)	(4)
	SELF-EMPLOYMENT		WAGE EMPLOYMENT	
	NON-AGRICULTURAL	AGRICULTURAL	NON-AGRICULTURAL	AGRICULTURAL
Rural (0/1)	-0.186***	0.195***	-0.107**	0.085***
	(0.046)	(0.039)	(0.044)	(0.022)
IDP (0/1)	-0.138***	-0.016	0.116**	0.023**
	(0.048)	(0.016)	(0.049)	(0.011)
Nomads (0/1)	-0.230***	0.535***	-0.378***	0.069***
	(0.033)	(0.026)	(0.027)	(0.013)
Male (0/1)	-0.166***	0.036	0.117***	0.005
	(0.026)	(0.023)	(0.022)	(0.014)
Incomplete Primary (0/1)	0.053	0.016	-0.036	-0.022
	(0.053)	(0.045)	(0.038)	(0.015)
Complete Primary/Incomplete Secondary (0/1)	-0.030	-0.007	-0.012	0.053
	(0.052)	(0.046)	(0.041)	(0.045)
Complete Secondary (0/1)	-0.046	0.056	-0.061**	0.070
	(0.054)	(0.058)	(0.031)	(0.046)
University (0/1)	-0.104***	0.030	0.069**	-0.018
	(0.038)	(0.035)	(0.035)	(0.015)
Other (0/1)	-0.024	-0.020	-0.023	0.059
	(0.133)	(0.089)	(0.057)	(0.075)
Age	-0.001	-0.000	0.001	0.000
	(0.001)	(0.001)	(0.001)	(0.000)
Observations	5,914	5,914	5,914	5,914

Robust standard errors in parentheses.*** p<0.01, ** p<0.05, * p<0.1
Source: Authors' calculations based on the SHFS 2017–18.
Note: Marginal effects from probit regressions. Omitted categories: urban, female, no education.

Table B.2: Gender and area of residence are predictors for sector of employment and status in employment

	(1)	(2)	(3)	(4)
	SELF-EMPLOYMENT		WAGE EMPLOYMENT	
	NON-AGRICULTURAL	AGRICULTURAL	NON-AGRICULTURAL	AGRICULTURAL
Urban (0/1)	0.185***	-0.439***	0.184***	-0.091***
	(0.029)	(0.045)	(0.024)	(0.020)
Male (0/1)	-0.162***	0.035	0.124***	0.003
	(0.027)	(0.025)	(0.025)	(0.015)
Some education (0/1)	-0.027	-0.037	0.050*	0.011
	(0.030)	(0.028)	(0.029)	(0.015)
Age	-0.001	-0.001	0.002**	0.000
	(0.001)	(0.001)	(0.001)	(0.000)
Observations	5,914	5,914	5,914	5,914

Robust standard errors in parentheses.*** p<0.01, ** p<0.05, * p<0.1
Source: Authors' calculations based on the SHFS 2017–18.
Note: Marginal effects from probit regressions. Omitted categories: non-urban (rural, IDPs in settlement, nomads), female, no education.

Table B.3: Gender, area of residence and educational attainment are predictors for NEET status

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	NEET	NEET	NEET	NEET	NEET	NEET	NEET
	(0/1)	(0/1)	(0/1)	(0/1)	(0/1)	(0/1)	(0/1)
Male (0/1)	-0.166***	-0.083***	-0.082***	-0.078**	-0.080**	-0.080**	-0.070*
	(0.030)	(0.030)	(0.030)	(0.035)	(0.035)	(0.035)	(0.036)
Rural (0/1)	0.134**	0.201***	0.213***	0.124**	0.121**	0.122**	0.119**
	(0.053)	(0.055)	(0.055)	(0.059)	(0.060)	(0.059)	(0.060)
IDP (0/1)	0.155***	0.230***	0.228***	0.126*	0.122	0.122	0.119
	(0.048)	(0.069)	(0.069)	(0.074)	(0.074)	(0.074)	(0.075)
Nomads (0/1)	0.018	-0.056	-0.040	-0.122**	-0.126**	-0.125**	-0.123**
	(0.035)	(0.043)	(0.045)	(0.049)	(0.049)	(0.049)	(0.049)
Incomplete Primary (0/1)		-0.307***	-0.312***	-0.296***	-0.295***	-0.294***	-0.288***
		(0.048)	(0.049)	(0.055)	(0.055)	(0.056)	(0.055)
Complete Primary / Incomplete Secondary (0/1)		-0.331***	-0.339***	-0.278***	-0.278***	-0.277***	-0.273***
		(0.052)	(0.052)	(0.059)	(0.060)	(0.060)	(0.060)
Complete Secondary (0/1)		-0.318***	-0.327***	-0.251***	-0.244***	-0.245***	-0.239***
		(0.062)	(0.060)	(0.077)	(0.078)	(0.078)	(0.079)
University (0/1)		-0.244***	-0.254***	-0.159**	-0.155**	-0.156**	-0.153**
		(0.063)	(0.064)	(0.076)	(0.077)	(0.078)	(0.078)
Other (0/1)		0.103	0.112	0.088	0.077	0.076	0.087
		(0.149)	(0.145)	(0.168)	(0.171)	(0.171)	(0.169)
HH Head: Male (0/1)			-0.060*	-0.071*	-0.075**	-0.075**	-0.080**
			(0.032)	(0.037)	(0.037)	(0.037)	(0.037)
HH Head: Incomplete Primary (0/1)				0.076	0.078	0.078	0.074
				(0.071)	(0.071)	(0.072)	(0.072)
HH Head: Complete Primary / Incomplete Secondary (0/1)				-0.037	-0.030	-0.031	-0.038
				(0.084)	(0.086)	(0.086)	(0.085)
HH Head: Complete Secondary (0/1)				0.104	0.102	0.101	0.088
				(0.101)	(0.100)	(0.100)	(0.101)
HH Head: University (0/1)				-0.080	-0.082	-0.082	-0.092
				(0.060)	(0.060)	(0.059)	(0.059)
HH Head: Other (0/1)				0.017	0.037	0.037	0.019
				(0.159)	(0.160)	(0.160)	(0.162)
Poor (0/1)					0.040	0.040	0.043
					(0.039)	(0.039)	(0.041)
Age						0.001	-0.003
						(0.007)	(0.007)
Married (0/1)							0.055
							(0.053)
HH size							-0.000
							(0.008)
Observations	4,913	3,791	3,791	3,167	3,167	3,167	3,165

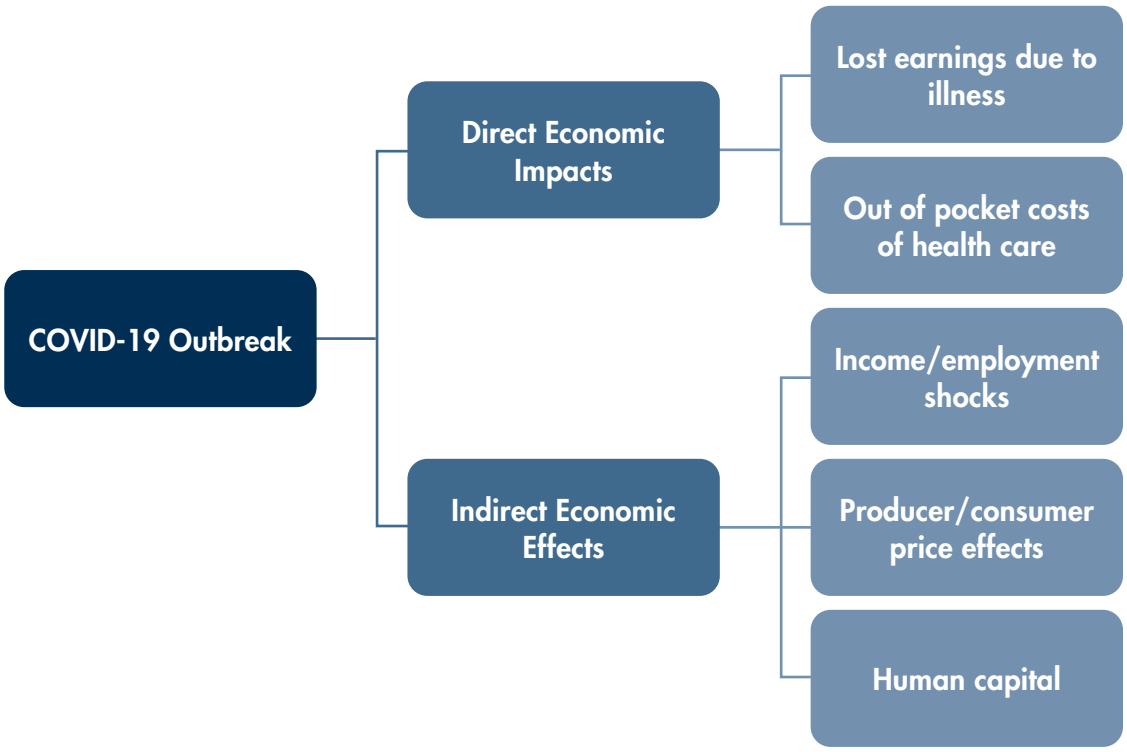
Robust standard errors in parentheses.*** p<0.01, ** p<0.05, * p<0.1
Source: Authors' calculations based on the SHFS 2017–18.
Note: Marginal effects from probit regressions. Omitted categories: urban, female, no education.

Appendix C. Potential poverty and social impact of COVID-19

The 2019 coronavirus disease (COVID-19) pandemic poses an unprecedented challenge globally. While the current battle to bring new infections under control continues, the health and economic fallout are becoming more evident. Somalia is in the grip of a climate — and now public health — emergency and the lives and livelihoods of the Somali people stand to face devastating impacts. The pandemic comes in a context whereby the health capacity to handle such a crisis is nearly non-existent, as 2 decades of armed conflict have devastated the medical system. The global pandemic is also hitting Somalia at a time when food insecurity, displacement, conflict, and instability brought about by natural disasters are widespread.

Natural disasters, including drought and locust infestation, have had substantial humanitarian consequences on Somalia, and have taken a toll on a population with limited household resilience; a situation which is being exacerbated with the community spread of COVID-19. The COVID-19 pandemic is having both direct and indirect impacts. Direct economic impacts include loss of earnings due to illness and health care costs. Indirect economic impacts are materializing through (a) income/employment shocks, (b) price effects, and (c) human capital.

Illness will have a direct effect on household welfare as household members lose both paying and subsistence work. With so few income-earners in Somali households, and so many households already living in poverty, illness



can have a devastating effect. Illness can also induce financial strain on the household should medicines and medical care to treat COVID-19 be needed.

The outbreak of COVID-19 has negatively affected remittance flows, an important source of livelihood for Somalis. Preliminary evidence from the Somali High-Frequency Phone Survey (SHFPS) of households in Somalia indicates that the frequency of remittance-receipt and the amount received have declined for many individuals since March 2020. The drastic effect of the pandemic on this crucial source of livelihood is not unexpected, since the pandemic has adversely affected economies around the world that host the Somali diaspora, and consequently the livelihoods of remittance-senders. The adverse impact on household welfare and increased risk of poverty associated with reduced remittances is expected to be greater for the bottom 40 percent, for whom remittances represent a relatively more important share of household income.

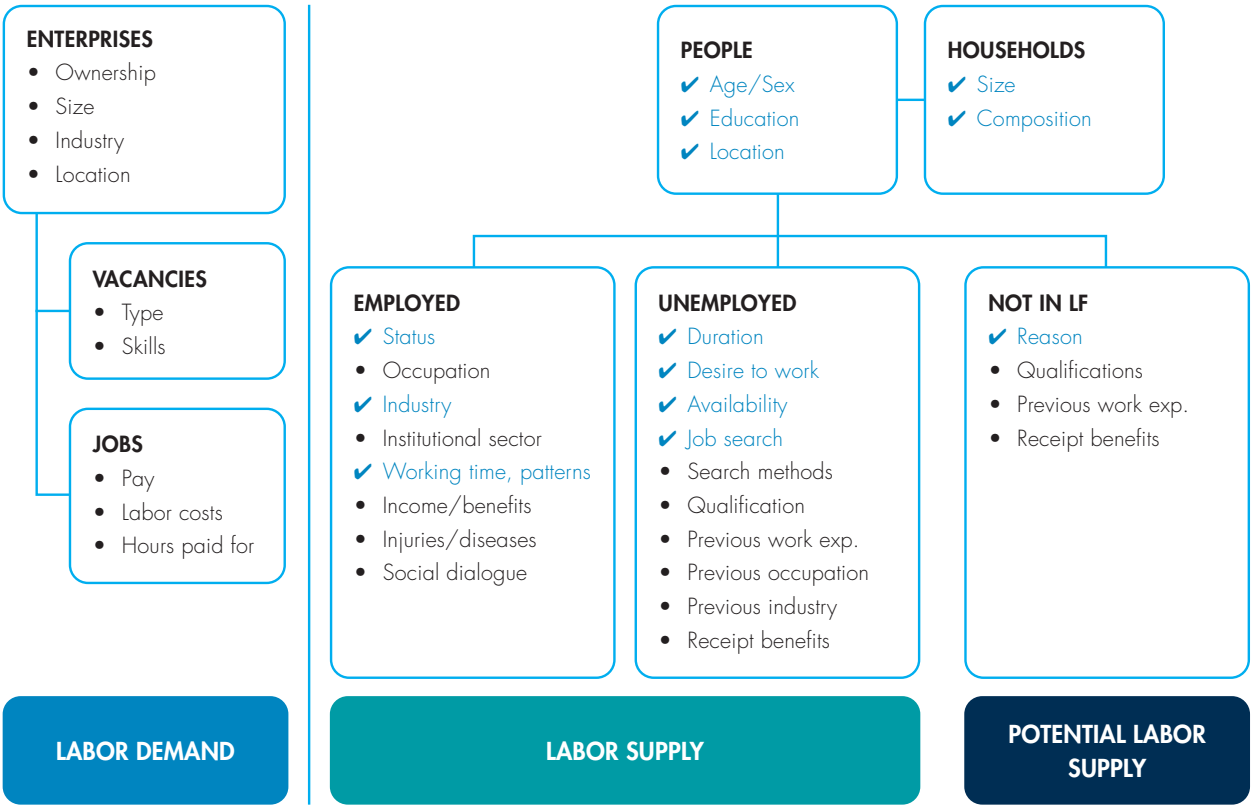
The outbreak of COVID-19 has also negatively affected employment and incomes. Preventative and virus containment measures, such as business closures, have resulted in disruptions to regular working hours, which are more acute in some employment sectors and geographic areas. Family businesses report having fewer sales or no sales since the beginning of the outbreak due to a lack of customers, disruptions in input supply, and business closures. Most employment is already survivalist, implying that a decline in income where social protection does not exist puts many Somalis at risk of increased poverty.

Potential upward pressure on staple prices and other key inputs, as well as potential supply chain disruptions, could erode food security and household purchasing power. The poor, who already spend a larger share of their income on essential items such as food, are particularly vulnerable.

School closures due to COVID-19 may induce children from vulnerable households to drop out, a situation which could exacerbate low educational outcomes of the poor and gender gaps in secondary school enrollment for girls. Lost months of schooling and dropouts will adversely affect human capital development.

Appendix D. Available labor and labor force statistics and remaining gaps

Figure D.1: Labor statistics that can be derived from the SHFS and remaining data gaps



Source: Authors' adaptation from ILO (https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/---sro-port_of_spain/documents/presentation/wcms_304686.pdf).
Note: The checked indicators reflect available data in SHFS.

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