



CHAPTER 2



Somalia

Socio Economic Survey 2002

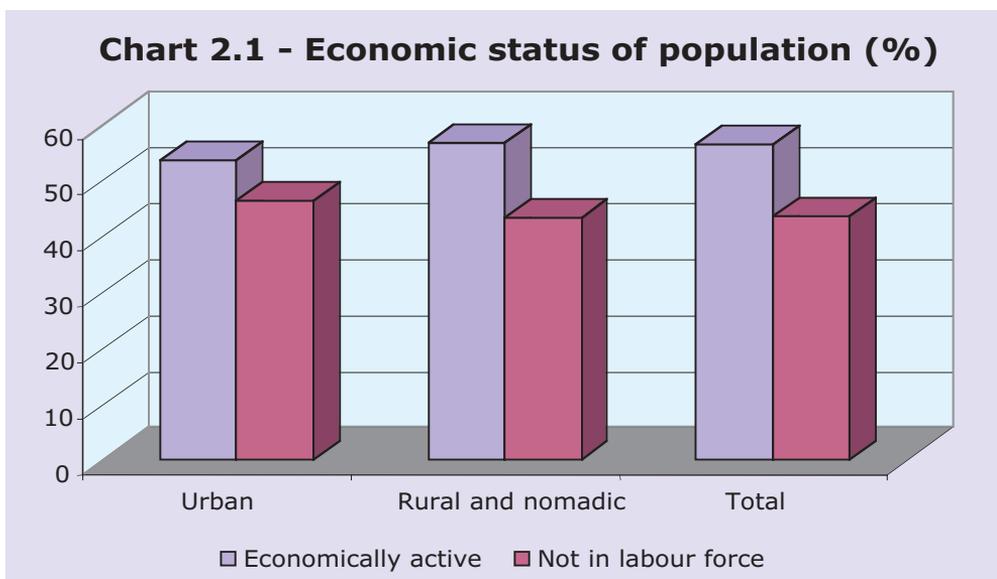
Chapter 2

Employment and Income

Labour force

The populations in the age group 15 to 64 who are working or are available for work are considered

to be the economically active population. They constitute 56.4 percent of the total population. This gives an estimated labour force of 3.8 million consisting of 1.2 million in urban and 2.6 million in rural and nomadic areas.



Employment

Total employment (comprising self employment, paid employment, unpaid economically productive family work excluding normal household chores) among the economically active population is estimated as 38.5 percent for urban, 59.3 percent for rural and nomadic

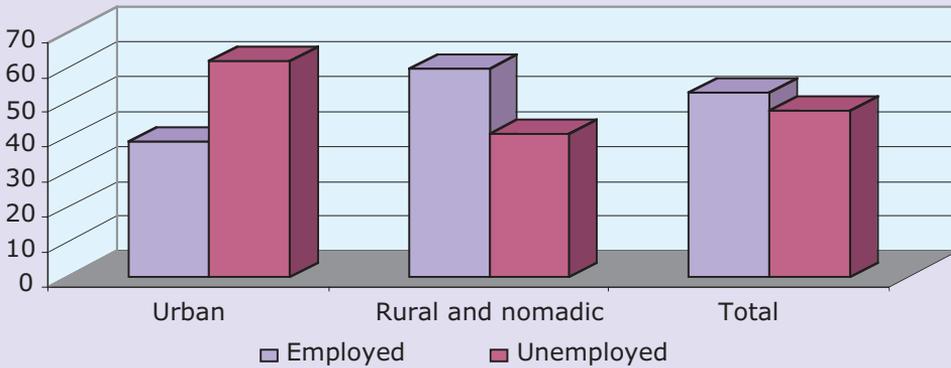
and 52.6 percent for the country. Therefore, unemployment rates amount to 65.5 percent for urban, 40.7 percent for non-urban and 47.4 percent for the country. These figures are only indicative, as they do not take into account the extent of under-employment, seasonal unemployment etc. More detailed surveys are needed to estimate the



age and gender-specific labour force participation rates and the magnitude of unemployment and under-employment.

In terms of sectoral distribution of employment, agriculture (including fishing, forestry and mining) accounts for 67 percent, industry (including construction and utilities) 12 percent and services 21 percent.

Chart 2.2 - Employment status of economically active population (%)



Child Employment

Child employment rates in the age group 5 to 9 years is estimated as 9.7 percent for males and 8.2 percent for females. The corresponding figures in the age-group 10 to 14 years for males and females are 22.6 percent and 24.3 percent respectively. There are substantial variations in the child labour force participation rates between urban and non-urban areas. For example, while 4.3 percent male children and 1.9 percent female children in the

age group of 5 to 9 years work in urban areas, the corresponding figures for rural and nomadic are 15.3 percent and 15.7 percent respectively. In the age-group 10-14 years, the employment rate of children in rural and nomadic areas is twice that in urban areas. Self-employment and employment as casual labour tend to be confined to urban areas due to better opportunities. In rural and nomadic areas, child employment predominantly takes the form of unpaid farm labour.



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Household Income

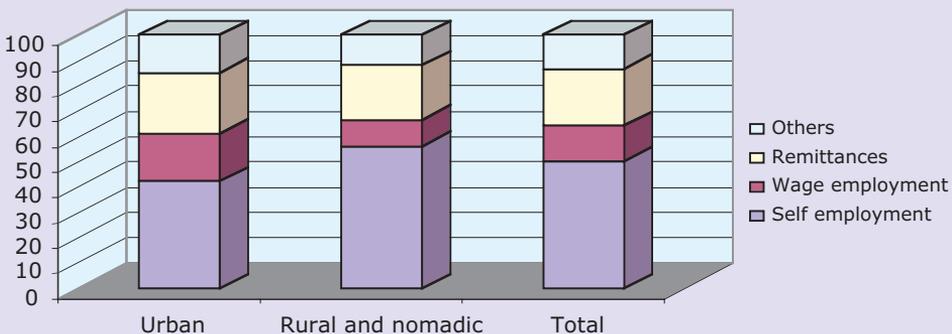
The survey also collected data on household income and expenditure. The income module covered income from all sources – household economic activities, wage income, income from self-employment and transfers, as well as imputed income derived by the households. Data on income from crop production, livestock rearing and remittances was collected since they are seen to play a major role in the Somali economy. This necessitated adding detailed modules to the schedule. A detailed expenditure section was also added with a view to updating the weights used to compile the consumer price index. Livestock and crop production for own consumption have also been taken into account in estimating the household income.

The total household income is estimated as \$1.5 billion for Somalia consisting of \$672 million for urban and \$875 million for rural and nomadic areas. This amounts to an overall per capita income of \$226, with a per capita income of \$291 for urban and \$195 for rural and nomadic areas.

Sources of Household Income

Income from self-employment constituted 50 percent of the total income levels and wage employment constituted 14 percent. Income from remittances is estimated as \$360 million, accounting for 22.5 percent of total income³. Other sources of income such as rent and aid accounted for the remaining 13.5 percent. There

Chart 2.3. - Distribution of sources of household income (%)



³The estimated total transfer of remittances handled by Somali remittance companies is about \$700-800 million per year. Only part of this goes as household income directly. Other transfers include normal business transactions, money sent to Somalis in neighbouring states etc.



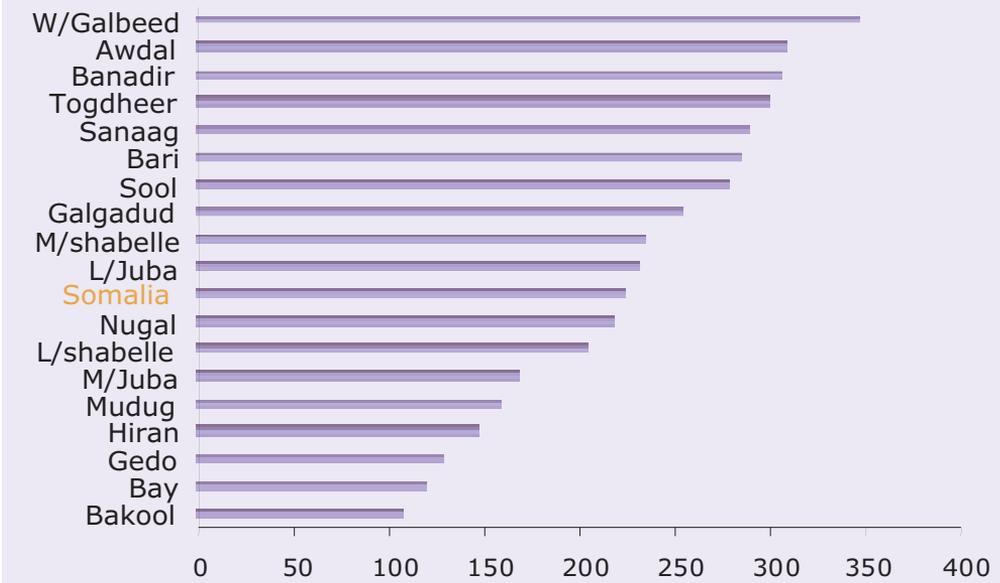
are considerable differences in the amount of income derived from wage employment and from self-employment between urban and non-urban areas, as illustrated by the following chart:

Income Distribution

Preliminary estimates of per capita household income were made in order to analyse the variation in the regional distribution of income. During the pre-war period, some of the southern regions were considered to be richer mainly due to the concentration of commercial

agriculture. Similarly, there were also heavy concentrations of industry and services in the capital region of Mogadishu making it the richest region pre-war. However, the current estimates generally suggest that regions that experience relatively peaceful conditions have better income levels, thus improving their position relatively compared to regions undergoing conflicts. However, more surveys and greater analysis will be needed to understand the impact of conflicts on economic growth in the context of Somalia.

Chart 2.4 - Regional Distribution of per capita income (\$)



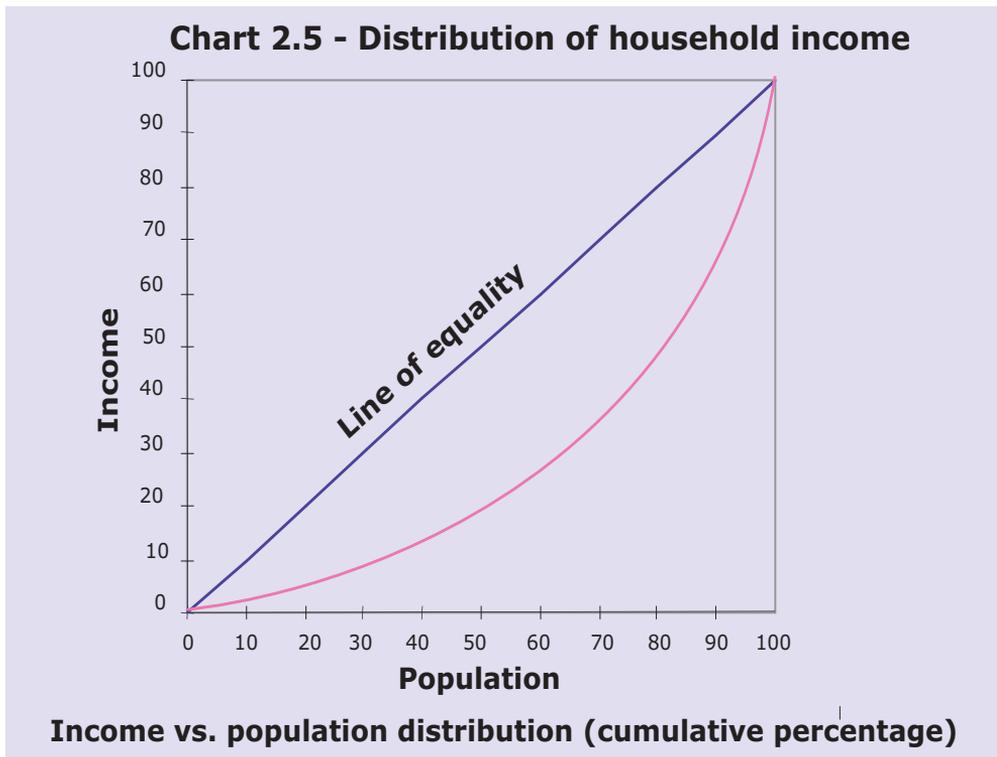


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Per capita income deciles show considerable inequality in the distribution of household income in Somalia. For example, 30 percent of the total population gets only about 7.8 percent of total income whereas the top decile gets about 35.6 percent of total income. This is also evident in the Lorenz curve shown on the following page. The estimated Gini index is 39.7. (The Gini index ranges from 0 to 100. The extreme value of zero indicates perfect equality and 100 perfect inequality).

Extreme poverty is defined as the proportion of population living on less than 1 US \$ per day measured at purchasing power parity (PPP) for international comparisons and aggregation. The proportion of population living in extreme poverty is estimated as 43.2 percent for Somalia. The extreme poverty in urban areas is 23.5 percent and in rural and nomadic areas 53.4 percent. In absolute terms, the population living in extreme poverty is estimated as 2.94 million, consisting of 0.54 million in urban and 2.4 million in rural and nomadic areas.



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General poverty estimates based on the number of people living on \$2 per day are 73.4 percent for Somalia, consisting of 60.7 percent for urban and 79.9 percent for rural and nomadic areas. According to this measure, 5 million people in Somalia live in poverty, 1.4 million in urban and 3.6 million in rural and nomadic areas. The

average annual per capita income (adjusted for purchasing power parity) of the population below extreme poverty line is estimated as \$210.

National specific poverty estimates will be attempted while analysing the expenditure module.



Millennium Development Goals

The first Millennium Development Goal (MDG), calls for halving the proportion of people living under extreme poverty by 2015 from the level prevailing in 1990. This means reducing the share of population of 43.2 percent who are living under extreme poverty to 21.6 percent by 2015 for Somalia (assuming that the poverty level has not declined significantly from 1990). This implies that the population under extreme poverty in rural and nomadic areas, estimated at 53.4 percent, needs to be reduced to 26.7 percent if poverty is to be reduced uniformly in urban and non-urban areas. The task is difficult, but not impossible if concerted efforts are made to formulate and implement a poverty reduction strategy for Somalia consistent with the current conditions. The ongoing incidents of conflict are a complication, but these are mainly localised and isolated. Large parts of Somalia continue to display security and stability and have shown considerable success in restoring their economies to the path of reconstruction and development. These efforts have resulted from local initiatives led by the private sector. International assistance has however been limited. A large-scale, multi-sectoral reconstruction/development programme could reduce poverty in these regions substantially. This however, would require a greater understanding of the level and extent of poverty, vulnerability and inequality and the linkages between poverty and conflict. It is also essential to undertake poverty mapping and to support the establishment of poverty monitoring and analysis systems consistent with the prevailing conditions and constraints.