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## PMRC JOB SERIES

### The Labour Market in Zambia: Tapping on Opportunities to Create Jobs

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“Human Development is advancing the richness of human life, rather than the richness of the economy in which humans live.” (Amartya Sen, 1998).

For this to happen, consistent positive Gross Domestic Product need to be supported by **well thought-out and sequenced policy and regulatory reforms aimed at creating jobs.**

This Background Note, the first of PMRC Job Series, focuses on SMEs; Agriculture; Legislation; and Education and Skills Training. It indicates the size of the challenge and highlights opportunities that should be tapped.

It paper starts with an overview of the economic situation and unemployment in Zambia. It then argues that the major challenge for Zambia is that Foreign Direct Investment is not creating formal jobs and income opportunities. This is especially the case for rural areas where the most poor and informal workers are to be found. It concludes by drawing policy and regulatory reform implications for the labour market. These implications focus on opportunities and measures that should be targeted to three economic sectors, namely SMEs, Agriculture, and Land and Legislation.

#### The Economic Situation and Unemployment in Zambia

Unemployment in Zambia remains a serious challenge to Government and other stakeholders. This is because jobs are an important prerequisite for sustained pro-poor and inclusive economic growth, reduced inequality and poverty.

Of Zambia’s 13.09 million people, 60.5 % live in rural areas. *The majority of Zambia’s poor people live in rural areas, and this is also where the majority of informal sector workers, over 80 percent, are to be found.*

#### Traders at Soweto Market, Lusaka



Source: World Bank, Zambia Business Survey, 2010

The last 11 years have recorded consistent positive real GDP growth rates, which averaged 5.7% per annum. In 2010, real GDP increased to K4, 312.6 million from K4, 007.7 million in 2009. Inflation remained within the single digit band.

Table 1: Zambia's GDP Growth Rates: 2001-2012	
Year	Percentage Growth Rate (%)
2001	4.9
2002	3.3
2003	5.1
2004	5.4
2005	5.3
2006	6.2
2007	6.2
2008	5.7
2009	6.4
2010	7.1
2011	6.6
<b>Period Average</b>	<b>5.7</b>

**This macro-economic performance provides an enabling environment for job creation to drive substantial poverty reduction.**

Jobs that pay living wages can significantly reduce economic inequality, widespread poverty in rural areas, especially amongst women. Currently announced minimum wages therefore present an opportunity to reduce poverty.

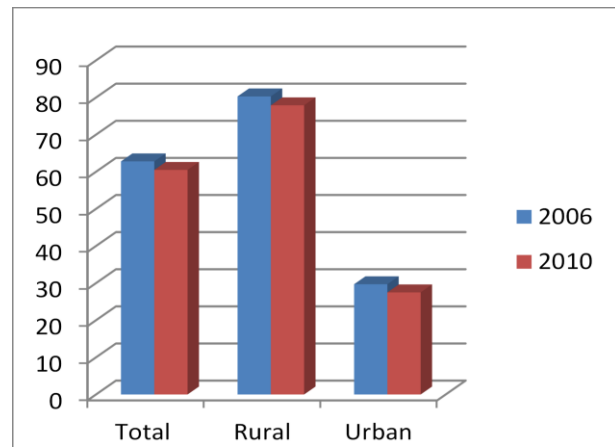
The relatively high GDP growth rates have not contributed much to creation of decent formal jobs, especially in rural areas and among women. This is supported by the analysis of the situation of unemployment in Zambia.

### The Situation of Unemployment in Zambia

**For the last 10 years, formal sector employment rate has averaged between 10 and 15% of the nearly 6 million total employable workforce.** In Zambia, unemployment rate is the number of unemployed persons which is expressed as a percentage of economically active persons, 12 years and above.

Overall rate of unemployment stands at 14% and the majority of Zambians, around 76 % are employment in the informal sector. More women (89%) than men (76%) are to be found in this sector.

This scenario demonstrates that there is a relationship between the rate of informal sector employment and poverty levels. The lack of decent formal sector jobs and income generating opportunities substantiate the current poverty levels, which overall have remained at over 60 % over the last decade. The majority of between 77 to 80% of poor people constitute rural residents.



Source: CSO (2012) Living Conditions Monitoring Survey 2006 - 2010, Lusaka, MoFNP

A gender analysis of unemployment reveals differentiated implications on labour and income generation against females. The rate of female unemployment stood at 14.2% in 2010. Youths, defined as economically active persons of between 12 and 34 years, **account for over 80 % of total unemployment.**

The situation of high unemployment and poverty amidst abundant mineral wealth, arable land, water and other natural resources, is what has led to the current World Bank – Zambia’s description of Zambia as a country of *Resource Rich But Poor People*. This categorization is based on a book by Nancy Forest entitled *Rich Forests, Poor People: Resource Control and Resistance in Java*.

**This supports the case for well thought-out, aligned and sequenced policy and regulatory initiatives to create jobs.**

Poverty is more widespread and severe in rural areas, especially among women. This means that Zambia should do better in redirecting its foreign and local investments to increase rural incomes, create decent jobs, reduce economic inequalities and significantly reduce poverty.

These initiatives should be based on evidence and feasibility analyses that political, social, technical and financial implications. But avoid focus on areas and sectors that are associated with few jobs at relatively high cost and questionable in terms of sustainability and poverty impact.

Table 2: Formal Sector Employment

Institution	3 <sup>rd</sup> Quarter 2011		4 <sup>th</sup> Quarter, 2011	
	Number	Percent	Number	Percent
Central Government	160,609	25.9	160,609	26.2
Local Government	19,511	3.1	19,444	3.2
Parastatal	27,919	4.5	27,952	4.6
Private	412,540	66.5	405,898	66.1
<b>Total</b>	<b>620,578</b>	<b>100</b>	<b>613,903</b>	<b>100</b>

Source: CSO, Quarterly Employment and Earnings Survey: 2011

By December, 2011, a total of 613,903 people were employed in the formal sector.

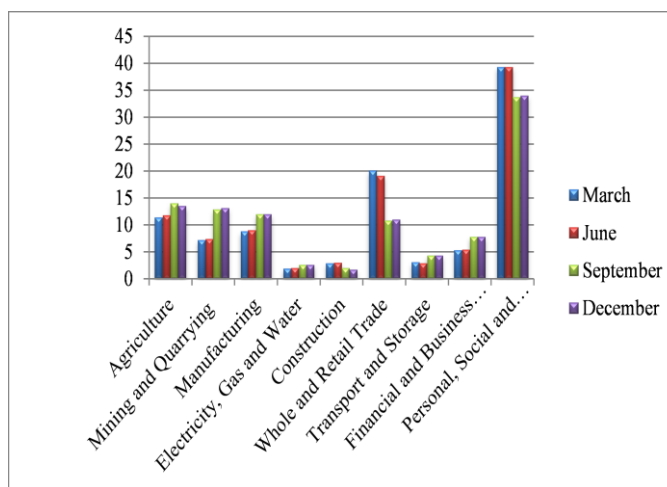
Of this;

- 2 out of every 3 people were in the private sector;
- 1 in 4 in Central Government;
- 1 in 20 people were in Parastatal Companies; and
- The remaining 3.2 percent was in Local Government.

Over the last half of 2011, the Parastatal, Local Government and Private Sectors had shed 6,675 jobs, about 1.1 % of total formal sector employment.

A sectoral distribution shows that 41% of people were employed in the services sector while 13.5% and 13.1 % were in the agriculture and Mining and Quarrying sectors respectively.

The challenge for creating jobs requires a critical exploration, targeting, ranking, and sequencing, of sectors with huge potential to create employment. This would contribute to systematic implementation of related policy and regulatory initiatives. This also calls for sound monitoring and evaluation frameworks, which would help in targeting resources to sectors that can create and maintain jobs in the short, medium and long-term.



Source: CSO, Quarterly Employment and Earnings Inquiry, 2011

## Implications for Policy and Regulatory Reform for Job Creation and Poverty Reduction

Both the FNDP and SNDP have identified key sectors responsible for job creation. These should be purposely targeted with focused policy and regulatory reform initiatives. This should help in fostering economic diversification away from mining and sustain job creation and poverty reduction.

### Tap on Current Opportunities to Create Jobs

The high and consistent GDP growth rates; low rates of inflation; positive balance of payments position; and growing gross international reserves of about US \$2 billion; all provide an enabling environment for public and private sectors to create and maintain jobs.

Improving fiscal discipline and satisfactory budget performance also compounds opportunities to contribute to decent jobs and income generating opportunities.

The policy and regulatory reform initiatives should explore and build on outcomes of the recent High - Level Conferences on Growth Strategy for Employment, Decent Work and Development organized by the Government.

Focus should be paid to the SMEs, agricultural and Services sectors which have shown a huge potential to create labour intensive jobs. This should build on the outcomes of the Conference on SMEs and Job Creation organized by the African Development Bank in May, 2012

The Education and Skills Training Policy needs to focus on increasing investments in the tertiary education infrastructure. Training curricular should be developed in consultation and partnership with industry to respond to critical needs for firm level productivity, economic growth and job creation.

Preferential investment, especially FDI incentives, should be directly matched with demonstrated capacity to create decent and secure jobs. These incentives should also be implemented in a phased manner and accessed based on performance.

Farmer Input Support Programmes should be reviewed and redesigned in order to combine food security, poverty reduction, enterprise development and economic growth objectives.

The Land administration should be reformed and harmonised in order to make the land market contribute to sustainable job creation and better work for the poor.

## Key Conclusions

**Substantive levels of Foreign Direct Investments have had little impact on job creation** in Zambia, especially in rural areas where the majority of poor and informal jobs are. Investments may also be concentrated in sectors with fewer linkages to other sectors which have higher multiplier effects on job creation.

**Significant Government investments to the agricultural sector through the Farmer Input Support Programme (FISP) and Food Reserve Agency (FRA) have largely only met food security objectives.** FISP and FRA have not adequately contributed to increased productivity, incomes and opportunity for farmer graduation into the emergent farmer category;

**Limited policy and regulatory reform measures** are needed to harmonise **the land administration** (traditional vs. statutory). This would ensure that the land market not only works for the poor but also treats them as a resource and equity partners in new investments. This would achieve broad-based, pro-poor and inclusive economic growth.

**Education and Skills Training Policy** has concentrated more on basic education than on tertiary and vocations skills. This has limited the relevance of the education sector to industry and prospects for employment amongst the school leavers or graduates. Quality of primary educations needs to be improved.

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