

**Economic and Social issues vis a vis Employment
Situation in Zambia**

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Changed Political and Economic Realities'**

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Introduction

Zambia is a country endowed with vast natural resources and a wealth of complementing factors that support the requisites for economic growth and prosperity for its people. However, the country has seemingly failed to harness its potential and exploit its resources to create wealth and jobs for its people. This is almost a paradox of omissions due to poor governance. Essentially, economics needs to take centre stage to realise the people's aspirations and overcome poverty. The key to economic development lies in four fundamental factors; human resources, natural resources, capital formation and technology. These are readily available but not well utilised. As a classified poor country, improving the population's health, education and technical training has high priority to enhance productivity. It is worth noting that about 300,000 youth enter the labour market each year from the education system yet only about 15,000 get formal sector jobs. What happens to the bigger lot?

The economic and social impact of the high unemployment rate is huge. On the economic, the economy is in effect throwing away the goods and services that the unemployed workers could have produced while the social impact is unquantifiable as no figure can convey the human and psychological pain of long periods of persistent involuntary unemployment.

Zambia's Economic and Social Status

Economic growth in Zambia has averaged more than 5 percent for the last 12 years, and accelerated to over 6 percent from 2006-11, with inflation falling to below 10 percent in the last three years. Economic growth at this rate is unprecedented in Zambia since independence, and follows nearly three decades of stagnation. However, the available data suggest that poverty has not fallen significantly and in any case remains unacceptably high (probably in excess of 60 percent). Despite having achieved lower middle-income status Zambia continues to lag seriously in almost all human development indicators and income inequality remains high. In addition, nearly 90 percent of the labour force is in the informal sector, where incomes and productivity are low. Two-thirds of the population is under the age of 25 years. The Economics Association of Zambia (EAZ) therefore strongly supports the goal of the Government, as announced in the President's speech to Parliament:

"to achieve higher and sustained economic growth that will uplift the well-being of the poor in our society. To this end, the PF Government will introduce programmes to accelerate the socio-economic empowerment of citizens, especially youth and women"

The EAZ supports the sense of urgency that is being communicated by the PF Government. It is strongly of the opinion that faster economic growth can be achieved and sustained; that such growth is necessary in order to reduce poverty; and that policies and programmes can and should be developed for this purpose without delay.

Findings from survey data obtained for the Growth and Equity Study conducted by EAZ in November of 2010 points to the following factors as the main drivers of household's poverty:

- Limited job opportunities
- Lack of access to land
- Poor road and communication infrastructure
- Poor water and sanitation
- Poor markets for agricultural produce
- Lack of access to credit
- Poorly designed and targeted Government programmes

At the same time, while greater progress in reducing poverty is possible, poverty will certainly not be eliminated in Zambia within the next five or even ten years. Time bound targets can and should be set and strictly monitored, but public expectations must also be managed. There is a serious risk, elaborated below, that short-term measures which appear to help the poor have effects that can make things worse for them in the longer run. The severe worsening of poverty under the failed policies of the UNIP one-party state must remain a key lesson for this and future governments. With a good record on the macro-economic front, the benefits are not trickling down to the majority of the population. *Equity? Sharing the cake.*

Wages and employment

While EAZ understands and supports the outcry for a substantial increase in the minimum wage and for better wages and working conditions, it cautions that a lasting impact on employment and wages will come from

measures aimed at encouraging more investment by both large enterprises and MSMEs, consistent with a competitive structure. There is also a risk that wage increases not accompanied by higher productivity will be inflationary, such that higher prices will quickly erode any real gains. It therefore supports calls for wide consultation with the unions, ZFE and the pension providers around a steady upward adjustment in the minimum wage, accompanied by appropriate reforms in labour legislation and linked to improvements in productivity. It notes that, with about 90 percent of the labour force in the informal sector, improvements in formal sector wages and working conditions, while highly desirable, can only impact on a minority of workers.

Wider employment and income growth will mainly come from a vibrant Zambian MSME sector, responding to growing export and domestic demand, and supported – as envisaged in the President’s speech – by better access to affordable finance, (e.g. through an improved Economic Empowerment Fund), better infrastructure and skill development. About 300,000 youth enter the labour market each year from the education system of which only about 15,000 get formal sector jobs.

Economic Role of Government

The role of government in a modern mixed economy like Zambia is to set and direct the appropriate economic goals for action through policies and implementation programmes. Its functions include;

1. Improving economic efficiency
2. Reducing economic inequality
3. Stabilizing the economy through macroeconomic policies
4. Conducting international economic policy

A central economic purpose of government is to assist in the socially desirable allocation of resources. This is the microeconomic side of government policy which concentrates on the *what* and *how* of economic life. On the other side, the government influences and controls private economic activity by using taxes, expenditures, and direct regulation.

Role of Labour in the Economy

The role of Labour is to provide the desired number and level of skills for productivity. Labour constitutes the single most important component for production of goods and services. Labour produces, delivers and finally pays taxes towards the running of government. Capital goods are irrelevant unless there are available skilled and trained workers. It is believed by most economists that the quality of labour input thus skills, knowledge and discipline of the labour force is the single most important element in economic growth.

Economic Significance of the different roles

The economic significance of the different roles of the two must be understood and consolidated in the context of the following;

- Consideration of contributions to the economic development process
- Linkages that foster Private Sector Development
- Empowerment opportunities to sustain the labour force
- Industrial harmony to ensure sustained and increased productivity
- Collective Bargaining as a means for enhancing the welfare of the labour force so that they have decent lives.

Conclusion

Many challenges confront this nation in its quest to achieve economic and social development. It therefore calls for the labour movement to reposition its self and work with government in finding solutions to accelerate economic growth which entails wealth and jobs creation. Dialogue is paramount and the only modern way to achieve results. The question is; *Can the PF and labour movement achieve this?*

The Labour movement is faced with threats of reduced membership due to;

1. Globalisation which denotes an increase in economic integration among nations. (Cheap and or better skilled foreign Labour)
2. Technology: Substitution of labour through automation and computerisation. (Machines vs human production)

3. Reduced investment inflows due to global investment competition
4. Low opportunities and capacity for job creation due to various constraints.

With this background, it is hoped that the thinking and actions of the two parties will be realigned to meet the national vision 2030 with benefits for the entire population.