

EMPLOYMENT AND SUSTAINABLE LIVELIHOODS IN ZAMBIA

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EXECUTIVE SUMMARY

1. CONTEXT

The Government of the Republic of Zambia (GRZ) participated in the World Summit on Social Development (WSSD) in Copenhagen in 1995 and was a signatory to *the Plan of Action* and 'Ten Commitments.' This report is a national case study (one of several commissioned throughout the world) of how one dimension of the *Action Plan*, promotion of employment and sustainable livelihoods, is being dealt with in Zambia. It is part of a larger programme undertaken by a UN System Inter-agency Task Force (IATF) established to coordinate the commitments made at the Summit.

The study comes at a time when poverty and unemployment levels in Zambia have reached alarming proportions, with nearly four-fifths of the population today living below the poverty line. The Zambian economy is experiencing far-reaching reforms under a Structural Adjustment Programme (SAP), and people are finding extreme difficulties in meeting the basic requirements of food, health, shelter, education, etc. Within this context, the search for employment and sustainable livelihoods is critically important for the government, private sector, NGOs, donors, and all Zambian citizens. This study aims to contribute to the discussions and decisions that are necessary at this time.

2. PROCESS

In early September 1996, a team of national consultants was gathered to undertake the study, with collaborative help from the UNDP (principal organiser), ILO, and UNIDO. The methodology utilised involved study of government documents, review of previous reports, interviews with government and NGO personnel, and field work outside of Lusaka. After the circulation of a first draft in early November, comments were received from both within Zambia and outside. A second draft was prepared that served as the basis for a mid-December review workshop in Lusaka. Forty participants, representing the tripartite social partners (government, labour and business), various UN agencies, NGOs, churches, and academics, offered suggestions for improvement of the text. This final draft reflects the recommendations from the workshop as well as those coming from UN offices in New York, Geneva, and Harare.

3. ANALYSIS

3.1. Definitions and Framework

The analytical framework within which this study looks at the employment and poverty situation in Zambia distinguishes between 'employment' (jobs for wages) and 'livelihoods' (all forms of activities that ensure survival and enhance living conditions) and 'sustainable livelihoods' (people's capacity to make a living in such a way as to survive shocks and keep options open to others to make a living now or in the future). It is clear that there is no automatic correlation between 'employment' and 'sustainable livelihoods' since (1) the remuneration for the job may not be *adequate* for meeting minimum basic needs -- pay below the poverty line; (2) the employment may not be *durable* because it is only transitional -- e.g., work under a social safety net programme -- or because it is heavily dependent on outside assistance -- e.g., NGOs or donors; and (3) the employment may not be based on *environmentally sound technologies* but be destroying resource bases for the future -- e.g., charcoal burning activities. Furthermore, some sustainable livelihood activities are *unpaid* -- e.g., work within the family in a micro-enterprise in the informal sector. Hence it must be seen that 'employment' is a subset of 'sustainable livelihoods' and not vice versa.

Desirable levels of sustainable livelihood-ensuring productive employment is dependent upon launching the economy into a sustained phase of medium to high rate of broad-based growth. Both World Bank and GRZ projections for Zambia argue that with rigorous implementation of SAP it is possible to achieve a 6% real growth in GDP. But this study notes the fact that reforms over a five-year period to date are yet to show any results in the direction of these projections. Several factors determine the real growth rate and the study shows that policy implementation has conspired to render these very factors as *constraints* to growth: price stability and single-digit inflation rates; high levels of investment; high levels of smooth foreign exchange inflows; budgetary patterns favouring growth stimulation. Both the economic and the political environments have not been conducive to the requisite growth. While the study acknowledges the important role of the private sector in promoting sustainable human development (SHD), it emphasises the centrality of government leadership and faults the government for imperiling the sustainability of reforms through failure to take serious steps to direct the economy toward greater SHD and to include the wider public in consensus-building efforts.

3.2 GRZ Development Policy

The report analyses the government's development objectives as expressed officially in GRZ documents submitted to the international financial institutions and to the Consultative Group of donors, and in statements made in Budget Addresses and in reports to UN Conferences. Central to the expressed GRZ policy is the reduction of poverty through broad-based economic growth and the alleviation of poverty through enhanced delivery of social services. But economic growth is not defined or clarified as to what kind of growth, who participates in it, who benefits and who suffers, and what is its impact on the environment. Furthermore, key goals of SHD like generation of productive employment and reduction of poverty are seen only as *possible consequences* of economic growth rather than as *necessary causes* of sustainable growth. The poor – who make up the majority of Zambians – are seen as *objects* of welfare assistance through safety nets rather than *subjects* of productive efforts to get the economy moving in directions both more sustainable and more equitable.

3.3 Poverty Situation

The majority of the poor people in Zambia experience poverty in terms of inadequate access to the very basic essentials of life: food, health, shelter, clean water, education, clothing, and money to purchase these goods and services. The 1994 World Bank Poverty Assessment indicated close to 80% of Zambians living in poverty, and more recent studies show that people's welfare has further deteriorated in many respects. The basic social indicators show drastic decline in well-being. Drought has had serious effects, and loss of jobs has particularly hurt the urban poor.

Those classified as 'destitute' are the worst affected: disabled, unsupported aged, the orphan/neglected child, single-headed households, and the homeless. They lack assets and cannot work. A disturbing new phenomenon is the increase of child-headed households, occurring when both parents die (often because of AIDS) and children under 20 are left to fend for themselves without help from the extended family. The destitute, who constitute only about 2% of the various poor communities in urban and rural Zambia, can only be helped by direct hand-outs. The Public Welfare Assistance Scheme does help, but is often poorly managed and inadequately funded. Some private agencies are being started to help these indigents, including widows' associations, orphan groups, church-sponsored welfare (e.g., St. Vincent de Paul and Home Based Care).

The ordinary poor are those who lack assets (e.g., farm implements, land, cash) that will determine people's levels of production for what can be either marketed or consumed. In rural areas, the predominant livelihood activity is farming. Because of the importance, therefore, of land, the 1995

Land Tenure Act has been the object of much controversy about whether land traditionally farmed by people would be lost through market operations.

3.4 Characteristics of Employment and Sustainable Livelihoods

Despite GRZ claims that there has been a 'major surge' in employment creation as a result of market liberalisation and economic reform, *formal* sector employment has substantially declined (from 544,200 in a labour force of 3.2 million in 1991, to 502,900 in a labour force of 3.6 million in 1994). Recent studies identify trade liberalisation as one of the principal contributors to this trend. There has been a large increase in *informal* sector employment, but there is inadequate data in Zambia to determine precisely the cause of growth: retrenched workers seeking other jobs, already-employed taking on secondary jobs, impoverished looking for additional earnings, or normal growth of population. The quality of substitute jobs in earning capacities and utilisation of skills is also much lower.

Real earnings have been eroded dramatically, in the face of inflation. Statistics are not up-to-date, but the real basic wage declined from an index of 100 in 1983 to 37.8 in 1991; further decline would certainly be evident if more recent surveys were available. In 1994, the mean monthly earnings for a sample of less than 1000 employees was close to K65,000, but half the workers earned K35,000, and many had earnings in the K10,000 to K15,000 range. What this means in terms of livelihoods can be seen in noting that a food basket for a family of six in Lusaka (exclusive of housing, water, electricity, transport, education, health, etc.) amounted in March 1995 to K145,280. The low income of workers is affected by the absence of effective Minimum Wage legislation, and an accurate Poverty Datum Line (PDL). Though both government and employers have resisted implementing these steps -- admittedly, they would be difficult -- they are necessary to increase productivity and thereby benefit the whole country. Income distribution inequalities have been rising since 1991, indicating that gains from adjustment policies have been accruing to the rich and the burdens have been falling inequitably on the poor.

The child labour force has been increasing in size, an offshoot of the deteriorating situation in respect of earnings and employment. Even the Central Statistical Office has redefined (in 1991) the lower age limit of the labour force from twelve years to seven years. An estimated 70,000 street children are active in Zambia's major cities, engaged in a wide variety of economic activities, and several hundred thousand more are at risk.

Household incomes have been dwindling at a much higher rate in urban areas compared to rural areas, meaning that urban poverty is growing much faster than rural poverty. But people retrenched from urban formal jobs have difficulty finding alternative rural employment because of the high expense of agricultural inputs.

Productivity, in the limited sense of labour productivity and also in terms of total factor productivity, has declined in recent years for a variety of reasons, many of which are connected with the liberalisation policies. Capacity utilisation rates have been low, with one study estimating only 33% of the enterprises surveyed operating at more than 50% capacity.

Qualitative issues that affect employment include healthy and safe working environment, opportunities for training and skills enhancement, harmonious employer-employee relations, effective involvement of labour in the affairs of the enterprises and tenure of employment. A review of industrial relations has shown a decline in incidence of strikes during recent years (although a flurry of strikes in the months prior to the 1996 elections). This is probably due to tougher actions taken against strikers, the contracted labour market, and the weakened position of collective bargaining. Occupational safety, social security schemes, on-the-job training, and effective tri-partite activities: on the Zambian scene, these dimensions have not had high priority. It can be concluded

that the qualitative aspects of the working conditions for labour in fact do little to ameliorate the harshness of those conditions from a low and iniquitous earnings structure.

Regarding gender issues, a sexist bias in employment can be seen from the fact that women constitute 50% of the informal employment but only 15% of the formal work force. The majority of women, both in the formal and informal sectors, earn much less than men, largely reflecting educational levels attained by men and women, but also reflecting outright sexist discrimination. The impact of these disparities is felt directly on the livelihoods of households, as the number of female headed households is increasing and because of rising poverty levels the extended family structures are breaking down and women are increasingly left to fend for themselves. Youth unemployment is very high, though figures show a decline from 33.3% in 1990 to 20.7% in 1993. This probably reflects the extension of the meaning of 'employment' to include small trading activities like street vending.

A major influence on employment and sustainable livelihoods is the growing incidence of HIV/AIDS. An estimated 13-15% of the nearly 4 million adult Zambians are HIV-positive and will sometime in the future acquire AIDS. It is estimated that there are 500 new infections per day. Life expectancy is dropping (toward 45 years). There is a tremendous macroeconomic impact since associated with AIDS deaths are related medical expenses, worker transition costs and the loss of human capital. Tax and other incentives must be devised to encourage private firms not to discriminate against HIV-positive personnel and the legal liabilities of employers should be limited.

The report presents the findings of research on micro-enterprise employment in Chipata, noting that involvement primarily among the 15-35 age cohort and predominantly male. More education was a significant factor in determining success among those who were sampled. There is need for cheaper sources of credit to finance this sector.

3.5 Factors Contributing to Employment and Sustainable Livelihoods Situation

The employment situation in Zambia in the last five years has been dismal because the country has yet to experience the necessary high growth rates after initiating its policy reforms. In its adjustment programme, there are enhancing components (e.g., trade liberalisation, financial sector reform) and institutional change-oriented components (e.g., privatisation, civil service reform). To achieve SHD, three areas must be satisfactorily addressed: broad-based growth, human resource development, and safety nets. But Zambian development strategy has focused on a single element in broad-based growth -- macroeconomic stabilisation -- to the neglect of other key areas, with the result of impaired household livelihoods and increased levels of poverty.

The implementation of reforms can be criticised in three areas: speed, trade-offs and sustainability. *First*, there is broad consensus that the pace of the policy changes has been rather fast. For example, mealie meal and fertiliser subsidies were completely withdrawn by mid-1992, one year ahead of the proposed time table and before adequate safety nets were in place. Furthermore, the maize marketing scheme was liberalised in 1993 before adequate institutional capacity for the market had been developed. *Second*, trade offs meant that while some desirable changes were effected, some undesirable consequences also occurred. For example, the cash budget meant fiscal stabilisation, but also led to the suppression of legitimate expenditures in agriculture and social services that contributed to considerable suffering. And trade liberalisation has flooded Zambian shops with imported goods and 'salaula' has benefited lower income groups, but local manufacturers have suffered, including the collapse of the textile industry.

Third, problems with sustainability become evident from an analysis of the 1995 and 1996 budgets. Lower priority is given to the *economic* (e.g., agriculture, manufacturing, mining) and *social* (e.g., education, health, water) sector categories that are directly related to growth and development, and

a higher priority given to the *administrative* (e.g., defence, home affairs, Office of the President) sector category that is more obliquely related to growth and development. Moreover, nearly 60% of the budget is donor-driven, especially in the social and economic sectors. Further problems with sustainability are seen in that the expansion of the informal sector frequently has bad environmental consequences, e.g., promotion of *chitemene* (slash and burn) agriculture, encroachment of agricultural activities in game management areas, charcoal burning, etc.

3.6 Micro Level Adjustment and Coping Strategies

In an effort to answer, "What do ordinary people do in the face of their severe poverty?", it is helpful to distinguish between: (1) *adjustment* strategies, a realignment of resources and reorientation of resource use by microeconomic decision-making units with a view to maintain existing livelihood levels and strategies; and (2) *coping* strategies, ways of minimising the inevitable reductions in livelihoods levels necessitated by changes in the macroeconomic environment. While the destitute, comprising as noted earlier about 2% of the poor, can do little on their own to improve their quality of life, the remaining 98% of the poor adopt livelihood strategies, many of which can be used to form the basis of future development plans and efforts.

Coping strategies include engaging in several economic activities at the same time, selling livestock to raise income, purchasing basic commodities in small amounts and doing away with 'unessential' items (e.g., sugar, soap), stealing and prostitution, abandoning home, borrowing, etc. Obviously, these coping strategies are not recommended. Rather, adjustment strategies that are currently used by people, or could be used, should be supported: for example, moving from maize growing to drought-resistant crops like sorghum and cassava that do not require expensive inputs; keeping small livestock like goats that are more disease resistant than cattle; utilising dambo (wetlands) for crop cultivation.

A significant approach to adjustment strategies for promoting sustainable livelihoods is found in the encouragement of *employment-intensive work*. During this study, special research sponsored by the ILO described this approach and noted its implications for use in Zambia. The approach generates employment in the construction, rehabilitation and maintenance of infrastructure in both urban and rural areas, such as roads, water supply, housing, schools and health centres, etc. It is based upon the active involvement of the local population through contractual approaches (with small-scale construction enterprises or food-for-work arrangements), and includes the people in setting priorities, determining alternatives, designing and monitoring implementation. NGOs are actively involved (e.g., PUSH, PAM, CARE).

Women are predominant actors in these programmes, though more attention must be given to provide equal access to training and decision-making opportunities. Private sector contractors are encouraged and Zambia is strengthening the capacity of small scale contractors. Employment conditions (e.g., wages and safety) must be respected, and environmental concerns protected. This approach clearly has links with the informal sector, e.g., by utilising in construction local materials produced by small scale enterprises. The key point to be emphasised here is that the employment intensive programmes are not limited to *compensatory* approaches (e.g., welfare or safety net) but are viewed as regular *investment* approaches in the infrastructural sector.

3.7 Training and Institutional Capacities

In the manufacturing sector, many of the skills training institutions in Zambia are in decline, due to lack of investment and the fact that their products – trained people and produced goods – are no longer marketable. The liberalised economy has brought in less expensive, mass produced and often better quality goods. What is needed is to take into account people's identified adjustment

strategies and then impart to them the required skills. The private sector should develop apprenticeship programmes.

Implementing institutions for development activities include government ministries, trade and farmers' unions, employers' federations, tripartite committees, etc. These institutions need further capacity building. Moreover, the institutions are greatly under-utilised as providers of business support services by the private sector.

3.8 Donor and Interagency Coordination

The issue of coordination among various donor agencies, including especially the agencies of the UN system, is critically important. An effort to identify priority areas for donor support and lay down guidelines for coordinated management of development aid and technical assistance has resulted in the *Zambia Country Strategy Note (CSN)* for the period 1997 - 2001. The draft of the CSN was prepared by the government in consultation with the private sector, civil society and the donor community. Approaches to optimise use of resources include cost sharing, parallel financing, etc. A key concern about the effectiveness of the CSN is that it applies directly only to the UN system. There is need to integrate and coordinate aid from bilateral donors.

4. RECOMMENDATIONS

These recommendations form a strategy for action to move toward the promotion of employment and sustainable livelihoods in Zambia. They must be viewed within the analytical framework explained in the study (see Section 1 of this *Executive Summary*) that delineates the relationships between employment, sustainable livelihoods and SHD.

4.1 Macroeconomic Policies

- Future development policy, found in statements, budget allocations and demonstration projects, must give priority to sustainable human development and to the social sector as a whole.
- Social sector ministries and departments should be headed by top rate and high ranking officials and adequate financial allocations should be made by GRZ to the social sectors, even at the expense of demands from administrative sectors.
- Implementation of Zambia's SAP should be evaluated in terms of the fulfillment of the ten 'commitments' agreed to at the WSSD.
- Not only the *rate* but also the *pattern* of economic growth must be evaluated, to monitor positive and negative impact of macroeconomic stabilisation on household livelihoods, poverty levels, etc.
- Human resource development requires adequate investment in primary education, especially female education, basic health, nutrition and population planning.
- The Public Welfare Assistance Scheme requires both better management and increased funding in order to meet the needs of vulnerable groups.

4.2 Social Consensus Building and Resolution of Key Political Issues

- Since SHD is not the sole responsibility of government, the private sector must be brought into discussions regarding planning, implementation and evaluation.

- Private sector involvement must be based on efficiency and capacity, not supported by ideological arguments or rigid abstract economic formula, and not destructive of the legitimate active role of the state in promoting SHD.
- Tripartite arrangements should be more widely used, with expansion to include informal sector representatives.
- Poverty Alleviation Task Force of GRZ should hold country-wide consultations on employment and sustainable livelihoods issues.
- Government and ruling party should commit themselves to more open dialogue with opposition, NGOs and other public voices, in order to resolve governance controversies.

4.3 Sustainable Activities

- Targeted SHD activities should start with people's own identified micro-level adjustment strategies.
- Bottom-up approaches should be encouraged, but their implementation be guided by larger national concerns of SHD (e.g., environmental concerns).
- Adjustment strategies should be favoured over coping strategies.

4.4 Employment Promotion

- GRZ should commit itself to design and implementation, after widespread consultations, of a national employment policy.
- Minimum Wage Act should be resuscitated on the basis of a Poverty Datum Line, with formulation through the Tripartite Council.
- Employment-intensive infrastructure programmes should be promoted at both urban and rural levels, with use of local resources encouraged.

4.5 The Informal Sector

- More research should be carried out on the informal sector, sorting out the reasons for its growth.
- Informal sector associations should be encouraged, and their participation in tripartite arrangements facilitated.
- Provision should be made for technical training, management skills, and credit access for those involved in the informal sector, with industrial estates (such as Chinika complex in Lusaka) encouraged.

4.6 Gender and Youth

- Women should be given equal access to training and job opportunities, with sexist discrimination eliminated.

- Female participation in education should be strongly encouraged and facilitated through financial assistance or free education where feasible.
- Government, private sector and donors should promote women's access to credit (through 'Grameen' style micro-banking) and to land resources (through safeguards in the land tenure liberalisation).
- GRZ policy should strengthen existing institutions dealing with youth development programmes.
- Small scale enterprises involving youth should be encouraged.

4.7 HIV/AIDS

- Labor laws protecting employees from unwarranted HIV tests should be strictly observed.
- Limits should be placed on legal liabilities of employers who hire HIV-positive employees.
- Employers should be offered compensation for training to replace workers who have died of AIDS.
- Tax incentives should be devised to induce private sector firms to provide vocational and on-the-job training for HIV-positive workers.
- Job-place education aimed at AIDS prevention should be encouraged.

4.8 Training and Institutional Capacities

- Private sector should be involved in training, with firms setting up apprenticeship programmes.
- Local governments' capacity should be strengthened to work with NGOs and CBOs for development.

4.9 Interagency and Donor Coordination

- On-going consultations between various UN agencies should be conducted at both highest level and ordinary staff level to facilitate coordination.
- Mechanisms recommended by CSN (e.g., cost sharing, parallel financing) should be effectively operationalised.
- Bilateral donors must be involved with coordination efforts facilitated by the UN system.

4.10 Action Plan and Follow-Up

- Poverty Alleviation Task Force should be strengthened with terms of reference to include formulation of Action Plan for implementation of the recommendations of this report, involving in consultation all relevant stakeholders.
- Task Force should regularly monitor and periodically evaluate the progress regarding employment and sustainable livelihood.

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