

Social Dialogue and Industrial Relations in the Context of Economic Downturn: Strategies of Social Dialogue tripartite actors to address the consequences of the crisis and prepare for recovery- The case of Zambia

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1.0 Global overview

The global economic crisis that began as a financial crisis in the United States of America has had a huge impact on African Labour Markets. The good news, as regards the financial crisis, for Africa is, that it is the region least integrated into the world economy and because of that Africa has been spared a lot of the primary effects of the initial financial crisis. The bad news is that, instead, Africa is being hit by the aftershocks and the resulting global recession.

The economic downturn has led to considerable loss of jobs. ILO forecasts indicate that there could be a dramatic increase in unemployment worldwide, as global unemployment levels could rise from 18 million to 30 million workers by the end of 2009 and escalate to 50 million if the situation continues to deteriorate.

2.0 THE IMPACT OF THE GLOBAL ECONOMIC CRISIS ON ZAMBIA'S LABOUR MARKET

The biggest impact of the crisis is the worsening of the already high unemployment rates in the country. This is because of the impact of the financial crisis on commodity markets. The global financial crisis has led to a decline in metal prices, thereby impacting Zambia's mining sector. The mining industry as the engine of Zambia's economy is directly affected by the crisis to the extent that the nation's currency, the Kwacha, has significantly depreciated dampening the pace of business activities in the state. In short, most businesses have reduced their labour in a bid to minimise expenses. The copper prices hit a record high of \$10, 000 per ton in the second quarter of 2008 but after July of the same year, the price of copper started dropping as global economic recession concerns became inevitable. To date, copper is trading below \$5,000 per ton.

Generally, the impact on the labour market can be summarised follows:

- Loss of employment, e.g. Within the period November 2008 to March 2009, over 10,000 workers were laid off in the mines;

- Reduction in social security contributions e.g. The National Pensions Scheme Authority recorded reductions in remittances between January and March 2009;
- Increased cases of labour law violation- e.g. Increased record of casualisation of labour;
- Increased demand for labour administration services;
- Low demand for labour (in formal sector).

3.0 STRATEGIES BY GOVERNMENT TO MITIGATE THE IMPACT OF THE GLOBAL ECONOMIC DOWNTURN.

As an overall response to the crisis, Government embarked on a programme to diversify the economy from dependency on the mining sector to other areas such as tourism, agriculture and manufacturing.

Regarding interventions in the mining sector, the following has been done:

- Abolition of the windfall tax which was introduced at the time the copper prices were high;
- Reduction of custom duty on heavy fuels used in the mines.

Other measures Government has taken are as follows:

- a) Improving information flow in the financial sector; Commercial banks have been directed to provide detailed information regarding their foreign exchange transactions.
- b) Greater financial regulation and supervision given the increasing integration of the domestic financial market and economy in the global financial markets and economy.
- c) Dialogue with the key players in the economy e.g. From 4th to 5th April 2009 a National Conference on the Economic Crisis dubbed ***Global Economic Crisis, a wake up call for Transformation*** was convened; a

Tripartite Consultative Labour Council meeting was also convened from 23rd to 25th April 2009 which deliberated on labour law reform in the face of the economic down turn.

4.0 SOCIAL DIALOGUE IN THE FACE OF THE ECONOMIC DOWN-TURN

4.1 SOCIAL DIALOGUE MECHANISM IN PLACE

Traditionally, tripartite Consultation in Zambia which is provided for under the Industrial and Labour Relations Act involves the following actors: Government, led by the Ministry of Labour and Social Security; workers representatives led by the Zambia Congress of Trade Unions (ZCTU) and the Federation of Free Trade Unions of Zambia (FFTUZ); and employers led by the Zambia Federation Employers (ZFE). The law on tripartite consultation stipulates that a minimum of two tripartite council meetings be held every year.

4.2 SOCIAL DIALOGUE AGENDA ISSUES

Prior to the economic down turn, agendas of social dialogue meetings have been dominated by discussions on general labour administration matters pertaining to labour law review and ratification of ILO Conventions. These meetings that are chaired by the Minister of Labour and Social Security have mainly involved the actors highlighted above.

The onset of the economic crisis has seen a change in approach to social dialogue. In the wake of the job losses in the mines, Government constituted a team involving the Ministries of Finance and National Planning, Labour and Social Security, Mines and Mineral Development, Commerce Trade and Industries, and Foreign Affairs. This team represented Government in negotiations with mining operators and workers organizations.

The effects of the global down turn hit Zambia at a very crucial time when the new Government had just come into power in November 2008. Due to the political pressure that the crisis placed on the new Government, an open approach to economic and Social policy choices was adopted. A three day national conference was arranged where academicians, workers and employers organizations, Non-Governmental Organisations and Government led by the President were in attendance. The conference deliberated on a wide range of issues pertaining to the global economic down turn and put forward recommendations on how to address the impact of the crisis.

More and more, the President has been seen to be concerned about the labour market impact of the economic down turn. On two occasions, the Minister of Labour has been directed to ensure that social dialogue is deepened by holding more tripartite meetings and ensuring that the tripartite forum is effectively used to address the effects of the economic crisis.

4.3 SOCIALPARTNERS' POSITIONS IN TRIPATITE DISCUSSIONS ON THE ECONOMIC CRISIS

The face of social dialogue in Zambia changed with the impact that the crisis has had on the sectors of the economy, mainly mining. Tripartite partners had varying arguments on the possible responses to the crisis.

4.3.1 GOVERNMENT POSITION

The Government appealed to business not to lay off workers as a result of the economic slow down. Employers were urged to analyse their cost structures to ensure that lay off of labour was the last resort in their options.

Government also emphasized the need to respect the existing labour legislation to protect workers' rights.

Government called for cooperation in the implementation of the Zambia Decent Work Country Programme. In this regard, tripartite partners agreed to review the Decent Work Country Programme to ensure that the effects of the economic down turn are brought on board.

4.3.2 EMPLOYERS' ORGANISATIONS POSITION

The argument advanced by employers for laying off labour was the high operational costs. Employers therefore lobbied Government to facilitate the review of laws and procedures to ensure that the cost of doing business was reduced.

Employers also called for the deferment or waiving of certain regulations.

4.4.3 WORKERS' ORGANISATIONS POSITION

Representatives of workers organizations called for stricter investment laws to protect the interests of the workers. They also called for Government to strengthen the law enforcement mechanism to ensure that workers rights are protected during the crisis.

Workers' representatives called for capacity building and sensitization of partners on their roles to ensure that workers are protected.

5.0 GENERAL OBSERVATIONS

The case of Zambia has shown that the economic down turn has contributed to the change in social dialogue approach. This has been seen in the involvement of multiple actors in resolving the effects of the economic down turn.

There is need to build capacity among tripartite partners including sensitising them on their roles in the face of the economic crisis so that they are effective in contributing to economic recovery and protecting jobs. Finding solutions to the economic crisis is a huge task. It calls for dynamism and resourcefulness on the part of leaders including the political leadership.

Reviewing of Decent Work Country Programmes (DWCPs) for countries that are at implementation stage of their DWCPs to include new areas of focus brought about by the global economic crisis is one of the most effective ways that should be adopted to respond to the crisis.

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