

*National Conference*

Towards a new growth strategy for employment,  
decent work and development in Zambia

*New Government Complex, Lusaka, May 21-22, 2012*

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# Introduction

On September 20, 2011, Zambians elected Mr. Michael Sata of the Patriotic Front as the new President. President Sata's campaign had hinged on fighting corruption, a lowering of taxes, more jobs and better livelihoods for Zambians. In the maiden speech after his swearing in, he pledged to put Zambia to work, and reduce the size of government.

Like most other sub-Saharan African countries, Zambia's economic growth over the last decade was impressive – growth during the period 2006-09 averaged 6.1 per cent and 4.8 per cent during 2002-05.<sup>1</sup> Prudent macroeconomic management, a surge in mineral exports, and improvements in the investment climate are credited for these positive economic outcomes.

The 2008/9 economic crisis was therefore a major blow for a country which seemed to have turned a corner. The Zambia Vision 2030, with the aim of transforming Zambia into a middle income country by 2030, was launched in January 2007. To be realized through the national development plans and national budgets, Vision 2030 foresees Zambians living in a strong and dynamic middle income industrial nation that provides opportunities for improving the well being of all, embedding values of socioeconomic justice.

The country's economic performance was significantly affected by the global financial and economic crisis, mainly due to the country's openness. Depending largely on a single export commodity – copper – the fall in prices and external demand led to significant revenue losses. This led to jobs were lost in the mining companies and subsidiaries. Secondary economic activities related to copper also suffered.

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<sup>1</sup> See the Sixth National Development Plan (SNDP), 2011-2015

Poverty, unemployment and underemployment continue to present major challenges for the Zambian economy. The continuing economic crisis in the Eurozone – Zambia’s key trading partner – is worrisome as demand for and the prices for the country’s exports could once again fall.

This background note is intended to provide a basis for discussion at the forthcoming national dialogue conference. The conference is intended to provide a forum where national and international actors discuss a path towards a new growth strategy for employment, decent work and development for Zambia.

## **Current and emerging development challenges in Zambia**

Zambia’s GDP growth in 2010 was 7.6 per cent, projected to be 6.8 per cent in 2011. With increase in copper prices and hence exports, the current account deficit narrowed to less than 2 per cent of GDP by year-end. Other factors contributing to this growth resurgence were the higher than expected performance of the agricultural sector (mainly through record maize harvests), as well as a rebound in tourism and construction. External demand for Zambian products is expected to remain strong, with more than half of its exports now going to Asia and the Middle East. Nevertheless, growth will continue to be driven by the mining sector and aided by continued growth in the construction sector.

The above notwithstanding, growth has not been translated into meaningful human development. Widespread poverty remains the main development challenge in Zambia. Poverty is particularly widespread in rural areas, where over 80 per cent of the population lives below the poverty line, compared to 34 per cent in urban areas. Poverty, especially in rural

areas, is characterized by high vulnerability to shocks that often erode development gains or exacerbate existing poverty. The most recent Living Conditions Measurement Survey<sup>2</sup> indicates that 64 per cent of all Zambians live below the poverty line. Half of these cannot afford the basic minimum food requirement and are, therefore, classified as extremely poor.

Zambia's HDI rank for 2011 is 150 out of 169 countries. The table below shows a selected set of Zambia's Human Development Indicators, which are worth noting:-

Selected International Human Development Indicators for Zambia

<u>Expenditure on health, public (% of GDP)</u>	3.6
<u>Life expectancy at birth (years)</u>	47.3
<u>Adult literacy rate (both sexes) (% aged 15 and above)</u>	71.4
<u>Expenditure on education (% of GDP) (%)</u>	1.4
<u>Population in poverty</u>	63.7

Source: International Human Development Indicators, URL  
<http://hdrstats.undp.org/en/countries/profiles/ZMB.html>

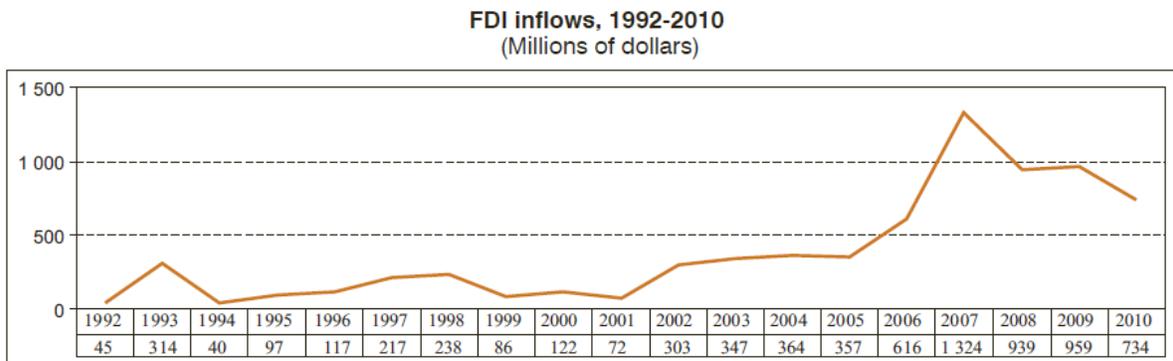
The effects of the global financial and economic crisis have brought to the fore Zambia's perennial problem: monoculture, which has exposed the country's vulnerability to external shocks. While this has been identified as a key problem that needs to be addressed through economic diversification, major challenges towards this objective remain. It is estimated that between 2000 and 2008 copper accounted for some 70 per cent of the total export earnings. Copper prices were at their highest in July 2008 (US\$8,985 per tonne) before tumbling to

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<sup>2</sup> Central Statistical Office, 2006

US\$2,902 in December 2008, leading to a fall in export revenues from US\$ 325 million in July to US\$ 161 in December.<sup>3</sup>

The main transmission channel through which the global economic slowdown spread to Zambia was trade, followed by official development assistance (ODA), with foreign direct investment (FDI) taking the third place (due to their effects on financial resource inflows). Others were tourism, and migrant workers’ remittances. The table below shows the amount of FDI to Zambia over the period 1992 and 2010, with mining, finance, tourism, trade and transport being the main investment attractions. Inevitably FDI fell during the crisis period. A notable development, however, has been the importance of China as a major source of investment for the country.



Source: UNCTAD. 2011. Foreign Direct Investment in LDCs: Lessons Learned from the Decade 2001–2010 and the Way Forward

Decent work and employment as well as social protection continue to elude a large section of the population. Of the 5,410,619 people in the labour force, only about 522,176 were in formal

<sup>3</sup> ODI. 2009. Global Financial Crisis Discussion Series Paper 10: Zambia

employment, with the rest unemployed or having to eke out a living in the informal economy.<sup>4</sup> HIV/AIDS remains a big problem.

Therefore the immediate and long term challenges remain the reduction of poverty, provision of decent employment opportunities (especially for the youth), economic diversification, and the need to reduce the country's dependence on copper.

## **Towards a new growth strategy for employment, decent work and development**

### **Ensuring an inclusive, job-rich and poverty-reducing growth process**

The provision of employment and decent work for Zambians is well articulated in a number of policy documents, including the following:-

- The Vision 2030 of becoming a prosperous middle-income nation by 2030;
- Zambia Decent Work Country Programme (Z-DWCP), 2007 – 2011 and 2012-2015;
- The Sixth National Development Plan (SNDP, 2011-2015), as well as its predecessor – the Fifth National Development Plan (FNDP, 2007-2010);
- The Private Sector Development (PSD) Reform Programme; and
- The Micro and Small Enterprise Development (MSME) Policy.

While these policies have mainstreamed decent work as a key vehicle towards poverty reduction in Zambia, their effective implementation is yet to take root. The creation of employment and decent work is a multisectoral objective that cannot be achieved by one government agency/ministry alone. At the macro level, employment and decent work targeting, with the right supporting infrastructure, should be introduced. While the mandate

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<sup>4</sup> Figures from the Labour Force Survey of 2008, with the reference period being 2006.

lies with the Ministry of Labour and Social Security, concerted and coordinated approaches call for actions across the breadth and depth of government (e.g. agriculture, trade, industry, rural development, roads, etc), as well as labour market institutions (including trade unions, the private sector, employment agencies, etc.), training/education institutions, and the supporting international partners. These all have to work in tandem towards realizing the set employment and decent work targets.

The Global Jobs Pact provides a useful guide that the authorities in Zambia could apply as a framework for meaningful and sustainable recovery. The Global Jobs Pact is the ILO's response to the global financial and economic crisis. Adopted by the 98<sup>th</sup> Session of the International Labour Conference (Geneva, June 2009), it is designed to guide national and international policies aimed at stimulating economic recovery, generating jobs and providing protection to working people and their families. The principles of the Global Jobs Pact are the following:

- protection of employment and building social protection;
- support to vulnerable women and men hit hard by the crisis including youth at risk, low-wage, low-skilled, informal economy and migrant workers;
- employment and facilitating job transitions and access to labour market for the jobless;
- no recourse to protectionist solutions;
- promotion of core labour standards and other international labour standards that support the economic and jobs recovery and reduce gender inequality;
- social dialogue, tripartism and collective bargaining;
- economic, social and environmental sustainability;
- regulation of market economies to enable sustainable enterprises and employment; and
- strengthened policy coherence at the international level.

Deriving from the above principles are the “decent work responses”, outlined under four areas:

- accelerating employment creation, jobs recovery and sustainable enterprises;
- building social protection systems and protecting people;
- strengthening respect for international labour standards; and

- social dialogue: bargaining collectively, identifying priorities, stimulating action.

The Global Jobs Pact provides a strategic policy framework for the period ahead and a resource of practical policies for the multilateral system, governments, workers and employers.

With the small size of the formal economy employment, the 90 per cent of the work force survive in the informal economy, with its challenges including underemployment, while the rest remain unemployed. Restructuring in the public service has also led to a leaner public sector. At the same time, the repercussions caused by the global financial and economic crisis, mainly in terms of its effects on the mining sector, has farther exposed the vulnerability of external dependence.

Mining companies laid off workers

There is some homogeneity in the response of the mining companies to the crisis. The mines have ...closed mining units, laid off workers, reduced the scope of work done by mining contractors and suspended contract labour and recruitment. In addition, mines have suspended overtime work, renegotiated supply contracts so as to reduce supplier prices, deferred payments to suppliers and contractors and deferred exploration and non-essential capital expenditures. Mopani Copper Mines has ...reduced the scope of work for contractors by 40% and the use of contractors' labour by 30%, and has suspended hire contracts and recruitments. The mine expects to lay off 215 workers at Nkana and 467 workers at Mufulira during 2009. Konkola Copper Mines has reduced expatriate staff by 18%. It has laid off workers. Total job losses at Konkola Copper Mines in 2008 could be estimated at 6667 workers. Chambeshi Metals closed down Luanshya copper mines, with 1719 workers laid off. The Chambeshi smelter was closed, and 240 workers and 267 contract workers lost their jobs. First Quantum Minerals has renegotiated its supply contracts. It has deferred other non-essential exploration and capital expenditure programmes and has reduced working hours from 12 hours to eight hours per shift, with 70 workers laid off.

*Excerpts from ODI. 2009. Global Financial Crisis Discussion Series Paper 10: Zambia*

These scenarios are testimony to the fact that the future of employment is unlikely to lie in large corporations, or the public service, but in micro, small and medium enterprises (MSMEs). While government should be charged with setting the right policy environment, it is the private sector that should be at the forefront of the objective of providing employment and decent work opportunities. In this regard, an industrial policy aimed at providing supportive measures to promote sustainable enterprises. At the same time, the perennial challenges for workers and entrepreneurs in the informal economy need to be urgently addressed.

## Promoting Micro, Small and Medium-sized Enterprises

The Government of Zambia recognizes the importance of a vibrant and productive private sector in promoting growth and prosperity in the country. The FNDP underscored the importance of stimulating broad based wealth and job creation, while the Sixth National Development Plan aims to build on the gains of the FNDP.

Sound macroeconomic policies and political stability have encouraged investment and growth in recent years but yet the environment is not sufficient for Zambian industries to be competitive and generate much needed wealth. As explained by the Zambia Development Agency, the private sector continues to be dominated by small, informal enterprises that face a number of challenges to growing their businesses and thereby contributing to the economy<sup>5</sup>.

According to the 2010 Zambia Business Survey (ZBS), of the 4.1 million employed Zambians, 88 per cent work for informal enterprises with less than five employees<sup>6</sup>. Most of these microenterprises are owner operated businesses with no paid employees and resemble home based income-generating activities rather than clearly structured businesses. 81 per cent of these microenterprises are located in rural areas where they account for 91 per cent of employment and 70 per cent are involved in agriculture production<sup>7</sup>. The average Zambian MSME in the agricultural and service sectors produces only about one sixth of the average large enterprise in the same sectors<sup>8</sup>.

The productivity of MSMEs is constrained by the limited access to basic infrastructure and to formal financial services. Only 6 per cent of MSMEs in rural areas are connected to the public electricity grid and only 27 per cent have access to water<sup>9</sup>. When comparing the productivity of

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<sup>5</sup> Zambia Development Agency. "Economic Empowerment through MSME Development." *Facilitating Economic Growth and Development*. Zambia Development Agency. Web. 23 May 2011. <http://www.zda.org.zm/186-economic-empowerment-through-msme-development> .

<sup>6</sup> Zambia Business Survey, June 2010

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

MSMEs that have access to hard infrastructure with those that do not, it is clear that hard infrastructure is necessary for an enterprise to flourish. In addition, soft infrastructure such as financial services and education are clear factors in promoting growth and productivity. Only one in 20 MSMEs report registration with any of the authorities, indicating the large percentage of informality in the economy.

One of the constraints affecting the Zambian SMEs, as identified by the Task Force on SMEs in Zambia, was inadequate policy framework. Although Zambia's Industrial policy recognizes the existence of the informal SME, the references made to the promotion and development of SMEs mainly refer to improving goods and services in the formal sector but not those found in the micro and informal sub-sector. In addition, there is an absence of a comprehensive and stand alone policy framework to give direction to efforts and plans aimed at supporting this huge sector. The current statute covering the promotion and facilitation of investments in Zambia is the Zambia Development Agency Act of 2006. This is far beyond the reach of most SMEs, because under this Act, incentives are granted only to those investors with qualifying assets of US\$500,000 and above<sup>10</sup>.

Another constraint is less concrete, and is more of a social issue. The Task force indicates that a poor work culture in general in Zambia negatively affects the ambition and attitude of the labour force. An attitude of dependency on the government and donors further aggravates the situation and leads to a lack of commitment to progress. Such a constraint can be combated through capacity building programmes and awareness raising of the gains from entrepreneurship<sup>11</sup>. Furthermore, there are severe deficiencies in basic management and technical skills relating to fundamental areas necessary for enterprises to sustain themselves. These include strategic management capacities (i.e. the ability to manage entry into new markets and organizing labour and capital to respond to the changing markets, technologies and regulations), functional management skills (i.e. skills required in production, finance, purchasing and marketing to improve production of capital, quality control etc), technical

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<sup>10</sup> [https://ir.ide.go.ip/dspace/bitstream/2344/725/3/ARRIDE\\_Discussion\\_No.134\\_chisala.pdf](https://ir.ide.go.ip/dspace/bitstream/2344/725/3/ARRIDE_Discussion_No.134_chisala.pdf)

<sup>11</sup> Ibid.

management skills, inadequate information resources (on trade, investment, technology, training and application of quality control) and inaccessibility to finance/long-term credit. Improvements in education can deliver both direct (i.e. better business and financial management) and indirect benefits (i.e. higher propensity to adopt technology such as irrigation or cell phones)<sup>12</sup>.

Improving the productive capacity of MSMEs, and hence their ability to provide employment and decent work opportunities, is called for in Zambia. Below are suggestions from the Zambia Business Survey to realize this objective:-

- Increase access to infrastructure: electricity, cell phones and water. In addition transportation infrastructure is a serious problem and improvements will result in greater productivity. Almost half of the 41 per cent of MSME owners who take their products to customers or markets reported that they spent between one hour and one day transporting them. If the roads and bridges were improved, it would be less time consuming to deliver products and allow for more time in production.
- Improve access to basic education: MSMEs with better educated owners are more productive than other MSMEs in both the agricultural and non-agricultural sectors. Many of the MSME owners, however, only have basic levels of education – especially in rural areas. In addition to the direct effect of improving education, there are also strong complementarities between education and other forms of investment. The return to improving physical infrastructure—whether for irrigation or access to cell phone banking—will be lower unless concomitant investments in education are made.
- Enhance business facilitation: results from the “Segmenting the market into powerful pictures: Application of the Business Facilities Measure – BFM” indicate that interventions that increase business facilitation including availability of cell phones and internet, business networks, training in financial record keeping and so on will lead to increased efficiency and competitiveness of Zambian MSMEs.

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<sup>12</sup> Ibid.

## The extension of social protection to the more vulnerable and building of a social protection floor

Zambia undertook renewed efforts in the 1990s to improve social security coverage and benefits. These efforts culminated in the establishment of the National Pension Scheme Authority (NAPSA) in 1996. At the end of 2009, NAPSA had approximately 475,000 contributing members and 2,880 beneficiaries, who received an average pension benefit of ZMK 720,000 (about US\$ 150) per month<sup>13</sup>. Formal employment in Zambia is small and, therefore, social security coverage linked to employment is low as well: An ILO analysis<sup>14</sup> of the 2005 Labour Force Survey concluded that 88 per cent of all employment (over 15 years of age) is informal. However, NAPSA effectively only covers formally employed workers in the private and parastatal sector as well as public service and local authorities' employees. The NAPSA act allows for other workers, in particular informal economy workers, to become NAPSA members, but none has joined the scheme to date.<sup>15</sup>

The Government of Zambia had recognized the importance of extending social protection by undertaking several initiatives in the last decade. Most notably, five pilot Social Cash Transfer Schemes were established between 2003 and 2007. The Social Cash Transfers, which are being managed by the Ministry of Community Development, Mother and Child Health, were designed "to protect and promote the livelihoods and welfare of people suffering from critical levels of poverty and deprivation"<sup>16</sup>. Five pilot schemes were established to test different design approaches, focused on benefits for families and children, currently covering approx. 8,000 households. One of the schemes, in the district of Katete, targets old people above 60 years and provides a modest old-age cash transfer to approx. 4,700 individual beneficiaries. Since early 2010, the Ministry of Community Development and Social Services and the Ministry of Labour

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<sup>13</sup> Email communication by NAPSA senior management, February 2010

<sup>14</sup> ILO, Social Protection Expenditure and Performance Review and Social Budget, 2008

<sup>15</sup> This will also be unlikely in the future, because informally or self-employed workers would need to contribute both the employer's and the worker's contribution to NAPSA, i.e. a total of 10% of gross earnings.

<sup>16</sup> Ministry of Community Development and Social Services, 2010.

and Social Security, with the cooperating partners, are working on extending family and child benefits to a further nine districts and on designing a nationwide old-age cash transfer schemes.

At the policy level, social protection enjoyed a prominent role in the Fifth National Development Plan 2005-2010, but was reduced to a cross-cutting issue in the current Sixth National Development Plan, as emphasis is on infrastructure development and a narrow definition of human development (i.e. focusing on health and education). Social protection secures, protects and enables access to essential goods (e.g. adequate nutrition) and services (e.g. healthcare and education). These are crucial investments in the productive capacity of Zambians. Investments should improve the accessibility and quality of health care services, fund social transfers to provide minimum levels of income security and spending capacity and aim at a minimum level of social services such as education, water and sanitation and others. Improving the productive capacity of people will result in better uptake of employment opportunities and increases in productivity. Furthermore, improved income levels and stability will induce increased demand for locally produced goods and services and overall spending in the local economy. The existing cash transfer schemes in Zambia provide evidence for this chain of impact.

Marrying economic development with human development through broad basic social protection is therefore called for. The building of a basic Social Protection Floor (SPF) that provides and enables access to minimum levels of services and goods could be an essential element to poverty alleviation while also contributing to further economic development. The SPF is a globally recognized concept, which the UN (including ILO and IMF) is committed to pursue through adequate global policy intervention and technical assistance to Governments. In particular, such a SPF should include:

- availability, continuity, geographical and financial access to essential services such as water and sanitation, adequate food and nutrition, health, education, housing and other social services such as life and asset saving information; and

- a basic set of essential social transfers (in cash and in kind) which ensure effective demand and ability to pay for these services.

The Government of Zambia has, in recent years, established many of the legal institutions and policies which would facilitate the establishment of a Social Protection Floor or, already today, provide rights and entitlement to citizens relating to access to social services and transfers. Preliminary analysis by the ILO suggests that an appropriately designed SPF could be fiscally affordable by Zambia. In order to adequately provide for a nationwide social protection coverage, the introduction of three system non-contributory social protection package be introduced: a universal oldage pension for all individuals over the age of 60, a social cash transfer targeting the 10 per cent more destitute or incapacitated households, and a child benefit targeting households with children below a certain age.<sup>17</sup>The cooperation by the ILO, IMF and the tripartite partners could be an opportunity to examine the feasibility and funding of a Zambia SPF.

## **Diversification of the Zambian economy**

There is no doubt that Zambia's persistent reliance on copper exports is unsustainable. While this has been recognized by the authorities, it is the drive towards diversification that is yet to be achieved. It is important that other export products and export markets are developed with priority given to value addition.

In the short term however, copper will continue to play a significant role in Zambia's development prospects. However a number of changes will be needed. In the sub region, Botswana is seen as a country that has made effective use of its mineral wealth – diamonds – to transform itself from a poor, landlocked semi arid country to a middle income country. Farther afield, the example of how copper has helped Chile move up the economic ladder is worth

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<sup>17</sup> For additional reading, see "ESS Paper N°28. 2011: The concept of fiscal space and its applicability to the development of social protection policy in Zambia".

studying. Moreover proceeds from the copper exports have financed social protection programmes that have lifted millions from poverty.<sup>18</sup>

Domestic resource mobilization needs to be enhanced. Expanding the tax base is called for, including streamlining the tax regimes for the mining sector.

While agriculture provides the most viable option, there is no clearly defined agricultural development policy that would ensure that agriculture will lead to economic transformation, food security, rural development, employment creation and poverty reduction. An agricultural modernization policy, actively supported by the government, is called for in Zambia.

## **Modernizing Zambia's labour market and employment relations systems**

The Ministry of Information, Broadcasting and Labour regulates labour, employment, social protection and social dialogue in the country. Labour administration and labour inspection play a significant role in social economic development as they, among other purposes, ensure the following:

- Enforcement of and respect for fundamental principles and rights at work, thereby fostering the full development of citizens and their productive potential;
- Improvement of labour institutions as a way to expand the economic security of workers and their families;
- Improvement of the operation of the labour market and make the impact of labour policy to be better understood.

The Ministry is at the centre of ensuring that an effective labour administration system exists in the country. It has the mandate of developing labour and social security policies, programmes and strategies and coordinating their implementation for national development. Key existing

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<sup>18</sup> For additional information see J. C. Guajardo. 2008. "Mineral Rents and Social Development in Chile", prepared for the UNRISD project on Social Policy in Mineral-Rich Countries.

policies include: National Employment and Labour Market Policy (2005); Zambia Decent Work Country Programme (2012-2015); Child Labour Policy (2010). One crucial role of the Ministry is to ensure the achievement of one of the key objectives of the Sixth National Development Plan (SNDP, 2011-2015), namely, increasing decent and productive employment. The Ministry coordinates labour related matters through its secretariat role for the following important programmes and collaborative mechanisms: the Decent Work Country Programme (DWCP) and the Tripartite Consultative Labour Council (TCLC).

In 2011 the Ministry received only 0.14 per cent of total budgetary allocations.<sup>19</sup> Out of the 72 districts countrywide, the Ministry of Labour and Social Security has offices in only 22 of them. Moreover the 22 offices are under-staffed and under-funded. Due to inadequate budgetary allocation to the Ministry, the perennial problems of inadequate human resources and limited coverage have rendered the Ministry ineffective in carrying out its mandate. The low budgetary allocation has therefore led to poor service delivery. Enforcement of laws related to occupational safety and health standards, child labour, minimum wages and conditions of employment has therefore been inadequate. An analysis of the budget of the (then) Ministry of Labour and Social Security from 2007-11 reveals that there has not been a significant increase over the period 2007 to 2011.

Budget allocation to the (then) Ministry of Labour and Social Security, 2007-11

Year	Total allocation (ZMK)	Total allocation, less personnel costs (ZMK)
2007	16,375,818,658	12,403,389,057
2008	15,334,596,249	11,578,772,538
2009	20,757,223,551	16,565,345,200
2010	18,091,129,278	13,464,256,390
2011	25,305,952,284	18,085,827,900

Source: Ministry of Finance and National Planning, 2007-2011

<sup>19</sup> Out of a total national budget of ZMK20, 537, 358, 046, 564 in the 2011 budget, the (then) Ministry of Labour and Social Security received ZMK 25, 305, 952, 284.

Industrial relations in Zambia are regulated by the Industrial and Labour Relations Act (Cap 269). The Act has since been revised, with the current one enacted in 1993. The law also provides for the establishment of the Tripartite Consultative Labour Council (TCLC), which is the main social dialogue institution in the country. Part X of the Act legislates on the role and composition of the TCLC, whose broad mandate is “to advise the Government on all issues relating to labour matters, manpower development and utilization...” Membership on the Council is equal for Government, employers and workers.

While the TCLC is by law supposed to meet twice a year, in reality it has not met as often as prescribed in the Act. From 2007, the trend has been that the TCLC has held only one meeting in a year<sup>20</sup>. Scarcity of resources has been one determining factor in the frequency of organising meetings. So far the Ministry of Labour and Social Security has covered the costs for the TCLC meetings, and due to low and many times unpredictable disbursements of funds to the Ministry, it has not been able to keep up with the legal requirements. One TCLC meeting costs about ZMK 200 million (approximately US\$ 40,000), and the Government has in recent years allocated an approximate ZMK 166 to 220 million for the purpose yearly as a part of the Ministry’s allocations.<sup>21</sup> Therefore only one meeting of the TCLC has been feasible per year, and almost no funds have been left for technical committee meetings. Cost-sharing of TCLC meeting expenses between the tripartite partners has been discussed, but no decisions to that effect have been taken, due mainly to financial weaknesses of the constituents. Further, whilst the Industrial and Labour Relations Act gives a broad mandate to the TCLC, it has traditionally only concentrated on discussing labour laws during the reform processes. It is up to the members of the TCLC to determine the matters to be discussed in the Council.

There are good practices in the region on functioning social dialogue institutions and processes at both central and decentralized levels. In South Africa, the National Economic Development

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<sup>20</sup> TCLC meetings from 2007 – May 2011: 2007 – no meetings; 2008 – one meeting; 2009 – one meeting; 2010 – one meeting; 2011 – two meetings.

<sup>21</sup> The yearly budget allocations for TCLC meetings are as follows: 2007 – ZMK 166.7 million; 2008 – ZMK 180 million; 2009 – ZMK 96 million; 2010 – ZMK 214.7 million; and 2011 – ZMK 220.9 million.

and Labour Council (NEDLAC) was launched in early 1995 with a mandate to strive to promote the goals of economic growth, participation in economic decision-making and social equity. It aims to reach consensus and conclude agreements pertaining to social and economic policy, as well as to consider all proposed labour legislation and policies before they are introduced to the Parliament or implemented, and to promote the formulation of coordinated policy on social and economic matters. NEDLAC is the vehicle by which government, labour, business and community organisations will seek to cooperate, through problem-solving and negotiation, on economic, labour and development issues, and related challenges facing the country. NEDLAC's aim is to make economic decision-making more inclusive, to promote the goals of economic growth and social equity. In the 2008/2009 financial year, NEDLAC held 178 meetings in addition to the major regular meetings and specific thematic meetings. At local levels, there are provincial economic and development forums that NEDLAC seeks constructive relationships with.

In Mozambique, the *Comissão Consultiva do Trabalho* (CCT) has been established as an independent institution, whilst it operates under the Ministry of Labour. It has a permanent secretariat and staff working under it. It conducts weekly meetings of the CCT subcommittees, whilst the main CCT meets at least three times annually. The CCT meetings are presided by the Minister of Labour and attended by other Government Ministers or Deputy Ministers as well as other members of Government; employers' and workers' representatives and depending on the topic discussed also members of the international community. Furthermore, social dialogue committees have been established on voluntary basis, and are functional at local levels in the 11 provinces. The objective is to bring these district-level committees formally under the CCT through legislation.

For the TCLC to become a true vehicle for Zambia's national social dialogue institution, it needs to be appropriately equipped. Steps should be taken towards establishing an adequately funded permanent secretariat with a functional research unit for the TCLC. At the same time, establishing provincial level social structures could be considered. There is need for strengthened dialogue between the representatives of labour, business and government on

economic and social policy issues, including matters related to the current crisis. This will ensure that consensus is built into any national development policies and programmes. This includes policies and programmes promoted by the IMF and the ILO.

Finally, as a way of constructing a legal framework that will play a positive role in protecting fundamental human rights at work, in promoting employment and economic growth, and in improving labour market performance, the Government of Zambia with the support the ILO is initiating the process of revising the country's employment and labour legislation. An Issues Paper that will serve as the basis for the labour law reform process is under preparation. In this respect, recommendations for reforms and identification of how they may be developed to ensure coherency with other relevant policy initiatives will be made.

## **Conclusions and the way forward**

The Zambian authorities responded well to the global financial and economic crisis. While economic growth has rebounded, there are long term and structural challenges that the country faces. These include the lack of diversification of the economy from the monoculture that currently is the case. At the same time, to ensure sustainable recovery, employment and decent work opportunities have to be available for the expanding population – more so given the fact that poverty can only be addressed in a sustainable manner through decent work.

The Global jobs Pact is a framework that Zambia can incorporate in its development programmes, and to support sustainable recovery. The framework link social progress and economic development and calls for priority to be given to protecting and growing employment through sustainable enterprises, quality public services and building adequate social protection for all as part of ongoing international and national action to aid recovery and development.

As indicated in the conclusions of the Oslo Conference, social dialogue is a vehicle towards consensus building in tackling the adjustment challenges related to exiting the crisis. Initial steps have been undertaken in Zambia by the IMF, ILO and the tripartite constituents towards ensuring this. By making use of enhanced social dialogue, Zambia should be able to address some of the major decades-long challenges, as well as the emerging issues that impinge on its development prospects. These include policies towards economic transformation and diversification, strong and job rich growth, poverty reduction, and better social protection, particularly for the vulnerable populations.

The agenda of the Patriotic Front Government fits well with the vision of a new growth strategy hinged on elements of decent work, wealth creation and development for Zambia. The forthcoming national dialogue conference could examine, among others, the following themes:-

- Diversification of the economy, value addition to copper, agricultural development and the expansion of the tax base. The example of Chile where copper revenues have been used to finance social protection programmes could be taken into account;
- Opportunities for the creation of decent and productive employment, especially for young Zambian women and men by ensuring that growth is strong, sustainable and job-rich;
- Enhanced resource allocation to the Ministry of Information, Broadcasting and Labour, in order for it to carry out its mandate of regulating labour, employment, social protection and social dialogue in the country;
- A more structured and institutionalized dialogue between the ILO, IMF and constituents on national economic and social policy issues. The NEDLAC experience is worth taking into consideration to improve the efficiency of the TCLC as a platform for social dialogue;
- Modalities towards building and financing of a basic Zambia Social Protection Floor; and



# **Annexes**

## Summary of Issues: Consultative Dialogue between the IMF, ILO and Constituents

Lusaka, Zambia, 22 February 2011 (15.00 hours)

The first consultative meeting between the IMF, ILO, Ministry of Labour and Social Security, employers and trade unions was held in the ILO Lusaka Office on 22 February 2011. In attendance were representatives of the IMF (Mr. Perry Perone, IMF Resident Representative to Zambia), Ministry of Labour and Social Security (Mr. Owen Mgemezulu, Chief Planner), Zambia Federation of Employers (Mr. Harrington Chibanda, Executive Director), Zambia Congress of Trade Unions (led by Mr. Roy Mwaba, Secretary General), Federation of Free Trade Unions of Zambia (led by Ms. Joyce C. Nonde-Simukoko, President), and the ILO (led by Mr. Martin Clemensson, Director, Lusaka Country Office).

The meeting was held in a cordial and frank atmosphere. It began with the IMF and ILO representatives giving perspectives on the emerging collaboration, stemming from the IMF/ILO Conference on “The Challenges of Growth, Employment and Social Cohesion” (Oslo, 13 September 2010). Mr. Perone welcomed the proposed collaboration as an outreach opportunity that could help clarify misconceptions and myths on IMF’s work. It would also be important to have feedback from the Fund’s non-traditional stakeholders in Zambia. Mr. Clemensson underscored the importance of the two institutions working together on areas of common interest, which would not only be limited to national crisis response.

In their contributions on current issues, the constituents welcomed this proposed IMF/ILO collaboration as a step in the right direction. It was noted that, while there had been positive developments in IMF/ILO collaboration at international level, this was yet to trickle down to national levels. The general view, therefore, was that both institutions and their respective constituents stood to gain from the dialogue.

A number of possible areas of collaboration were discussed at length. Consensus however was towards the following four (4) issues:-

### **1. Deepening IMF/ILO/Constituents dialogue**

- a. Past consultations had not been seen to be deep enough. This led to a difficult relationship between the Fund and the constituents, particularly the unions.

- b. A first step towards meaningful collaboration would be an institutionalization of consultations. To deepen dialogue,
  - i. Periodic consultations between the IMF, ILO and constituents need to be effected
  - ii. Sharing of information at the programme initiation stage was key
  - iii. Constituents' involvement in programme monitoring and evaluation should be taken into account

## **2. Growth, poverty and employment nexus**

- a. There is need to explore farther the link between growth, poverty and employment
- b. Sources, and sustainability and of growth; including how to make growth broad based, poverty reducing and employment creating
- c. There is concern that job destruction has been on the increase. Moreover decent work deficits abound
- d. Because of lack of job opportunities, the goal of poverty reduction has been jeopardized
- e. The informal economy, which provides livelihoods for millions, needs further exploration
- f. Economic transformation and job creation policies – the role of mining in the economy, economic diversification and value chains, skills development, investment policies, taxation policies, SME policies, the cost of doing business, etc.

## **3. Social protection, particularly for the vulnerable populations**

- a. The crisis has reinforced the need for the extension of social protection as a high priority. Social protection is even more important now that the crisis threatens to roll back decades of investment in human development
- b. Extending social protection is good for both of poverty reduction and in raising the productive potential of the economy
- c. Employment alone, without adequate social protection, is not enough to eliminate poverty among the most vulnerable groups
- d. Costing: There is strong evidence that a social protection floor is affordable at virtually any stage of economic development
- e. The need for adequate fiscal space to finance social protection

#### **4. Adequate financing for labour/employment-related programmes**

- a. Labour/employment is well articulated in the national development policies/programmes
- b. The Ministry of Labour and Social Security is allocated only 0.14% of the national budget, making it difficult to implement the above labour/employment programmes/policies
- c. As an economic ministry, how does the Ministry of Labour and Social Security ensure extra budgetary allocation?

In terms of next steps, the following steps were agreed upon:

- This note would be shared with the meeting participants, with their feedback expected before the end of February 2011
- A revised “summary of issues” would be circulated, based on amendments so received
- The Zambia Country representatives of the IMF and ILO would share the agreed upon possible areas of collaboration with their principals (Washington and Geneva respectively)
- Based on feedback from the principals, a second round of consultations would be expected on the finer details of the collaboration
- A work plan would be drawn up, agreed upon and launched as the roadmap for the collaboration
- Research/studies on the four areas of cooperation, so identified would be developed, based on joint ToRs so developed
- The studies would be the key inputs into the national dialogue/conference to be held after the general elections (later in 2011)
- Outcomes and decisions from the national dialogue/conference would form a basis for the second part of the enhanced cooperation between the IMF, ILO, Ministry of Labour and Social Security, employers and trade unions

*Lusaka, 22/02/2011*

## Oslo Conference Calls for Commitment to Recovery Focused on Jobs

Press Release No. 10/339

September 13, 2010

OSLO—The heads of the International Monetary Fund (IMF) and the International Labour Organization (ILO), along with other leaders, today called for a broad international commitment to a jobs-focused policy response to the global economic downturn. At a historic conference in Oslo—hosted by Prime Minister Jens Stoltenberg of Norway and co-sponsored by the IMF and ILO—leaders from government, labor, business and academia met to tackle the sharp increase in unemployment and underemployment since the 2008 global financial crisis.

“The international community must respond to the very real impact the crisis has had on working people,” said IMF Managing Director Dominique Strauss-Kahn. “This gathering has helped to define the steps that must be taken to bring millions back into the workforce. Tackling the jobs crisis is not only critical for a meaningful global economic recovery, but also for social cohesion and peace.”

“When growth is not fair, it becomes unsustainable,” said ILO Director-General Juan Somavia. “This has been the overriding lesson of the crisis. High levels of employment creation should be a key macroeconomic objective alongside low inflation and sustainable budgets. We need to steer globalization in the right direction. For that we need coherence and balance across policies, as well as coordination and dialogue among institutions and nations. This conference has marked an important step in that direction.”

The ILO estimates that unemployment is up by more than 30 million worldwide since 2007. The increase in unemployment in advanced economies has been particularly severe, but the crisis also has hit emerging market and developing economies.

The Oslo Conference brought together senior government leaders, including President Ellen Johnson Sirleaf of Liberia; Prime Minister George Papandreou of Greece; and Prime Minister José Luis Rodríguez Zapatero of Spain. A large delegation of labor leaders was led by International Trade Union Confederation General Secretary Sharan Burrow.

The IMF and ILO agreed at the conference to work together on policy development in two specific areas:

- First, they agreed to explore the concept of a social protection floor for people living in poverty and in vulnerable situations, within the context of a medium- to long-term framework of sustainable macroeconomic policies and strategies for development.

- Second, the two institutions will focus on policies to promote employment-creating growth.

There was also agreement on the central role that effective social dialogue can play in building the consensus needed to tackle the difficult adjustment challenges created by the crisis, and to ensure that the social consequences of crisis and its aftermath are taken fully into account.

The two institutions also agreed to continue and deepen their cooperation in support of the G20 and its Mutual Assessment Process aimed at ensuring strong, sustained and balanced global growth.

As part of this continuing collaboration, Mr. Strauss-Kahn accepted the invitation of Mr. Somavia to address the International Labour Conference in June 2011.

The Oslo Conference website is [www.osloconference2010.org](http://www.osloconference2010.org).

## A brief on the employers' and workers' organizations in Zambia

Grouping together some 225 companies, the Zambia Federation of Employers (ZFE) is the central organization for employers in Zambia. However there are other players in the business community, and these include the Zambia Association of Manufactures (ZAM), Zambia National Farmers Union (ZNFU), Hotel and Catering Association of Zambia (HCAZ), Chamber of Mines (CoM), Zambia Chamber of Commerce and Industry (ZACCI), Trackers Association of Zambia (TAZ), Zambia Construction and Civil Engineering and Building Association (ZCCEBA), and the Zambia Chamber of Small and Medium Business Association (ZACSMBA).

Until the registration of the Federation of Free Trade Unions of Zambia (FFTUZ) in 1998, the Zambia Congress of Trade Unions (ZCTU) was the sole national centre to which all national unions had to affiliate. Disagreements at the 1994 ZCTU quadrennial elections led to a walk away by five unions and to the subsequent formation of the FFTUZ.<sup>22</sup> With a membership of about 350,000 from 32 affiliated unions, the ZCTU's largest affiliate is the Civil Servants and Allied Workers' Union of Zambia (CSAWUZ), followed respectively by the Mineworkers' Union of Zambia (MUZ), Zambia National Union of Teachers (ZNUT) and the National Union of Plantation and Agricultural Workers.

FFTUZ's 50,000 members is drawn from 11 national unions, the biggest being the Zambia Union of Financial Institutions and Allied Workers (ZUFIAW) – mainly from banks.

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<sup>22</sup> Of the five, four have since rejoined the ZCTU.