EMPLOYMENT CREATION POTENTIAL ANALYSIS BY SECTOR

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List of Acronyms

AfDB	African Development Bank
CZI	Confederation of Zimbabwe Industries
ESAP	Economic Structural Adjustment Programme
FPL	Food Poverty Line
GDP	Gross Domestic Product
ILO	International Labour Organisation
LEDRIZ	Labour & Economic Development Research Institute of Zimbabwe
LFCLS	Labour Force and Child Labour Survey
LFS	Labour Force Survey
MSMEs	Micro, Small and Medium Enterprises
PDL	Poverty Datum Line
PICES	Prices, Income, Consumption and Expenditure Survey
SADC	Southern Africa Development Community
ZIMSTAT	Zimbabwe National Statistics Agency

Executive Summary

In a development that reflects the emergence of a global consensus on the need to place employment creation at the centre of the development discourse, the global framework of development assistance is now driven by a renewed commitment to poverty reduction, where employment is seen as the link (nexus) between growth and poverty reduction. In Africa, the Heads of State and Government committed to mainstream social and economic goals, where employment is seen as a cross-cutting objective to be integrated in all policy domains (macro and sectoral) to achieve broad-based, inclusive, pro-poor and job-rich growth (see the Ouagadougou Declaration of September 2004).

Zimbabwe faces a formidable challenge in terms of resolving issues of endemic poverty, unemployment, under-employment, informality and decent work deficits. This has been the case even before the onset of the current economic challenges in 1997. The limited capacity by the country to absorb the new entrants into the labour market, has been largely attributed to the failure to resolve the dual and enclave nature of the economy inherited at independence. In addition, the doing business environment, which is critical for sustainable enterprises and employment creation has deteriorated over the years. The weak implementation of employment friendly policies, including the National Employment Policy Framework (NEPF) has seen the scourge of un- and under-employment, and indeed poverty unresolved.

The country faces structural and infrastructural bottlenecks such as: high debt overhang, liquidity crunch, erratic power and water supply, outdated industrial machinery, high cost of capital (or lack thereof), and widespread company closures. This has seen the country experiencing persistent de-industrialisation and the informalisation of the economy. This has also made the country uncompetitive both on the regional and global markets.

This study analyses the nature of the economic recovery and structural transformation that is needed to address the employment deficits, as well as the sectoral potential in terms of employment creation. It also looks at the changes that need to happen to enhance employment at the sectoral and national levels and how to make job creation a deliberate macro-economic objective. Going forward, there is need for a paradigm shift in the manner in which employment and social goals are treated. This means that government should place full and productive employment and decent work at the centre of all economic and social policies.

In the short-term, efforts can be directed at improving within-sector productivity, especially in agriculture and the informal economy where the majority ekes out a living and is employed. A critical aspect of the shift in the medium to long-term, is to promote a process of sustained structural transformation, moving labour from low productivity rural and informal sectors to high productivity sectors, especially manufacturing and services. There is need to rebuild linkages between agriculture and the rest of the economy to facilitate re-industrialisation, especially based on agro-industries. The promotion of linkages in the mining sector is critical as this will help unlock the potential of capital-intensive sectors to create employment.

Since dollarisation in 2009, Zimbabwe has experienced a window of resurgence and this should have provided a basis for employment creation. Unfortunately, the economic rebound did not translate into employment creation and poverty reduction for the following reasons:

a. *Weakening economic rebound and dependence on mineral resources:* The economic rebound, which averaged 10 percent per annum between 2009 and 2012 has waned, with growth dramatically slowing down thereafter to average 3.3 percent during the period 2013-15 as international prices of primary commodities dipped. Furthermore, the economic rebound was largely driven by mineral export earnings, which accounted for over 50 percent of total export earnings. Given the capital-intensity of the mining sector, this growth was not associated with significant job creation. Worse still, the economy is mired in deflation, reflecting lack of domestic demand and the depreciation of the South African rand relative to other major currencies.
b. *Persistent de*-industrialisation and informalisation of the economy: Despite the economic rebound, de-industrialisation persisted, with 4,610 firms closing between 2011 and 2014, resulting in 55,443 job losses. Informalisation deepened such that the level of informal employment, which had increased from 80 percent in 2004 to 84.2 percent by 2011, rose sharply to 94.5 percent by 2014.
c. *Inadequate supply of infrastructure:* infrastructure deficits are a major barrier to growth and employment creation in the economy, especially against a budget where 92 percent of the expenditures are recurrent. Apart from directly creating jobs, infrastructure is a key enabler of both growth and employment creation.
d. *Access to, and the cost of financing:* Access to, and the cost of finance is one of the main obstacles to doing business in Zimbabwe owing to the debt overhang and high country risk factor.
e. *Unfavourable Doing Business Environment:* The doing business environment in Zimbabwe has been unfavourable. The country continued to rank lowly in the World Bank's Doing Business Index and the World Economic Forum's Global Competitiveness Index. However it is important to note that of the sixteen factors affecting Zimbabwe's competitiveness identified by the World Economic Forum (2013), labour regulations were ranked sixth.
f. *Workers' employability*: Whereas Zimbabwe can be credited with having one of the highest literacy rates in Africa, much still needs to be done in terms of skills development. Due to its supply-bias, the education system is failing to meet the needs of the economy, creating a mismatch between demand and supply.

By focusing on sectorial employment potential, this Report builds a scientific basis for developing national employment targets and ensuring that employment creation is embraced at the sector level, in line with Goal #8 of the Sustainable Development Goals (SDGs) which seeks to "*promote inclusive and sustainable economic growth, employment and decent work for all*". In identifying the strategies for employment creation, the study is guided by the McKinsey Global Institute Report of 2012 titled, '*Africa at work: Job creation and inclusive growth*,' which developed a five point plan for job creation. The plan involves: (i) identifying specific labour-intensive subsectors, that can be engines of job creation; (ii) improving access to finance for the targeted sectors; (iii) building supporting infrastructure; (iv) removing regulatory impediments; and (v) developing the required workforce skills.

To achieve this, the Report recommends amongst others, the promotion of linkages and value chains and channels at sector level, in order to maximize the employment potential of the economy and ensure that growth is inclusive and decent work-rich. The promotion of a culture of productivity at sector and national level through the revived National Productivity Institute (NPI) is imperative. Furthermore, sectors are encouraged to play a more active role in skills development in their areas, through public-private partnerships, to enhance the fit between demand and supply, as is the case in the mining, hospitality and wood technology sectors.

1.0 Introduction: Rationale for employment creation sectoral analysis

This study on the "Employment Creation Potential Analysis by Sector," was commissioned by the International Labour Organisation-Harare Country Office for Zimbabwe and Namibia.

The study is a sectoral analysis looking at employment, wages and labour productivity; inequality and poverty; education and labour demand; population growth and labour supply; economic growth and recent changes in employment and wages; youth dividend. It outlines major challenges to growth and job creation and examines potential strategies for employment creation. This sectorial approach therefore provides a more scientific basis for developing national employment objectives and targets and for ensuring their ownership at all levels.

The specific terms of reference of the study included the following:

i. Conduct an extensive literature review on the performance of Zimbabwe's economy and labour market focusing on the potential for creation of quality and sustainable jobs;
ii. Analyse the nature of the structural transformation that is needed with a particular focus on the labour market, as well as the sectoral shifts in economic activity to create more jobs; including in the green and blue economies;
iii. Determine entry points for mainstreaming employment and making it a deliberate macro-economic objective;
iv. Develop scenarios and estimates for direct, indirect, and induced job creation potential by sector; and
v. Develop recommendations for enhancing job creation nationally and by sector.

Methodology

The study relied on a triangulation of methods. First, an extensive review of available literature and data on economic performance and sectorial and national employment trends was undertaken. The study used existing data from the Zimbabwe Statistical Agency (ZimStat) and analyses from the African Development Bank (AfDB), World Bank, IMF, Employers' and Employee Associations and Government Departments where applicable. In the context of economic recovery, various agencies have also been undertaking dedicated sectorial studies on growth prospects and employment creation. For instance a comprehensive World Bank study undertaken in 2012 on the mining sector came up with recovery and employment trajectories based on scenarios. The AfDB also undertook a comprehensive study on rehabilitation of infrastructure in 2011, with employment projections. In the analysis of the state of employment and employment creation in the country, the study used the ILO-Employment Diagnostic Analysis: A Methodological Guide publication.

> The use of the guide helps to understand the nature of the deficiency of productive employment and the context-specific constraints, challenges and opportunities for increasing productive employment through sustainable and inclusive job-rich growth as a basis for a sharper and more effective focus of policies and strategies on productive employment. The guide was developed with three important considerations in mind: (i) it should facilitate a clear identification of the causes behind the main constraints and challenges, through a highly structured and step-wise approach, with a view to provide a basis for prioritisation and a sharp focus in policy-making; (ii) the country specific situation should serve as a starting point and basis for

the analysis; and (iii) participation by the end users in the analytical process is crucial for results. Those responsible for designing and implementing policies should also play an active role in the identification of the constraints and challenges that need to be addressed.

Second, the study team conducted wide-ranging discussions with important stakeholders in government and the public sector, development partnes and in the private and NGO sectors in order to gather additional data. Special attention was given to key informants at sector level such as the respective employers' associations and National Employment Councils (NECs), as well as experts working in the sector(s). Third, in order to complement these views and discuss preliminary results, a stakeholder workshop was held on the 15th of December 2015. This allowed the study team to get comments from stakeholders and from the ILO.

The rest of the paper is organized as follows. Section 2 provides the background information relating to the macroeconomic framework and the labour market. This is followed by Section 3 which looks at the sectoral employment analysis, highlighting the current sectoral employment levels and output elasticities of employment. The factors affecting employment creation are detailed in Section 4. Section 5 reviews the initiatives being put in place to create employment at the sector level and explores examples of possible employment creation scenarios. The last section, Section 6 provides the conclusion and recommendations for employment creation both at the national and sector level.

2.0 Background

2.1 Macroeconomic Framework

Given that the demand for labour is derived, employment creation is largely dependent on growth, all factors that influence growth ultimately impact employment creation. Thus, macro-economic performance, in as much as it affects growth, is critical for employment creation. It is also important to note that the process of economic progress is underpinned by the overall growth in labour productivity / the growth potential of employment. This can arise either within a sector through, for instance the implementation of new machines and innovative technologies that allow more output with the same amount of labour input – or from the reallocation of jobs across sectors ('structural change') as workers move from low- to high-productivity sectors (e.g. from agriculture to industry or services).

The assessment of the performance of the economy in Zimbabwe can be categorised into four distinct phases, reflecting the periods of structural break in policy. The first phase covering the first decade of independence (1980-90), which was characterized by Government intervention in the economy (with a strong focus on social provisioning, especially education and health) and continued pursuit of import substitution. Due to unsustainable budget deficits, shortages of foreign currency, depressed investment and employment creation, the Government adopted economic reforms (the Economic Structural Adjustment Programme - ESAP) at the behest of the IMF and World Bank (1991-1996 – the *reform period*). During the period, the country experienced de-industrialisation owing to the opening up of the economy to competing imports, which were cheaper and replaced subdued local production.

The onset and deepening of the economic crisis, starting in 1997 with the Zimbabwe dollar losing 71.5 percent of its value against the US dollar and the stock market crashing, wiping off 46 percent from the value of shares, saw the emergence of the third phase. The period also saw the growth of Government domestic debt, as the Government paid - unbudgeted for - gratuities and pensions to war veterans. This phase was characterized by the re-introduction of controls with respect to pricing, withdrawal of donor funding, culminating in hyperinflation (*231 million percent by June 2008*) and economic paralysis. The fourth phase (2009-2014) coincides with the period of the Government of National Unity (GNU) (2009-13) and the implementation of the multicurrency regime, which ended hyperinflation and stabilized the macro-economy.

Table 1 below summarizes the performance of the economy using selected key economic indicators during these four phases. Real economic growth deteriorated from an average annual rate of 4.6 percent during the period 1986-90 to 2.8 percent (1991-96), and -4.3 percent (1997-2008). During the period of persistent negative growth rates (1998-2008), the economy lost a cumulative 53 percent of real output, with the largest decline of - 14.3 percent in 2008. The coming in of the Inclusive Government in February 2009 and the introduction of the multi-currency regime, coupled with the implementation of a stabilisation and recovery programme saw Zimbabwe experiencing an economic rebound.

However, this economic rebound has been exhausted. Having averaged 9.8 percent during the period 2009-2012, economic growth declined to 4.5 percent in 2013 and 3.8 percent in 2014 due to uncertainties associated with an election-year (2013), weakening demand for key exports, tighter liquidity conditions, low domestic savings, investment inflows and power supply shortages, lack of competitiveness, and adverse weather patterns. The current projection for 2015 of only 1.5 percent is much lower than the projected 4.4 percent for Sub-Saharan Africa and the 3.8 percent for SADC, and without policy reforms, it is projected to remain below 5 percent in the medium term (until 2018).

As pointed out in the 2015 Budget Statement, "…such levels of growth remain inadequate for us to begin making a dent at the prevailing levels of capacity utilisation in the economy and high unemployment;" (paragraph 76, page 22). Hence, to attain ZimAsset targets of in excess of 6 percent growth rates would require addressing all key constraints to rapid economic growth, including improving ease and cost of doing business, guaranteeing uninterrupted supply of adequate power, beneficiation of minerals, among other reforms, including public enterprise reforms.

Table 1: Performance of the Zimbabwe Economy, Selected Economic Indicators, 1986-2014 (Periodical Annual Averages)

Indicator	1986-90	1991-96	1997-08	2009-14
Real GDP Growth (%)	4.6	2.8	-4.3	7.8
Real GDP Per Capita (%)	1.4	-0.6	-3.6	5.6
Manufacturing/GDP (%)	20.6	21.1	13.5	11.7
Gross Savings/GDP (%)	16.5	17.8	6.3	-6.0
Gross Investment/GDP (%)	16.0	21.7	10.6	16.8
Budget Deficit (% of GDP)	-2.1	-5.8	-6.1	-3.9
Inflation (%)	11.8	26.6	19,255,755.00	0.8
Bop (US$M)	-	73.5	-254.6	-1209.1
Trade Balance (US$M)	267.7	75.2	25.8	-3784.8
Export Growth (%)	0.1	0.1	-4.7	8.1
Import Cover (Months) 100%	-	3.1	0.9	0.9
Formal Sector Employment	1,118,133	1,249,200	1,213,200	1,096,800
Employment Index – 1990=100	94.9	104.8	101.8	92.7

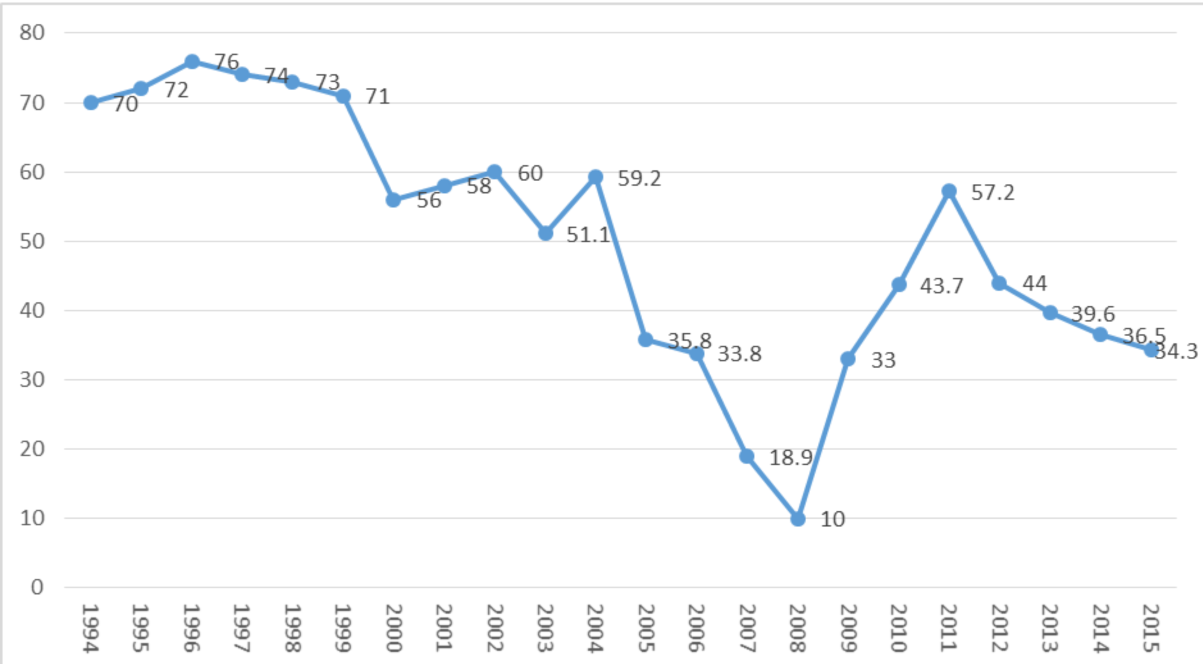
Source: ZimStat and RBZ

The savings to GDP ratio increased from an annual average rate of 16.5 percent (1986-90) to 17.8 percent (1991-96), declining to an average of 15.0 percent (1995-2000) and 6.3 percent (1997-2008). For the period 2009-14, the savings ratio dropped to a negative 6.0 percent, implying dissaving. This trend is particularly worrying given the importance of savings in driving investment. Savings provide a pool of resources for investment, which is critical for growth and the creation of employment. During the crisis phase, the country had negative real interest rates, which discouraged savings. At the same time, the exchange rate was overvalued, which discouraged use of labour intensive techniques as capital becomes cheaper relative to labour.

It is therefore not surprising, that the investment to GDP ratio collapsed from an average level of 21.7 percent during 1991-96, to only 10.6 percent during 1997-2008. In the period 2009-14, the investment ratio strengthened to 16.8 percent, given the boost in investor confidence in the country. Investment has however remained very low in the country, with companies relying heavily on equity financing, with very low recourse to debt financing as reflected in the very short debt maturity levels of 1.3 years to 2.3 years. Hence medium-term growth potential may remain locked unless expectations of profitability improve for the majority of small firms. Such a trend has far-reaching implications for growth, employment creation and poverty reduction. In both cases (savings and investment ratios), a level of 25 percent of GDP is considered optimal for development.

On an annual basis, the share of the manufacturing sector in GDP peaked at 26.9 percent in 1992 before collapsing to 7.2 percent by 2002, and has averaged 11.7 percent between 2009 and 2014. This has been the lowest contribution of the manufacturing sector to GDP since independence. Various Confederation of Zimbabwe Industries (CZI) Manufacturing Sector Surveys suggest that industrial capacity utilisation declined sharply from 76.0 percent in 1996 to 56.0 percent before improving to 60.0 percent in 2002. As from 2005 the capacity utilisation in the manufacturing sector declined annually for 59.2 in 2004 to 35.8 in 2005, and 10 percent by 2008. The capacity utilisation started improving in 2009, were it was recorded at 33.0 percent and improved to 57.2 percent in 2011, and thereafter has a downward trend and currently stands at 34.3 percent in 2015, see Figure 1 below.

Figure 1: Capacity Utilisation 1994-2015



Source: CZI Manufacturing Survey Reports, 2007-2015

During the crisis period, this decline in capacity utilisation was attributed to an acute shortage of foreign exchange to import raw materials, declining domestic demand due to low disposable incomes (*almost 85 percent of the employed are earning incomes below the poverty datum line, and the majority are in informal employment)*, failure to finance working capital, a dysfunctional pricing policy, a demoralized workforce, and rising costs. In recent years, it has been due to: (i) low local demand; (ii) working capital constraints; (iii) competition from cheap imports; (iv) antiquated machinery and machine breakdowns; (v) drawbacks from current economic environment; (vi) high cost of doing business; shortage of raw materials; and viii) power and water shortages. This faltering performance of the sector prompted the Confederation of Zimbabwe Industries (CZI) in its State of the Manufacturing

Survey (2014) to observe that: "Industries in Zimbabwe are under serious threat. Deindustrialisation has reached catastrophic levels, with dire consequences to the state of the economy," (CZI, 2014: 6).

The Zimbabwean economy has undergone structural regression following massive de-industrialisation and informalisation, and the economic rebound since 2009 has been more resources-based. The economy has been characterized by stronger growth in mining than manufactured tradables, and the export recovery is driven by primary commodities. Real growth recovered to positive rates in the post 2009 era and was anchored by mining and agriculture. This has huge implications for employment creation and poverty eradication given its (mining) capital intensity and enclave nature whereby it is more integrated into the external economy than the internal one. With this increased dependence on primary commodities, the structure of the Zimbabwean economy has become a typical Sub-Saharan African economy whose fortunes are dependent on the whims of external primary commodity markets and weather conditions.

Following macroeconomic stabilisation and liberalisation since 2009, exports rose from US$1.613 billion in 2009 to US$3.317 billion in 2010, US$4.496 billion in 2011, declining to US$3.808 billion in 2012, US$3.694 billion in 2013, an estimated US$3.558 billion in 2014 and a projected US$3.430 billion in 2015. Of the US$2 billion export earnings during the period January to October 2015, at least 80 percent were primary commodities (agricultural products and minerals). Weakening primary commodity prices have adversely affected export earnings since the last quarter of 2013, and have also reduced the import bill (grain and oil). The external position is under severe pressure from the high import bill, with exports constituting 56.8 percent of imports in 2012, 54.3 percent in 2013, 56.4 percent in 2014 and 54.4 percent in 2015.

The economy remains highly dependent on imports owing to the un-competitiveness of industry, coupled with cheaper imports, especially on account of a depreciating South African Rand. In 2015, exports are projected at US$3.4 billion (*dominated by gold, tobacco, nickel and diamonds*), against imports of US$6.3 billion, giving a trade deficit of US$2.9 billion. The ratio of imports to exports has generally averaged a ratio of 2:1, implying the country is exporting the much needed liquidity and jobs. A current account deficit of US$2.6 billion is projected in 2015 against US$2.8 billion in 2014; 18.7 percent of GDP against a SADC macroeconomic convergence target of under 9 percent.

Against the background of weak domestic demand, tight liquidity conditions and the appreciation of the US dollar against the South African rand, inflation in Zimbabwe is projected to remain subdued at an average rate of -2.4 percent in 2015 and is projected at -1.2 percent for the year 2016, way below the SADC macro-economic convergence target of 3-7 percent. Even in the context of deflation, high borrowing costs at an average of 20 percent per annum contribute significantly to the high cost of doing business and un-competitiveness, with estimates of US dollar prices in Zimbabwe being overvalued by 45 percent *(July 2015-Mid-Term Monetary Policy Statement)*. Policy inconsistencies and lack of an enabling doing business environment have undermined the much needed FDI inflows, and limited access to foreign lines of credit have consigned the economy to rely on inefficient production technologies, antiquated machinery and equipment. In 2014, poor performance of public entities due to weak corporate governance and increasing defaults on external payment obligations by these entities has resulted in called up guarantees accounting for 24 percent of the external debt.

Shrinking fiscal space as the economy slows down resulted in total revenue for 2015 being revised downwards from the original US$3.99 billion to US$3.6 billion. Yet expenditures for 2015 were only marginally revised downwards from US$4.115 billion to US$4 billion, creating a financing gap of at least US$399.6 million, to be funded through a combination of domestic and external sources.

The expenditure mix with respect to the National Budget remains steeped in favour of recurrent expenditures which account for 92 percent, leaving about 8 percent for capital development programmes. In 2011, the Government introduced a policy of a general freeze on recruitment, but surprisingly employment grew by 19.6 percent (45,246) in the public service between 2011 and 2015, (see 2016 Budget Statement). In 2015, employment costs accounted for 83.4 percent of the budgeted expenditures, the worst proportion in Sub-Saharan Africa. This expenditure-mix remains unsustainable and hardly a building plank for employment creation.

In its concerted efforts at re-engaging the international community, the Government of Zimbabwe developed an Arrears Clearance Strategy, which was presented and endorsed at the annual meeting of the IMF and World Bank in Lima, Peru in October 2015. The strategy involves the following:

- ✓ Clearing the arrears to the three multinational institutions, namely the IMF-US$110 million, the World Bank- US$1.15 billion and the AfDB- US$601 million, thus US$1.8 billion by the end of April 2016;
- ✓ Development of a new comprehensive Country Financing Programme supported by the three institutions that attracts long term financing to promote growth and debt sustainability; and
- ✓ Engagement of the European Investment Bank, the Paris Club and non-Paris Club bilateral creditors for debt resolution on the strength of performance under the Financing Programme.

Arrears clearance to the IFIs will be based on: (i) use of domestic resources to clear US$111 million arrears to the IMF; (ii) bridging finance from regional and international banks to clear the US$601 million debt arrears to the AfDB; and (iii) use of medium to long-term loan facility to clear US$1.1 billion arrears to the World Bank Group. Successful implementation of such a strategy will accelerate the reengagement process with the international financial community, and unlock the much needed fresh lines of credit.

2.2 Labour Market

Population: The 2014 Labour Force and Child Labour Survey (LFCLS) estimated that the population of Zimbabwe was 13.4 million of whom 6.5 million (48 percent) were males and 7 million (52 percent) were females, giving an overall sex ratio of 93 males per every 100 females. The 2014 LFCLS shows an increase of 1.6 million people from the 2011 LFCLS and 0.4 million compared to the 2012 Population Census. The 2014 LFCLS indicated that 68 percent of the total population of Zimbabwe were usual residents in rural areas and 32 percent were usual residents in urban areas whereas in 2011 the corresponding percentages were 69 percent and 31 percent, respectively. There were 3,275,170 private households in the country, with an average household size of 4.1 persons.

The population pyramid of Zimbabwe reflects a bottom heavy structure, being predominantly youthful, with a dependency ratio of 87.7 percent; people in the working age (15-64) make up the majority of the population (53.3 percent). Given that 42.1 percent of the population is below the age of 15 years, this means that the size of the working-age population will rapidly increase (in the next 15 years), posing an additional pressure on the labour market to create more decent jobs. Table 2 below illustrates the population distribution for Zimbabwe as of 2014.

Table 2: Population Distribution, by Age and Sex

Age		Male		Female		Total	
		Number	Percentage	Number	Percentage	Number	Percentage
0-14		2,872,430	44.3	2,790,086	40.1	5,662,516	42.1
15-64	**15-24**	795,845	12.3	1,301,007	18.7	2,096,852	15.6
	25-64	2,538,838	39.1	2,528,110	36.3	5,066,948	37.7
65+		278,563	4.3	342,407	4.9	620,970	4.6
Total		6,485,676	100.0	6,961,610	100.0	13,447,286	100.0

Source: LFCLS, 2014

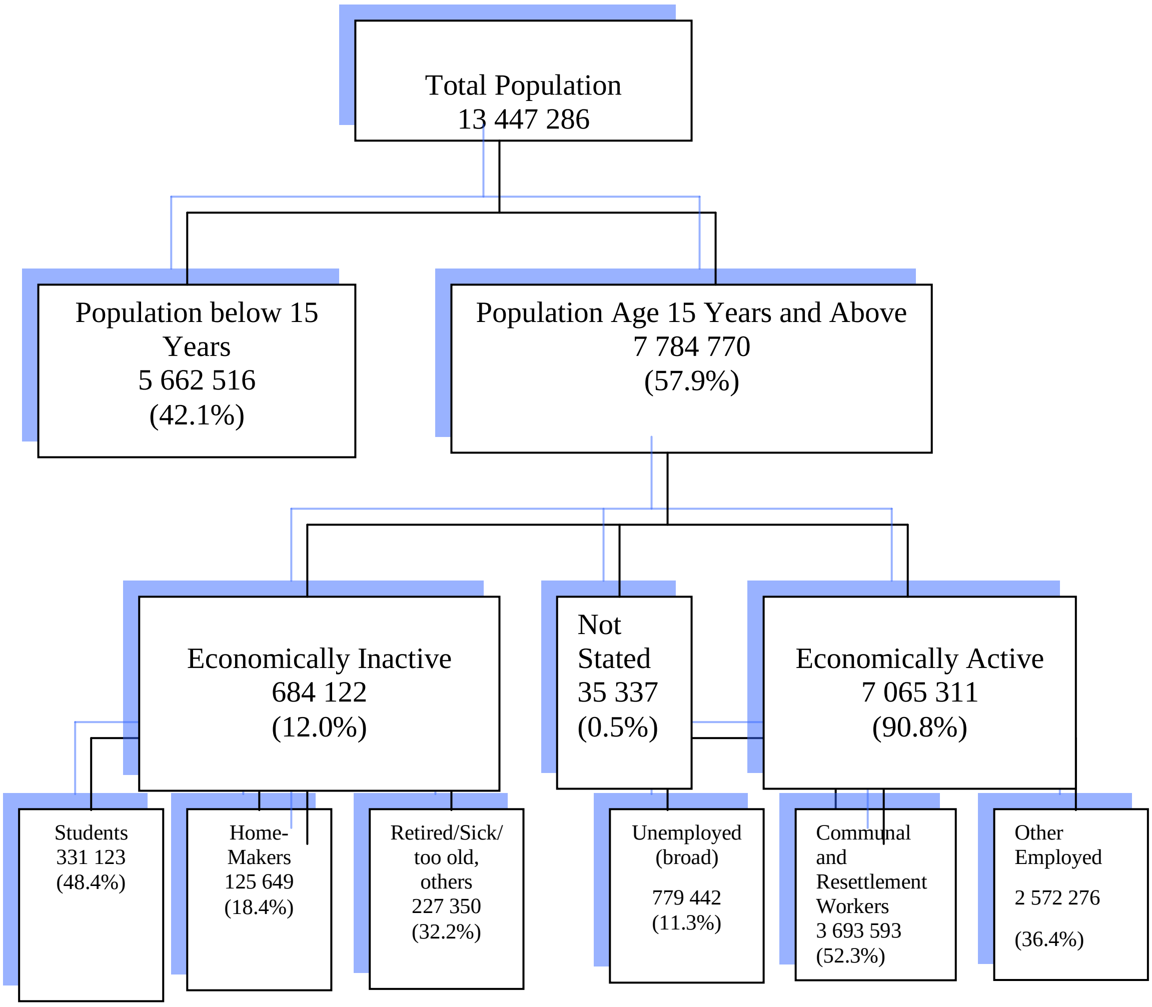
Key Indicators of the Labour Market

Labour Force: The Labour Force Participation Rate (LFPR) (or the Economic Activity Rate) is a key labour market indicator which measures the proportion of the working-age population (15 years and above) that engages in the labour market either by working or looking for work. It provides information on the relative size of the supply of labour currently available for the production of goods and services in an economy. It also gives an indication of the potential for economic growth.

The overall LFPR in 2014 was 91 percent, up from 87 percent in 2011. The rate for males, from the 2014 LFCLS, was 92 percent and for females 89 percent. For all age groups, the LFPR for males exceeded that for females, with the LFPR for both ranging from 76 percent in the age group 65 years and above to 98 percent in the age group 40 - 44 years. For all age groups, the LFPRs are higher in rural areas than in urban areas at 95 percent and 83 percent respectively, reflecting the importance of the agriculture sector in the former, which offers the highest employment in Zimbabwe. Although LFPR are high in the rural areas, it is key to note that the level and potential for vulnerable employment is high in these areas. It is worth noting that to some degree, the way in which the labour force is measured can have an effect on the extent to which men and women are included in labour force estimates. Unless specific probing questions are built into the survey questionnaire, participation among certain groups of workers may be underestimated.

According to the international definition used by ZIMSTAT[1], it is sufficient for a person to be engaged in an economic activity for at least one hour during the reference period to be classified as employed. If one was actively seeking for employment but has provided goods and services, then the person is considered employed during the reference period. Out of the 7.1 million economically active persons (the labour force) in the 2014 LFS, 88.7 percent were employed, of whom 52.3 percent were own account workers (communal and resettlement farmers), 13.7 percent permanent paid employees, 12.5 percent own account workers (other), 7.9 percent casual paid employees, 1.4 percent contributing family workers, 0.2 percent member of producer cooperative and only 0.4 percent employers. Figure 2 below summarizes the Labour Force Framework derived from the 2014 LFCLS.

Figure 2: Labour Force Framework based on the 2014 Labour Force and Child Labour Survey (LFCLS)



Source: 2014 Labour Force and Child Labour Survey, ZimStat.

[1] ZIMSTAT uses definitions from the International Conference of Labour Statisticians (ICLS), which is the authoritative body that sets global standards in labour statistics.

The Employment to Population Ratio (EPR)[2] refers to the percentage of the employed persons to the working age population (15 years and above). It is sometimes referred to as the absorption rate of the labour force. An increasing trend in the EPR usually indicates increasing employment demand within the economy in terms of the quantity of workers. The national EPR was around 81 percent in 2014, compared to 78 percent in 2011. Male EPR for Zimbabwe was about 86 percent while for females it was 76 percent. Twenty-seven percent of the employed population had completed Form Four as their highest level of education, 18 percent had completed Grade Seven, 7 percent had completed Diploma/Certificate after secondary school and 2 percent had a graduate/postgraduate degree. There were more females than males who had no education or at lower levels of education up to Form 3, thereafter, up to Graduate/Post Graduate level males were the majority. The emerging trend is one where young people are forced to work rather than stay in school. This compromises their future earning potential and does not bode well for future national productivity.

The share of women in wage employment in the non-agricultural sector was 37 percent whilst men were 63 percent. In relation to the industrial sectors, the share of women in wage employment in comparison to men was 79 percent in the activities of households as employers' undifferentiated goods, 64 percent in human health and social work activities whilst they were 57 percent in education, see Table 3 below

Table 3: Share of Women in Wage Employment in Non-Agricultural Sector by Industry

Industrial Sector	M	F	Industrial Sector	M	F
Mining and quarrying	94	6.3	Education	43	57
Manufacturing	85	15	Information and communication	81.1	18.9
Electricity, gas, steam and air conditioning supply	95	5.5	Public administrative and defence compulsory social	73.3	26.7
Water supply , sewage , waste management and	96	3.8	Professional ,scientific and technical activates	71.8	28.2
Construction	95	5	Arts ,entertainment and recreation	75.4	24.6
Wholesale and retail trade; repair of motor vehicles	60	40	Human health and social work activities	36.4	63.6
Transport and storage	93	7.4	Other service activities	65.9	34.1
Accommodation and food service activities	56	44	Activities of households as employers undifferentiated	20.8	79.2
Administrative and support services activities	84	16	Activities of extraterritorial organisations and bodies	45.9	54.1
Financial and insurance activities	61	39	Not stated	-	100.0
Real estate activities	82	18	**Total**	**63.3**	**36.7**

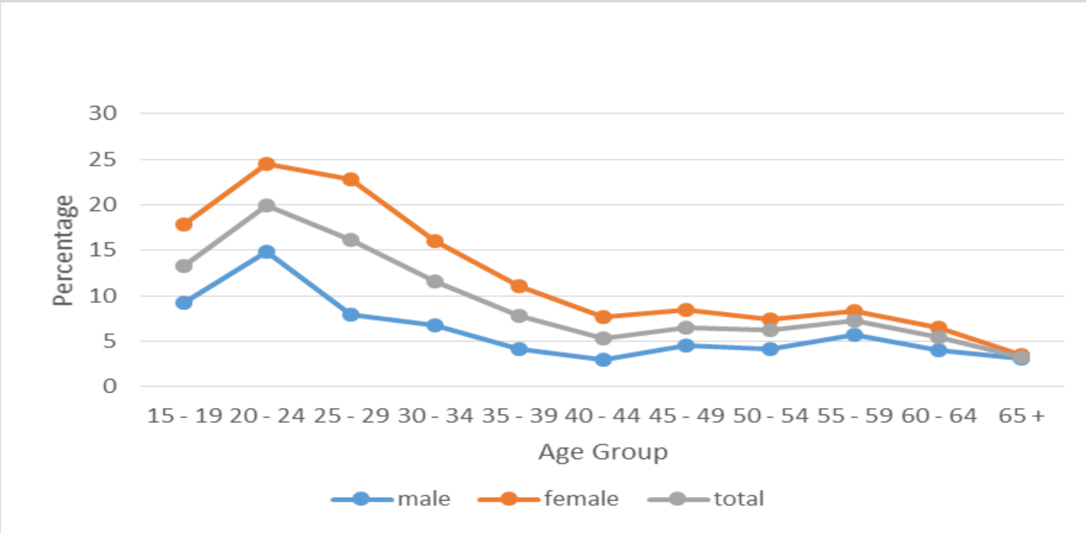
Source: LFCLS (2014), Table 4.14, page 79.

[2] The employment-to-population ratio provides information on the ability of an economy to create employment; for many countries the indicator is often more useful than the unemployment rate. The ratio could be high for reasons that are not necessarily positive – for example, where education options are limited, young people tend to take up any work available rather than staying in school to build their human capital. For these reasons, it is strongly advised that indicators should be reviewed collectively in any evaluation of country-specific labour market policies.

Unemployment: Defined as the number of unemployed persons expressed as a percentage of the aggregate number of persons employed and unemployed (the economically active population), the unemployment rate is measured using both its broad (passive) and strict (active) dimensions[3]. The 2014 LFCLS estimated active unemployment at only 4.8 percent during the reference period of seven days, down from 5.4 percent in the 2011 LFS, which is way below the comparable level of 6 percent in 1999, 7.9 percent in 1993 and 10.8 percent in 1982.

The broad unemployment rate in the last 7 days preceding the interview was 11.3 percent in 2014 whereas in 2011 the rate was 10.7 percent and 9.3 percent respectively in the 2011 and 2004 LFS. The broad unemployment rate was 5.6 percent and 29.5 percent for rural and urban areas, respectively, indicating that unemployment is an urban phenomenon. Using the broad definition, the unemployment rates for males and females in 2014 were 7.3 percent and 14.9 percent respectively in the last 7 days. Figure 3 reports the unemployment rates by age group and sex for 2011.

Figure 3: Broad Unemployment Rate by Age Group and Sex 2014



Source: LFCLS (2014), Table 7.3b, page 143.

Broad unemployment rates for females were higher than those for males for all age groups except for those aged 60 years and above. For both sexes, unemployment rates were highest in the age group 20-24 years at about 20 percent, after which rates decreased with age, only rising for those in the 55-59 years age group.

The broad youth unemployment rate for the 15-24 age group (United Nations definition) was estimated at 11.7 percent for males, and almost 21.2 percent for females, averaging 16.4 percent for both sexes. Using the African Union (AU) definition, the broad unemployment rate for youth aged 15-34 years was 15.3 percent. The rate for males at 9.8 percent was half that of females at 20.4 percent. Youth (15-24 years) unemployment rate was higher in urban areas at 50.1 percent compared to 4.6 percent in rural areas in 2014. About 1.5 million (81.1 percent) of

[3] ***Unemployed Persons (broad definition):*** These are persons aged 15 years and above who, during the reference period were - without work and currently available for work. ***Unemployed Persons (strict definition):*** These are persons aged 15 years and above who, during the reference period (for example, 7 days) were: (i) without work; (ii) currently available for work and; (iii) actively seeking employment.

youth were in vulnerable employment, of whom 78 percent were males and 84 percent were females. The majority of discouraged job seekers were in the broad age group 15-34 years. The general pattern decreased with age. The high percentages of discouraged job seekers among males were in the broad age groups 19 – 24 years, whilst for females, 20-29 years.

The education profile of the unemployed has undergone radical changes over time. Whereas 34 percent of the unemployed had O' Level qualifications in 1986/87, the proportion with such qualifications rose to 73.4 percent in 1994, 70.4 percent in 1999, 74.6 percent in 2004 and 70.1 percent in 2011, reflecting the rapid and massive improvements in education provision since independence.

This trend towards higher education has implications for the types of interventions required. Paradoxically, the unemployment rates were high (17.3 percent) for those who had completed Form 6 and graduates/post graduates (9.4 percent). The female unemployment rates were high amongst those who had completed Form 6 (20.7 percent) and graduate/postgraduate (14.3 percent). Male unemployment rates were high amongst those who had completed Form 6 (15.6 percent) and Form 4 (6.8 percent). With the exception of those who had completed diploma/certificate after primary education, unemployment rates were high for the population who had completed Form 3 to graduate/post graduate levels. Whereas unemployment is the most common indicator used to assess the performance of the labour market, in isolation it does not provide sufficient information for an understanding of the shortcomings of the labour market in a country because in the absence of social protection, many people cannot afford to remain idle.

Underemployment: Given that the current international definition of employment stipulates that it is sufficient for a person to be engaged in an economic activity for at least one hour during the reference period (one week or one day) to be classified as employed[4], this therefore implies very few people can afford to be unemployed for any period of time even though their employment may be inadequate. In this case, the employment status cannot be fully described by unemployment data alone, requiring measurement of underemployment.

Underemployment reflects underutilisation of the productive capacity of the labour force. The concept of "underutilisation" is a complex one with many facets. In order to draw a more complete picture of underutilisation in relation to the decent work deficit, one needs to examine a set of indicators which includes but is not limited to labour force, employment-to-population ratios, inactivity rates, status in employment, working poverty and labour productivity.

Time-related underemployment is the only component of underemployment that to date has been agreed on and properly defined within the international community of labour statisticians. ZIMSTAT defines time-related underemployment as all employed persons of 15 years and above involuntarily working for less than 40 hours a week, who wanted to work additional hours during the 7 days reference period. The 2011 LFS found that 701,000 people (12.9 percent) were in time-related underemployment in 2011, compared to 196,400 (3.9 percent) in 2004, reporting involuntary reasons for not working more hours, with the main reason being lack of more work or business accounting for 47 percent. The underemployment was 970,112 (15.5 percent) in the 2014 LFCLS.

[4] Statistics of work, employment and labour underutilisation, 19th International Conference of Labour Statisticians Geneva, 2–11 October 2013, page 5

Social Protection: Zimbabwe does not have a comprehensive social security system. The country has fragmented social security schemes which offer rather basic forms of social protection. These social schemes include social insurance, social assistance and private measures. The responsibility for developing policies on social security lies with the Ministry of Public Service, Labour and Social Welfare. The Ministry receives technical inputs from the National Social Security Authority (NSSA) on all matters pertaining to social insurance schemes. Social security schemes in Zimbabwe are confronted with problems arising from narrow coverage of populations (formally employed), limited resources, erosion of benefits through dollarisation, high administrative costs, the dispersion of target populations over large geographical areas, and the HIV/AIDS pandemic.

As of 2014, only 285,068 people, which represents 2.1 percent of the population, were receiving a monthly pension or some social security funds. Occupational pension was a major source of pension or any other social security funds. In terms of medical aid cover, about 9.4 percent (644,803 persons) of the population in Zimbabwe were members of a medical aid scheme (9.3 percent for males and 9.4 percent for females). This represents an acute deficit in decent work in the country.

Occupational Health and Safety (OHS): The 2014 LFCLS assessed the state of OHS. The survey found that 4.5 percent of workers aged 15 years and above reported they had been injured at work, males accounted for 6.3 percent while females accounted for 2.7 percent. The survey further showed that 2.0 percent had suffered work related illness, while 0.1 percent of workers had either been injured, contracted work-related illness or had suffered both during the 12 months preceding the survey. Thus, 6.6 percent (414,359 working persons) had either been injured at work or suffered work related illness or both.

Informalisation: Informality can be captured through two different, but related concepts: the first approach looks at the production unit (or enterprise) in which a person works. The enterprise-based concept of informality distinguishes between different types of production units (formal sector enterprises, informal sector enterprises and household production units). The second approach looks at a person’s job, rather than the enterprise that employs them - informal employment. It is a job-based concept that distinguishes between informal and formal employment on the basis of job attributes. Zimbabwe has witnessed a growth in informal employment over that past decade. Informal employment, which stood at 80 percent in 2004 rose to 84.2 percent in 2011, and dramatically to 94.5 percent in 2014.

The role of the Micro, Small and Medium Enterprises (MSMEs) Sector has increased as the economy de-industrialized. The Government fully appreciates the role of the MSMEs as an engine for growth and employment creation, especially given its high labour to capital ratio, providing a strategy for quick turnaround of the economy at a relatively cheaper cost compared to the conventional larger industries (see Industrial Development Policy, 2012-2016). The FinScope MSME Survey of 2012 found 5.7 million people working in the sector, 2.8 million of whom were business owners and 2.9 million were employees. Of the 3.4 million businesses, 71 percent had individual entrepreneurs with no employees, 24 percent had 1-5 employees (micro), 4 percent had 6-30/40 employees (small), and 1 percent had 30/40-75 employees (medium). In total, 85 percent of all the MSMEs were not registered / licensed, and 15 percent were. The estimated total turnover for the 65 percent of MSME owners who reported on this is US$7.4 billion in 2012, 63.5 percent of nominal GDP.

Child Labour: The 2014 Child Labour Survey Report indicated that 4.7 percent of the children aged 5 to 14 years were in economic child labour, a decline from 9.8 percent in 2011. Of these, 62.8 percent were attending school, 4.0 percent had never attended school and about 33.3 percent had left school. The highest percentage (55.1 percent) of the children in economic child labour lived in households where the head earned between US$1 and US$100 per month. The survey also revealed that a majority, 92.1 percent of the children in economic child labour, were not paid at all. Of the children who were paid, about 37.0 percent gave all of their earnings to parents/guardians through the employer while 15.1 percent spent all the earnings by themselves. Almost 75 percent of the children were working so as to assist in household enterprise while 13.9 percent were working in order to supplement household income.

Poverty: Table 4 summarizes the poverty levels for the periods 1995, 2001 and 2011. Using the per capita consumption expenditure approach to measure poverty incidence in Zimbabwe, PICES (2011/12) observed that 62.6 percent of Zimbabwean households were poor, whilst 16.2 percent of the households lived in extreme poverty; 72.3 percent of Zimbabweans were poor while 22.9 lived in extreme poverty. Rural poverty (individuals) in particular is above 80 percent for the three periods. At 72.3 percent, the level of poverty in Zimbabwe is way above the Sub-Saharan average of 46.9 percent, the SADC level of 45 percent, and the world average of 17 percent for 2011.[5] As PICES (2011/12) revealed, access to employment determined the poverty status of each household.

Table 4: Household and Individual Measured Prevalence of Poverty: 1995, 2001 & 2011 (%)

	Household		**Individual**	
	Poverty	***Extreme Poverty***	***Poverty***	***Extreme Poverty***
PICES 2011/12				
Rural	76	22.9	84.3	30.4
Urban	38.2	4	46.5	5.6
Zimbabwe	*62.6*	*16.2*	*72.3*	*22.9*
ICES 2001				
Rural	73	42.3	82.4	52.4
Urban	33.8	10.5	42.3	14.5
Zimbabwe	*60.6*	*32.2*	*70.9*	*41.5*
ICES 1995				
Rural	76.2	50.4	86.4	62.8
Urban	41.1	10.5	53.4	15
Zimbabwe	*63.3*	*35.7*	*75.6*	*47.2*

Source: ZimStat, 2013- Poverty and Poverty Analysis in Zimbabwe, 2011/13

Casual/temporary employees experience high rates of poverty, while households headed by a permanent paid employee or by an employer have the lowest probability of being poor. Households headed by a person employed in the private or formal sector are less likely to be

[5] Poverty levels for the regions of the world are obtained from the World Bank**:** http://iresearch.worldbank.org/PovcalNet/index.htm?1

poor than households headed by an informal sector worker in both rural and urban areas.

Zimbabwe has experienced relatively low levels of wages since dollarisation. Table 5 shows that the average minimum wage in the private sector, including housing and transport allowances is pegged at US$340, which is 67.2 percent of the PDL. The low average earnings were also confirmed in PICES (2011/12), which found that 77 percent of the employed persons in Zimbabwe earn gross monthly primary incomes of less than US$350 compared to the Poverty Datum Line (PDL) of US$514.24 for a family of five in 2011. PICES (2011/12) shows that as a result of the low incomes, households in Zimbabwe are selling financial assets more than they are buying them, suggesting that they are dissaving to fund current expenditures since incomes fall short of current consumption expenditures. Table 5 below, captures average monthly earnings, poverty datum lines and per capita income for the period 2009-14.

Table 5: Average Monthly Earnings, Poverty Lines and Per Capita Income (US$)

	2009	2010	2011	2012	2013	2014
Private Wage	120	146	200	250	280	340
Public Wage	182	306	342	394	446	478
Municipal Wage	240	315	468	500	560	620
Parastatal Wage	280	346	415	478	535	600
NGOs Wage	420	466	500	544	638	735
Public Wage Premium (%)	34.1	52.3	41.5	36.5	37.2	28.9
Food Poverty Line-FPL	136.9	145.07	148.56	167.64	159.62	157.49
Poverty Datum Line-PDL	453.38	476.37	485.75	543.3	503.81	505.99
Per Capita GDP (US$)	667	764	879	949	1005	1030
Private Wage/PDL (%)	26.5	30.6	41.2	46	55.6	67.2
Public Wage/PDL (%)	40.1	64.2	70.4	72.5	88.5	94.5
Municipal Wage/PDL (%)	52.9	66.1	96.3	92	111.2	122.5
Parastatal Wage/PDL (%)	61.8	72.6	85.4	88	106.2	118.6
NGOs Wage/PDL (%)	92.6	97.8	102.9	100.1	126.6	145.3

Source: LEDRIZ, 2015a.

The deteriorating macroeconomic framework as a result of the crisis that commenced in 1997, the mismatch between supply of labour and its demand- in both quantity and quality- and the failure of the education system to meet the demands of the economy, has seen strategies and programmes adopted to deal with un- and under-employment failing to cope with the scale of the challenge. As the formal economy failed to absorb the growing labour force due to the inherited dual and enclave structure of the economy, many workers found themselves in the informal economy. The anticipated formalisation of the economy has not occurred; in fact it is the informalisation of the economy that has accelerated. Recovery during the tenure of the Inclusive Government (2009-13) moderated after 2011, and has been anchored on the capital-intensive mining sector and primary commodities. In addition, the interventions by the various stakeholders, both public and private, have had little effect on both sustainable employment creation and poverty reduction as they have not been properly coordinated; being fragmented, isolated, overly supply-driven, duplicative and without adequate funding.

3.0 Sector (Formal) Employment Analysis

3.1 Sector (Formal) Employment Contribution

Table 6 shows the distribution of formal employment by sector for selected periods between 1980 and 2014.

Table 6: Sectorial Distribution of Employment, Selected Periods, 1980-2014

Sector/Year	*1980*	*1985*	*1990*	*1995*	*2000*	*2005*	*2010*	*2014*
Agriculture	32.4	26.3	24.3	26.9	26.3	-	32.9	29.6
Mining	6.6	5.2	4.3	4.8	3.6	5.0	3	3.4
Manufacturing	15.8	16.1	16.5	15.0	14.7	18.8	11.5	8.4
Electricity & Water	0.7	0.7	0.7	0.8	0.9	1.5	1.3	1.7
Construction	4.2	4.3	6.4	5.8	4.3	3.8	1.8	1.8
Financial Services & Real Estate	1.2	1.5	1.5	1.7	2.8	7.6	6	4.6
Distribution	7	7.4	8.1	8.1	8.4	0.8	6.5	7.4
Transport & Communication	4.5	4.8	4.5	4.1	3.5	4.2	2.4	3.2
Public Administration	7	8.6	7.8	6.2	4.7	8.9	7.9	9.9
Education	4.1	8.5	9.1	9.3	11.3	15.5	10.2	13.3
Health	1.5	1.9	2.1	2.1	2.3	4.7	4	4.2
Private Domestic Services	10.7	9.4	8.6	8.2	8.3	1.6	8.1	7.6
Other	4.3	5.5	6.2	6.9	9	7.7	4.3	5
Total	100	100	100	100	100	100	100	100

Source: Calculated from ZimStat data.

Agriculture is the main employing sector, with its share of total formal sector employment fluctuating over time. The decline in agriculture's contribution in 2000 reflects the impact of the fast-track land redistribution exercise. The number of workers in the agriculture sector has been on the decline, this has also been due to the low wages in the agriculture sector *(2011-2014, where the minimum wage is US$65.00*), farmworkers opted to go into gold panning and this has seen farmers experiencing manpower shortages.

In the 1980s and early 1990s, Zimbabwe was poised to become a significant force in African mining, employing 59,000 workers in 1995. This was due to diverse mineral resources, infrastructure, skilled labour and a relatively stable fiscal and monetary regime. The late 1990s witnessed declining production and loss of investor confidence against a background of emerging macroeconomic instability. In 2000 the mineral production index dropped to 104 from 116 in 1995, by 2003 the index had fallen to 79 (see Annex 3). After dollarisation, the fortunes of the mining sector have been improving and the country has been able to take advantage of the commodities price boom. However, commodity prices have weakened since 2013. This has also seen the sector employment levels declining from 45,000 in 2012 to 39,200 by 2014.

Following the liberalisation of trade under ESAP, the economy has experienced persistent de-industrialisation since the late 1990s, resulting in a precipitous decline in both output and employment. As a result, the contribution of the manufacturing sector to employment declined to less than half its 1990 level by 2014.

Since 2010-14, the second largest employing sector became the education sector at 13.3 percent followed by public administration at 9.9 percent. The significant improvement in the share of public sectors (public administration, education and health) may not be sustainable going forward in view of concerns regarding the sustainability of employment costs that are taking up more than 80 percent of Government revenues. Reliance on public sector employment will not be feasible, therefore the private sector should not only emerge as the engine of growth, but also the main driver of employment creation. Table 7 below illustrates the changes in the employment level by industrial sector for the period 2009-14.

Table 7: Employees by Industrial Sector (2009-14)

Industry/Year	2009	2010	2011	2012	2013	2014
Number of employees (000)- Annual Average						
Agriculture	204	395	346	304	267	328
Mining	34	36	42	43	40	38
Manufacturing	136	138	129	119	97	93
Electricity & Water	13	16	16	17	17	19
Construction	23	21	20	19	19	20
Financial Services & Real Estate	67	72	68	61	50	51
Distribution	76	78	69	75	81	82
Transport & Communication	30	29	29	31	36	36
Public Administration	85	95	96	100	103	110
Education	114	122	130	136	143	147
Health	42	48	48	44	45	46
Private Domestic Services	97	97	87	84	84	84
Other	50	52	55	57	54	55
Total	**969**	**1199**	**1136**	**1089**	**1035**	**1108**
Annual Growth %	***-0.9***	***23.7***	***-8.9***	***-4.1***	***-5.0***	***6.7***
Employment Index	***100.0***	***123.8***	***117.2***	***112.4***	***106.8***	***114.3***

Source: ZimStat- National Accounts, 2015.

From the Table 7 above, employment levels in the productive sector of the economy have either remained the same or have fallen over the six year period (2009-14). This is in contrast to the public sector where employment has been on continuous increase. The public sectors (Public Administration, Education and Health) employ 38.8 percent of total employment-non agriculture employment. As noted before this has resulted in an unsustainable government expenditure-mix remains.

3.2 Growth and Employment

The extent to which growth creates employment partly depends on the elasticity factor, hence the need to examine the employment-intensity of growth (the output elasticity of employment)[6]. Historical trends in the growth of employment in Zimbabwe have shown that employment growth lags GDP growth. Real GDP growth declined over the periods 1986-2008, only recovering with the onset of the GNU and introduction of the multicurrency regime since 2009[7]. Employment growth follows a similar pattern, decelerating from an

[6] Employment elasticity is a measure of the percentage change in employment associated with a 1 percentage point change in economic growth. It measures the change in employment induced by the growth in the GDP because greater GDP growth means greater economic activities and new jobs which would ideally increase employment.

[7] ZEPARU (2013) 'The Nexus between Growth, Employment and Poverty in Zimbabwe: The Economics of Employment',

average rate of growth of 2.5 percent during the period 1986-90 to 1.1 percent during the reform period to -2.1 percent during the crisis period. For the period 2010-14, the GDP growth rate averaged 8.4 percent, while the employment growth rate also posted a positive average growth rate of 3.3 percent.[8] The period's average employment growth rate is positive. However, this is influenced by the high performance in 2010 and 2014. Table 8 shows that the economy has been growing while employment has been falling, except in 2010 and 2014[9].

The positive GDP growth rate recorded in the period 2009-14 *(averaging 7.8 percent)*, was not accompanied by the growth in employment but a fall in employment figures. Hence, the economic rebound was not job-rich, with 4,610 companies closing down between 2011 and 2014, with 55,443 employees losing their jobs as reported in the 2015 Budget Statement. Between 2009 and May 2014, Zimbabwe had an ever-retrenched population totaling 316,964, thus an annual average of 58,516. Following the Supreme Court judgment of 17 July 2015 giving employers the right to fire on notice, the Zimbabwe Congress of Trade Unions, reported that close to 30,000 jobs have been lost such that total formal employment is below the 1980 level. Continuing with 'business as usual' is therefore a recipe for further deterioration and anaemic growth.

The increase in investment has been in capital goods for capital-intensive production (mining), hence the low levels of employment creation in the country. Thus, Zimbabwe has been experiencing ***'jobless growth'***.

Table 8: Real GDP and Employment Growth: 2010-2014

	GDP Growth					**Employment Growth**				
Sector	**2010**	**2011**	**2012**	**2013**	**2014**	**2010**	**2011**	**2012**	**2013**	**2014**
Agriculture	7.2	1.4	16.7	-9.9	23.0	93.6	-12.4	-12.1	-12.2	22.8
Mining and Quarrying	37.3	24.4	7.9	11.8	-3.5	5.9	16.7	2.4	-7.0	-5.0
Manufacturing	-1.7	13.9	5.3	-0.6	-5.1	1.5	-6.5	-7.8	-18.5	-4.1
Electricity and Water	19.4	6.3	0.3	5.1	5.4	23.1	0.0	6.3	0.0	11.8
Construction	13.9	65.4	23.3	4.1	6.6	-8.7	-4.8	-5.0	0.0	5.3
Fin Serv and Real Estate	7.8	14.6	34.3	8.8	7.1	7.5	-5.6	-10.3	-18.0	2.0
Distribution, Hotels	8.9	4.3	4.3	3.9	2.5	2.6	-11.5	8.7	8.0	1.2
Transport & Comm	4.8	0.0	6.6	7.0	1.1	-3.3	0.0	6.9	16.1	0.0
Total	**11.4**	**11.9**	**10.6**	**4.5**	**3.8**	**23.7**	**-5.3**	**-4.1**	**-5.0**	**7.1**
Total Excluding Agriculture						**4.8**	**-1.9**	**-0.4**	**-2.2**	**1.6**

Source: ZimStat National Accounts, 2015.

Excluding agriculture due to data credibility issues, employment recovered marginally to an average annual growth rate of 0.4 percent during the period 2009-14, hardly a useful building plank for poverty reduction. The rates of growth of employment for the period under review are way below the employment growth rates of 3.0 percent in the 1980s and 1990s and 1.0 percent in the new millennium.

ZEPARU, Occasional Research Paper No.1 2013, Harare

[8] There are no data for employment for 2008, hence we could not compute the employment growth rate for 2009,

[9] Growth rate is declining with time but remains positive.

3.3 Sectoral Employment Gap Analysis

Zimbabwe's employment has been growing at an average of 1.1 percent annually over the period 1964-2014 *(1.7 percent for the period 1964-2000)*. The highest annual growth rate was recorded at 6.9 percent in 1972 *(4.2 percent in 1988 after independence)* and the lowest growth rate in 1978 at negative 2.6 percent (*negative 2.4 percent in 1999 after independence*). In order to estimate the impact of the crisis on employment, employment levels for the period since the crisis emerged in 2000 (2001-2014) are projected / predicted on the basis of the actual trend for the pre-crisis period 1964-2000 using Microsoft Excel-forecasting. The difference between the projected / predicted and actual employment levels constitute the employment gap. Table 9 reports the predicted, actual and employment gap by sector for the period 2001-14.

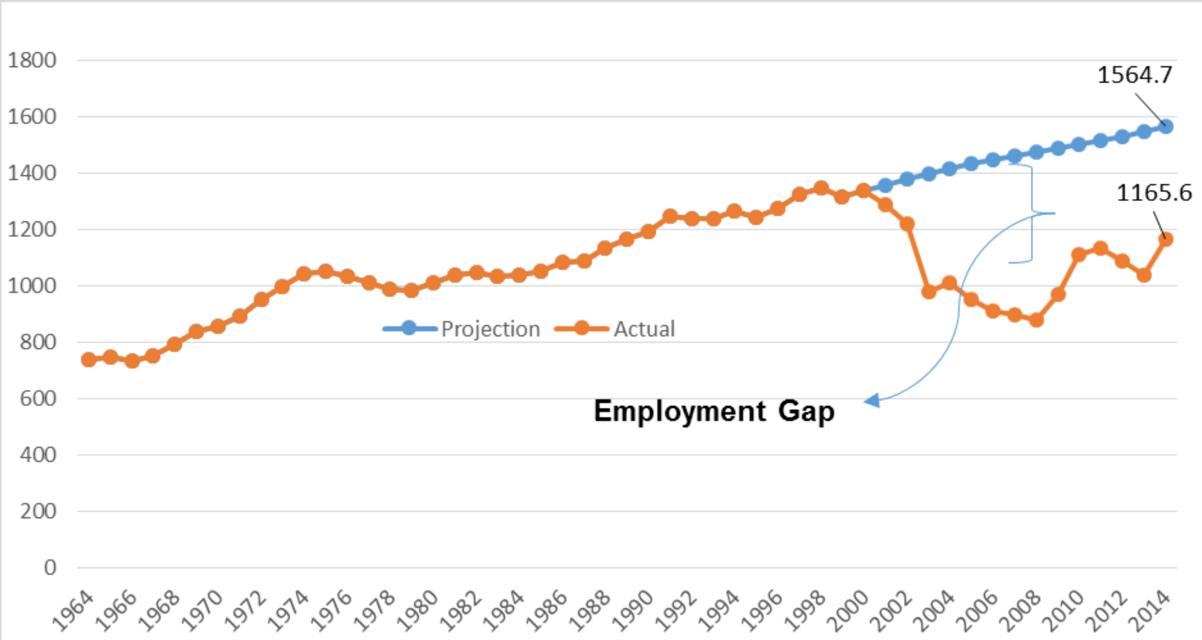
The overall employment gap in 2014 is estimated at 399,400 jobs. As expected, the employment gap is deepest in 2008 when the economy was at its lowest level. The projections show that the following sectors have the largest employment gap - Manufacturing, Other services and Agriculture. The following sectors reflect actual employment levels above historical trends *(employment levels over and above the projected levels)* - Finance, insurance & real estate; Public administration services; Health services; and Private domestic services.

Table 9: Sectorial Employment Gap 2001-2014

Industry	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Agriculture, forestry & fishing	29.5	128.8	-	-	-	-	-	-	-	68.6	46.3	91.0	131.4	72.8
Mining & quarrying	15.8	12.9	10.4	5.6	16.8	23.2	23.3	25.1	26.6	19.1	18.9	19.3	22.7	23.3
Manufacturing	42.7	35.4	40.2	44.6	54.4	65.0	77.6	82.6	79.0	86.8	99.3	100.5	124.7	131.2
Electricity & water	2.7	3.8	1.5	-1.6	2.4	3.8	2.9	3.4	4.6	0.8	1.3	1.8	2.6	1.3
Construction	39.2	43.2	48.3	50.5	57.9	66.7	68.5	69.5	66.2	68.7	69.3	69.7	70.6	68.0
Finance, insurance & real estate	-1.6	1.4	2.2	1.2	-30.9	-39.4	-35.1	-30.0	-28.8	-27.4	-20.4	-19.7	-7.4	-6.4
Distribution restaurants & hotels	9.1	10.6	17.1	17.1	30.3	41.3	46.4	49.9	52.0	61.4	56.1	57.6	53.7	57.7
Transport & communication	12.7	9.6	12.7	12.7	14.6	15.4	17.0	16.7	18.8	18.7	16.5	16.3	11.6	12.2
Public administration services	33.2	6.4	2.4	-5.0	-10.8	-14.6	-21.3	-25.3	-28.9	-42.1	-46.9	-48.2	-52.6	-58.3
Education services	-6.2	0.2	17.8	10.7	28.1	30.9	39.7	53.0	59.0	46.6	44.6	48.6	45.2	41.5
Health services	-0.4	-1.7	-4.8	-6.2	-7.5	-3.0	-8.1	-7.3	-8.3	-14.4	-12.6	-9.0	-9.2	-8.9
Private domestic services	-1.1	0.2	0.6	4.5	5.8	5.7	5.5	5.5	5.5	15.8	19.3	19.4	19.5	-38.0
Other services	-3.6	13.6	18.0	16.3	61.6	79.8	84.7	88.0	90.1	87.4	89.2	92.1	98.7	102.7
Total	171.7	264.4	166.5	150.5	222.9	274.9	301.1	331.0	335.8	390.1	380.7	439.3	511.6	399.1

Source: Own calculations

Figure 4: Actual, Projected and Employment Gap (Total Formal Sector), 2001-2014



Source: ZimStat and Own Calculations

3.4 Sector Real Wage Index

Table 10 reports the trend in real average earnings index for the period 2009 to 2014. The average real earnings index for the whole economy has increased from 160.7 in 2010 to 226.3 in 2013 before slightly declining to 224.7 in 2014, despite the deflationary conditions.

Table 10: Real Average Earnings Index, 2009-2014

Industrial Sector	2009	2010	2011	2012	2013	2014
Agriculture, forestry & fishing	100.0	199.5	153.4	128.1	131.6	181.2
Mining & quarrying	100.0	280.3	355.3	401.2	394.8	436.8
Manufacturing	100.0	128.9	126.2	125.4	106.0	107.1
Electricity & water	100.0	119.4	200.8	221.5	259.8	290.6
Construction	100.0	164.8	148.1	176.0	225.9	158.3
Finance, insurance & real estate	100.0	233.1	235.7	255.6	269.6	218.1
Distribution restaurants & hotels	100.0	210.5	192.3	221.1	223.6	213.5
Transport & communication	100.0	144.3	166.5	250.9	270.9	279.5
Public administration services	100.0	156.3	261.7	278.3	350.2	367.2
Education services	100.0	148.1	239.3	308.8	360.0	394.8
Health services	100.0	180.8	256.8	423.8	447.1	349.9
Private domestic services	100.0	97.1	100.2	125.8	131.0	137.3
Other services	100.0	108.4	154.2	187.7	244.6	191.3
Earnings Index (Norminal)	***100.0***	***160.7***	***183.6***	***208.1***	***226.3***	***224.7***
Annual Growth	***0.0***	***60.7***	***14.2***	***13.3***	***8.8***	***-0.7***

Source: Calculated from ZimStat Data, National Accounts, 2015.

4.0 Factors Affecting Employment Creation in Zimbabwe

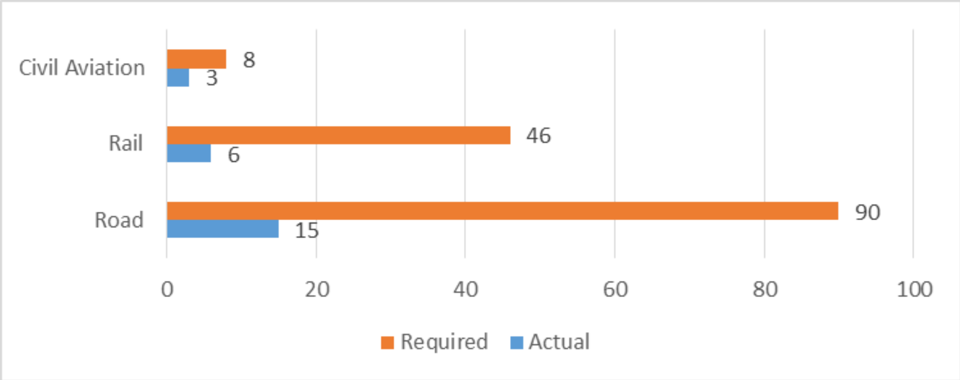
Over the past six years, since dollarisation, Zimbabwe has experienced economic rebound and this would have been a solid foundation to set the country on a dynamic employment growth trajectory. This growth trajectory would have been sustained given the global boom in commodity prices between 2009 and 2012. If the growth was to be inclusive, there was need for the country to address the barriers to employment creation, since the link to poverty reduction through economic growth is employment. However, due to the lack of a comprehensive social protection system in the country, more workers found themselves in vulnerable employment for survival. Several factors account for the weak employment response, despite growth in Zimbabwe as follows:

a. *Weakening economic rebound and dependence on mineral resources**:*** The economic rebound, which averaged 10 percent per annum during the period 2009-12 has waned, with growth declining dramatically thereafter to average 3.3 percent over the period 2013-15 as international prices of primary commodities weakened. In addition, the economic rebound was largely driven by minerals, which accounted for over 50 percent of total export earnings. In view of the capital-intensity of the mining sector, this growth was not associated with significant job creation. Moreover, the economy is trapped in deflation as a result of lack of domestic demand and the depreciation of the South African rand relative to other major currencies.

b. *Persistent de*-industrialisation and informalisation of the economy: Despite the economic rebound, de-industrialisation persisted, with 4,610 firms closing between 2011 and 2014, resulting in 55,443 job losses. Informalisation deepened such that the level of informal employment, which had increased from 80 percent in 2004 to 84.2 percent by 2011, rose sharply to 94.5 percent by 2014. Factors behind this structural regression include, (i) low domestic demand; (ii) capital constraints; (iii) antiquated machinery and machine break-downs; (iv) competition from imports; (v) high cost of doing business; (vi) cost / shortage of raw materials; and (vii) power and water shortages (see 2015 CZI Manufacturing Sector Survey Report).

c. ***Inadequate supply of infrastructure:*** infrastructure shortcomings are a major barrier to growth and employment creation. Zimbabwe made significant progress in infrastructure development in the early period after independence - building a national electricity network with regional interconnections, an extensive and internationally connected road network, and a water and sewer system. However, the country has been unable to maintain its existing infrastructure which has deteriorated over time. Figure 4 shows the deficits in the maintenance of infrastructure in the country.

Figure 5: Routine Maintenance Spending (US$m) as of 2009



Source: AfDB, 2011, page 27.

The African Development Bank Report (2011) on Infrastructure and Growth in Zimbabwe highlighted the following key challenges:

- ✓ The sustained deterioration in the quality of infrastructure assets stemmed from very inadequate levels of public expenditures for routine and periodic maintenance of the infrastructure networks, especially in power, water and sanitation, and transport;
- ✓ Infrastructure services in road transport and communications that are provided by the private sector are now more expensive than in neighboring countries, reflecting in part the economic costs of the deterioration;
- ✓ In other sectors such as power, rail transport, and fixed line communications, where services are provided by parastatals, prices have been kept low, and as a result, the economic costs of the deterioration have emerged in the form of large and, in some cases, unsustainable operating losses for these parastatals; and
- ✓ The deterioration in the physical infrastructure has been accompanied by lack of progress in building institutional capacities for management and regulation of the basic services associated with these networks. Problems in this area stem from a disjoined approach to regulation and oversight among the ministries responsible for these sectors, compounded by a substantial loss of skills in the public workforce.

The deterioration in Zimbabwe's basic infrastructure has had a serious impact on other productive sectors of the economy and on the level and quality of services to the public at large. It has also resulted in minimal amounts of investment by the private sector in basic infrastructure, despite periodic efforts to attract such investment, for example, in the transport and communications sectors. Zimbabwe now faces a number of important infrastructure challenges, the most pressing of which are: power cuts and shortages; poor road infrastructure; inefficient rail network within the country; water shortages and poor transport infrastructure for access to ports.

Regrettably, the expenditure mix with respect to the Budget remains steeped in favour of recurrent expenditures which account for 92 percent, leaving about 8 percent for capital development programmes. This expenditure-mix remains unsustainable and hardly a building plank for implementing the four clusters of ZimAsset, namely; (i) Food Security and Nutrition; (ii) Social Services and Poverty Eradication; (iii) Infrastructure and Utilities; and (iv) Value Addition and Beneficiation.

d. ***Access to, and cost of finance:*** Access to, and the cost of finance is one of the main obstacles to doing business in Zimbabwe. Locally, the cost of borrowing is very high and conducive to short-term rent-seeking activities and not for long-term production activities. The interest rates on loans averaged 32 percent between 2011 and 2014, with the default rates of equal or higher thresholds until the 1st of October 2015 when the Reserve Bank effected guidelines for the levels of interest rates. In terms of the interest rate framework, lending to productive sectors would range from 6 percent to 18 percent per annum, depending on the borrower's risk profile. Table 11, shows the changes in the minimum and maximum lending rates in Zimbabwe for the period January 2009 to August 2015.

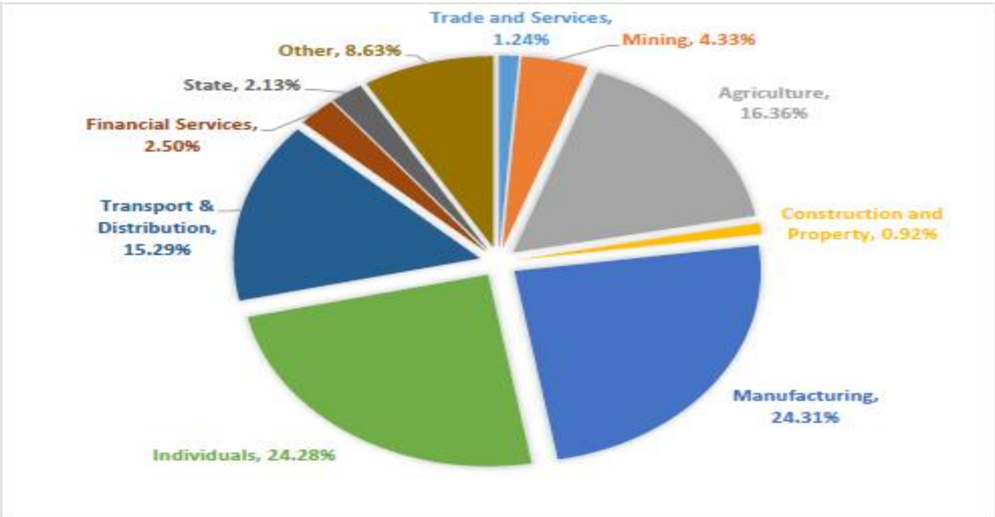
Table 11: Minimum and Maximum Lending Rate in Zimbabwe (2009-2015)

Month	Min Lending Rate (%)	Max Lending Rate (%)
Jan-09	1.00	12.00
Dec-09	1.24	25.00
Dec-10	1.26	60.00
Dec-11	8.00	30.00
Dec-12	6.00	30.00
Dec-13	6.00	33.50
Dec-14	6.00	35.00
Aug-15	4.30	26.00

Source: Reserve Bank of Zimbabwe.

The banking sector remains largely constrained in meeting the long-term funding requirements of capital intensive sectors such as construction and mining. The banking sector's lending remains largely skewed towards individuals as indicated in Figure 6 below. There is need for banking institutions to re-orient their lending towards productive and export sectors of the economy such as horticulture and mining in order to boost output and generate foreign exchange earnings and productive employment.

Figure 6: Sectoral Distribution of Loans and Advances



Source: Reserve Bank of Zimbabwe, January 2016

Though there are recorded improvements in foreign capital inflows, these have been low at US$545 million in 2014 – less than 5 percent of the country's Gross Domestic Product — from US$400 million in 2013.

Small and medium enterprises have proven capabilities in employment creation, poverty alleviation and economic diversification. However, SMEs cannot access long-term external financing options in the form of organised securities markets and corporate bonds, while the onerous conditionalities required by commercial banks make it difficult for them to access resources from them. As highlighted above, the FinScope MSME Survey of 2012 provided information on the size and scope of this sector. In terms of challenges, the main constraint to starting such businesses was identified as sourcing finance at 57 percent. The ability of banks to increase their share of SME lending is contingent on: better property and creditor rights; improvements in credit information sharing; stronger collateral infrastructure; and increased judiciary efficiency.

e. ***Doing Business Environment:*** The World Bank Group's Doing Business Report 2015/16, ranked Zimbabwe - 155th out of 189 economies on the Ease of Doing Business ranking globally. This represented an improvement of 16 places on the ranking compared to 2014/15. The rankings improved in the following three areas out of ten:
    - ✓ *Getting Credit:* In Zimbabwe the credit bureau began to provide credit scores;
    - ✓ *Protecting Minority Investors:* Zimbabwe strengthened minority investor protection by introducing provisions allowing legal practitioners to enter into contingency fee agreements with clients; and
    - ✓ *Labour Market Regulation:* Zimbabwe reduced the severance payment obligation applicable in case of redundancy dismissals[10].

The factors undermining doing business in Zimbabwe were policy uncertainty and inconsistency, lack of funding, corruption, inefficient government bureaucracy and inadequate infrastructure. With a 45 percent overvalued exchange rate, Zimbabwe is going to find it very difficult to accelerate economic growth, especially given the make-up of its export portfolio, which is commodity heavy. Notwithstanding this positive development, Zimbabwe still has a long way to go in improving its doing business environment. For example, it takes 90 days to register and operate (start and run) a business in Zimbabwe, whereas in other countries in the region, it only takes six hours (Rwanda).

The country's overall score of 3.45 (out of seven) is marginally lower than 3.54 in 2014, in the 2015/16 Global Competitiveness Index (GCI) Report. Zimbabwe is ranked 15 from the bottom — the lowest since 2012/13 when it was 12 places from the bottom of the global competitiveness index. The World Economic Forum (WEF) Global Competitiveness Reports have over the years noted that Zimbabwe's policy environment was one of the least supportive in the world due to restrictive laws regarding foreign direct investment and property rights. Public institutions continue to receive a weak assessment, particularly related to corruption, security, and government favouritism, although overall the assessment of this pillar has improved somewhat since a few years ago. Strengths were noted in terms of ***'soft factors'*** such

[10] http://www.doingbusiness.org/reforms/overview/economy/zimbabwe

as female participation in labour force, reliance on professional management, quality of education system, low inflation, protection of minority shareholders and taxation, that however have low weighting in enhancing competitiveness. Low ranking in '***hard factors'*** such as national savings, breadth of value chains, property rights observance, venture capital availability, quality of electricity supply, number of days to start a business and soundness of banks whose presence or lack thereof determines the level of an economy's competitiveness was noted.

Efforts to improve the doing business and competitiveness reforms have gathered momentum with the Office of the President and Cabinet (OPC) coordinating the reform agenda under the 100-day action plan. To address the constraints affecting competitiveness, Government transformed the National Incomes and Pricing Commission into the National Competitiveness Commission, to spearhead competitiveness and ease and cost of doing business reforms. It also seeks to implement the recommendations of the National Competitiveness Assessment Report launched in October 2015.

f. **Workers employability:** Whereas Zimbabwe can be credited with having one of the highest literacy rates on the Continent, much still needs to be done in terms of skills development. According to the 2014 LFCLS, about 83.3 percent of the employed population were unskilled, 5.4 percent were skilled and 4.9 were professionals, see Table 12.

Table 12: Percent Distribution of Currently Employed Population Aged 15 Years and Above by Level of Skill and Sex

Skill Level	*Male*	*Female*	*Total*
Professional	5.7	4.1	4.9
Skilled	8.0	2.9	5.4
Semi-skilled	8.3	3.6	6.0
Unskilled	77.5	89	83.3
Not known	0.4	0.3	0.4
Not stated	0.0	0.1	0.0
Total percent	100.0	100.0	100.0
Total Number	3,091,318	3,174,551.00	6,265,869

Source: ZimStat, 2014 LFCLS

Due to its supply-bias, the education system is failing to meet the needs of the economy, creating a mismatch between demand and supply. Apart from its wastefulness, the relevance of the curricula has been questioned by among others, the Nziramasanga Presidential Commission of 1999[11] and the Ministry of Higher Education Report (2006).[12] The poor quality of basic and further education severely limits the opportunities for young people in the labour market, as they lack the practical skills and work readiness. This is one of the reasons why the unemployment rate for people with tertiary qualifications is higher than that of people with only primary education. The National Youth Policy also highlighted that high youth

[11] Nziramasanga C.T, 1999: **Report of the Presidential Commission of Inquiry into Education and Training,** Harare.
[12] Ministry of Higher and Tertiary Education, 2006: **Report on the Technical and Vocational Education and Training Policy Review Framework,** February.

unemployment was due to inadequacy of the educational system that does not adequately prepare the youth for the current job market in both the formal and informal sectors of the economy; inadequate training and education materials at all levels; and lack of access to resources among many others.

The current secondary education curriculum does not effectively develop children according to their unique needs and inclinations, implying that it does not lay a solid foundation for employability and integrability of its products in the economy[13]. To make the education system more relevant, the then Ministry of Education, Sport, Arts and Culture Secretary's Circular Number 14 of 2004 made it compulsory to take at least one of the technical and vocational subjects at O' Level. Through Policy Circular P77 of 2006, the Ministry adopted for implementation in secondary schools a '**two-pathway education structure'**, with effect from 2006, in line with the recommendations of the 1999 Presidential Commission of Inquiry into Education and Training. A major challenge in the implementation of this pathways approach is the cost of vocational education.

The TVET system has its own challenges which include: (i) funding; (ii) curriculum relevance; (iii) research and planning; (iv) monitoring and evaluation; (v) planning; (vi) resources; (vii) qualifications framework; (viii) management; (ix) legislation, (see Ministry of Higher and Tertiary Education 2006 Report). The mismatch between the technology used in institutions of learning and in industry, is also of concern. Studies on the status of Vocational Training Centres (VTC) across the country have shown infrastructure and equipment being either inadequate or in states of disrepair (Mambo, 2010). Table 13 below shows the causes and effects of skills mismatch in Zimbabwe.

Table 13: Causes and Effects of Skills Mismatch (Irrelevant Curriculum) in Zimbabwe

Causes	***Effects***
i. Absence of national skills development policy ***ii. Curriculum reviews not done regularly*** ***iii. Curriculum is supply driven*** ***iv. Inadequate and obsolete equipment*** ***v. Inadequate learning and teaching materials and human resources***	i. Youth unemployment ii. Reduced enrolment in some programmes iii. Shortage of relevant skills on the labour

Source: Mambo, 2010

In recognition of these challenges, the Ministry of Primary and Secondary Education has embarked on a comprehensive review of the national curricula. One of the measures being implemented beginning in 2016 is the requirement that only qualified teachers and those in training are eligible to take classes. The thrust of the new curriculum emphasizes the teaching of mathematics, science, engineering, technology, heritage studies, local languages, sporting and practical subjects.

[13] Zimbabwe National Employment Policy Framework, Harare, 2009

Noting also the skills mismatch and the growth of technology based production, the Ministry of Higher and Tertiary Education, Science and Technology Development, has established the Science, Technologies, Engineering and Mathematics (STEM) Programme aimed at the development of STEM skills as a key part of Zimbabwe's long-term human capital objectives. This has become the strongest push towards STEM education at a high school level that has been adopted by the Government. The programme provides for free education for students taking STEM subjects (Mathematics, Biology, Chemistry and Physics at A' Level at Government schools.

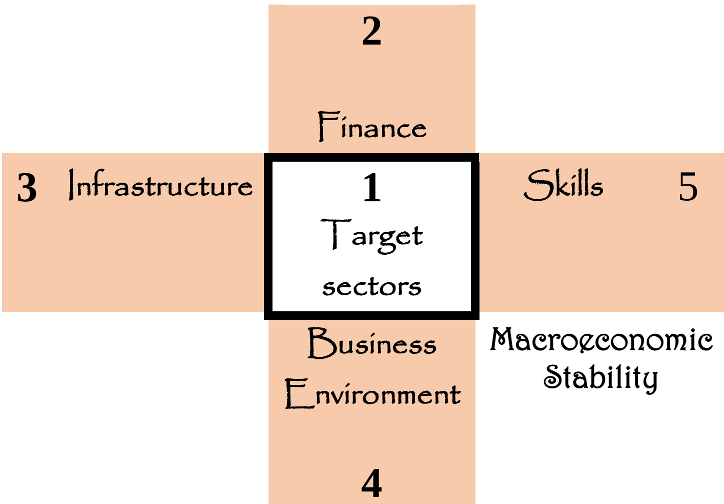
This calls for the finalisation of the National Skills Development Policy. There is need to put in motion strategic efforts in resource mobilisation and skills development. At a tertiary level, there have to be measures to ensure that the increased number of STEM students is translated to viable skills that benefit the economy.

5.0 Sectoral Employment Creation

5.1 Employment Creation Strategies

The creation of employment in Zimbabwe will need a comprehensive-holistic approach, as piecemeal approaches will not work. There is need to have end to end strategies to address all constrains in the growth path. The August 2012 McKinsey Global Institute Report titled, '*Africa at work: Job creation and inclusive growth,*' noted that there is need to develop a five point plan for job creation. The plan involves identifying specific labour-intensive subsectors, in which the country has competitive advantage and then removing the obstacles on the growth path along the value chain, see Figure 7.

Figure 7: A Job Creation Strategy



Source: McKinsey, 2012

a) ***Target Specific subsectors that can be engines of job creation:*** there is need for policy makers to identify sectors or subsectors that have potential to create a large number of jobs both directly and indirectly. Such sectors do not necessarily need be those with high GDP growth potential. The need to identify sectors where the country has comparative advantage and the selection of sectors with wide value chains is essential. It is also important to ensure that the targeted sectors are sectors that also increase the share of women and youth participation in the labour market, thus their share in employment.

b) ***Improve access to finance for the targeted sector***: once sectors for employment creation have been identified, the next step is to ensure that these sectors are well financed, thus there is sufficient access to finance. Broad and bold reforms need to be undertaken to increase the efficiency and stability of the banking system, attract foreign direct investment and private capital, and develop domestic capital markets. In the short-term the Government can make efforts towards the funding of employment creating sectors. Incentive-based systems often work, where banks and other lenders are offered partial credit guarantees. Another mechanism would be to improve ease of access to the local market by foreign investors.

c) ***Build supporting infrastructure***: whereas building sufficient infrastructure is an enabler to business development and employment creation, in itself it has the potential to be an employment creating sector. The set-up of efficient supply chains and logistics infrastructure for the targeted sectors is critical, including transport, communication, energy and water. Jobs in the infrastructure sector will be created during the construction of, and later in the maintenance of the infrastructure.

d) ***Removal of regulatory impediments***: the fourth element for employment creation is the removal of unnecessary 'red-tape' and impediments in the growth path. The removal of regulatory bottlenecks can have swift and dramatically positive impact on private sector growth and create a more business-friendly environment. The Doing Business Reports can be used as a benchmark to identify the factors that are driving the ranking of the country down. Thus, the country needs to work on the 'hard factors' of doing business. As noted before, the country needs to reform its doing business environment. Issues which include, the number of days it takes to start and register a company can be improved and done online, unlike the current status, where it takes ninety (90) days to start a company. In concluding its 2014 Report, the CZI noted, *"Reform is painful but critical. The country needs to ensure that suggested agreed reforms are implemented and that there is no policy reversal*."

e) ***Development of required workforce skills***: the absence of a skilled workforce will be detrimental to any employment creation strategy. Therefore, the country should focus on the development of the human capital base of the nation, thus, developing the required skills in the sectors that would have been identified. There is also need to equip the training institutions with the requisite up to date machinery and also ensure that the training is demand-driven.
There is need also to integrate skills development into national and sectoral development strategies.

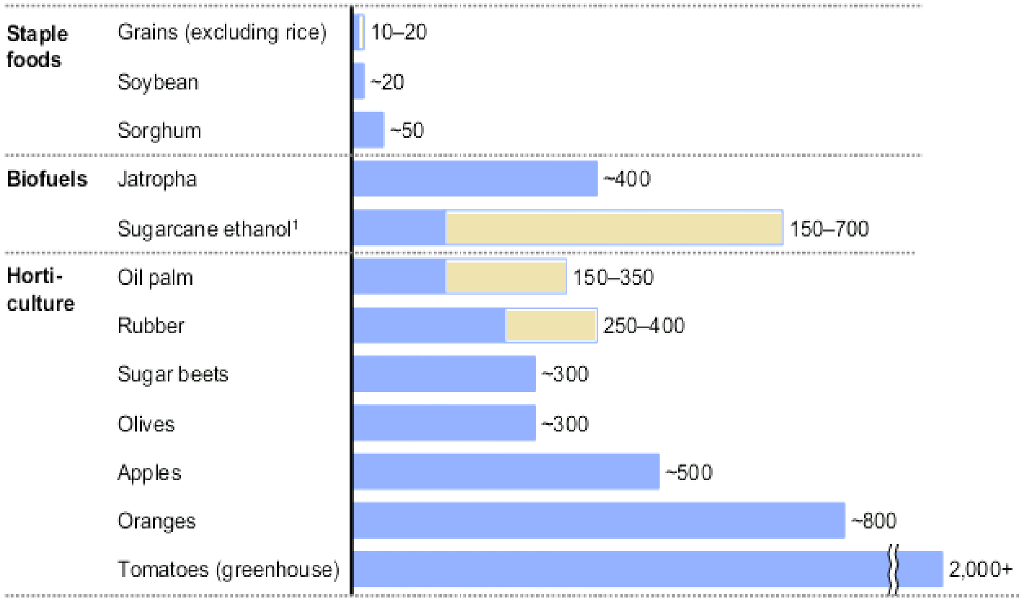
Macroeconomic Stability: *One of the most important contributions government can make to the attainment of inclusive growth and employment creation is to maintain macroeconomic stability through appropriate policies. There is need for a government to integrate employment creation in the macro and micro policy development framework. This means that government will make a deliberate effort to ensure that all national and sectoral policies speak to employment and employment creation. It is also imperative to reprioritize and enhance the efficiency of public expenditures, this way- fiscal policy can play its part in making economic growth more inclusive through more efficient and well-targeted pro-poor spending on health, education infrastructure and other developmental areas.*

5.2 Sectoral Employment Strategies

This section details strategies that can be taken at the sector level to enable the sector to generate decent employment and facilitate inclusive development. The selection of sectors under study is based on ZimAsset. The developmental blueprint identified the following sectors as the key drivers for Zimbabwe's growth and employment creation: (i) Mining; (ii) Agriculture; (iii) Infrastructural sectors primarily focusing on power generation; (iv) Transport; (v) Tourism; (vi) ICT and (vii) Enhanced support for the SMEs and Co-operatives sector.

a. ***Agriculture:*** statistics show that the sector is still the highest employing sector in the economy, even though the level has decreased over the years. There are opportunities to create employment in the agriculture sector by making it more productive, shifting from low-value grain production to more labour-intensive and higher-value-added horticulture and biofuel crops. There is also need to develop downstream agro-processing industries, such as food and beverage manufacturing and textiles among others. As a product follows through the value chain, its value will increase and also employment is created. The agriculture sector has the greatest potential to create jobs for women, and the shift to more labour-intensive products, will see the number of women in employment increase. The shift from grain to more labour-intensive or biofuel crops will see an increase in employment from 10-50 employed people per hectare to 300-800 employed people per hectare, see Figure 8 (McKinsey Analysis, 2012).

Figure 8: High-value-added crops, including biofuels and horticulture, drive 10 to 100 times more job creation per hectare than grain farming.



Source: McKinsey Analysis, 2012

Zimbabwe stands at the threshold of a highly broad-based, pro-poor and inclusive growth trajectory given the redistribution of land (broadening asset entitlement). Bringing the fast-track land reform programme to a closure, as well as dealing with existing anomalies through a Land Audit will help shift focus towards enhancing the productivity of agriculture and harnessing its potential. There is also need to address the issue of property rights, thereby ensuring that the land value is restored through title deeds as this will improve productivity and access to finance. In addition, land redistribution offers a sustainable avenue of raising the productivity of communal agriculture by decongesting them. The structural changes that have taken place characterized by the emergence of MSMEs in the agriculture sector offer significant prospects for inclusive, pro-poor growth given their employment-intensity. One way of harnessing the potential of MSMEs is by linking them with large enterprises through sub-contracting or supply of services (value chain approach)[14].

[14] ZEPARU (2013) 'The Nexus between Growth, Employment and Poverty in Zimbabwe: The Economics of Employment', ZEPARU, Occasional Research Paper No.1 2013, Harare

The resuscitation of the prime success factors of the past agricultural revolutions encompassing financial and human resources, efficient markets, technological innovation, a favourable macroeconomic environment for agriculture and farmer support services (credit, fertilizer, seed distribution systems and marketing) is a prerequisite for agricultural recovery. There is also need to focus on strengthening backward and forward linkages through the exploitation of value chains and value channel systems among firms and sectors, including outsourcing and networking to create employment multiplier effects. Through various programmes supported by bilateral donor programmes (e.g. USAID, EU, DFID etc), NGOs (e.g. SNV) and business partnerships, value chains and contract farming arrangements are being promoted targeting the eight commodity industry groups or clusters, namely, (i) horticulture; (ii) livestock and meat; (iii) legumes and oilseeds; (iv) tree crops; (v) grains; (vi) cotton; (vii) tobacco; and (ix) forestry and timber. These have potential employment multiplying effects.

b. ***Mining:*** The potential of the capital-intensive sectors such as mining can be maximized through building resource linkages with the rest of the economy comprising revenue linkages, backward linkages (supply chains), forward linkages (value addition / beneficiation), knowledge and spatial linkages to create new industries associated with mining. Linkages are either defined quantitatively as inputs and outputs into the mining operation, or qualitatively in terms of relationships between enterprises in the supply chain or as the exchange of ideas. The value chain approach can also enhance the labour-intensity of the capital-intensive sectors such as mining. This is particularly important in that economic recovery of Zimbabwe is anchored in the mining sector. Zimbabwe can borrow from the Africa Mining Vision (AMV) of 2008 and the International Study Group (ISG) report of 2009 that argued for the creation of strong and diverse linkages between mines and the immediate economy to maximize the growth, development and employment potential embedded in mineral resources. The AMV and ISG Reports go beyond the mining sector, encouraging planning for, and investment in development corridors such that non-mining businesses and enterprises take advantage of such arteries, especially where the roads and railways transporting minerals to markets are routed strategically. Every stage of the process from mining the ore to the final product manufacture may have upstream (supplier), downstream (value addition, beneficiation), side-stream and lateral linkages.

In the absence of stronger policies, the development of the mining sector may remain stunted and limited to a temporary rebound due to stronger external demand, with limited permanent downstream effects on the rest of the economy. To create conditions for increased FDI flows, transparency, and longer-term management of the mining sector, the following critical steps have to be undertaken:

a. clarity in the application of indigenisation legislation and review security of tenure for companies to encourage exploration;
b. overhaul of fee structure, namely royalties, and prospecting and exploration fees, to increase exploration and maximize share of revenues;
c. support transparent partnerships in financing infrastructure around mining operations (energy and transport) to foster development of bulk commodities (iron ore and coal); and
d. support development of domestic horizontal linkages with manufacturing and services sectors by prioritizing development of firms that will increase domestic procurement of goods and services by the mining industry.

c. ***Manufacturing:*** There is need to reverse the decline of the manufacturing sector to ensure that the sector will be able to create jobs and facilitate re-industrialisation. The sector is the central driver of growth and structural transformation. It assumes a key role in the growth process because of its ability to generate spill-overs, technical progress, economies of scale, induced productivity growth in the sector, and to raise the overall productivity of the economy. This is because the manufacturing sector has strong linkages with the rest of the economy, has potential for capital accumulation, and its potential for technical progress is greatest.

In revamping the manufacturing sector there is need to address the following four areas; (i) policy uncertainty and unpredictability, especially in the fields of property rights, indigenisation and pricing; (ii) access to finance and raw materials, especially agricultural raw materials; (iii) skills; and (iv) infrastructure – especially electricity, rail transport, roads and water.

The World Bank (2012) noted that Zimbabwe's manufacturing sector still presents one of the strongest diversifications in the Sub-Saharan African context, with very limited entry of new firms following the 2009 stabilisation as older firms still dominate the landscape. The report also noted that, growth of the manufacturing sector is more dependent on the internal demand generated by the two main driving sectors: agriculture and mining. Accordingly, the quality of policy in the mining and agricultural sectors will be the chief determinants of the rate of growth of the Zimbabwean economy in the medium-term.

Cluster development in the manufacturing sector, targeting especially the SMEs, is a viable industrialisation option for Zimbabwe, and is ideal in that it focuses development on groups of firms rather than on individual firms[15]. SMEs in the manufacturing sector stand to benefit from clustering as it provides and encourages collective efficiency and competitiveness, and fosters productivity and innovation. It is, therefore, important that there be a conscious and explicit cluster-development programme targeting the manufacturing sector. Also, the country has to understand the sources of potential comparative advantage it holds on the global market, identify the specific manufacturing subsector in which it can compete and remove all the barriers that are preventing the subsector from thriving. It is in these subsectors that the economy can diversify into higher-value-added export commodities, where there are high wages and higher productivity. The manufacturing sector should value-add products from the agriculture sector.

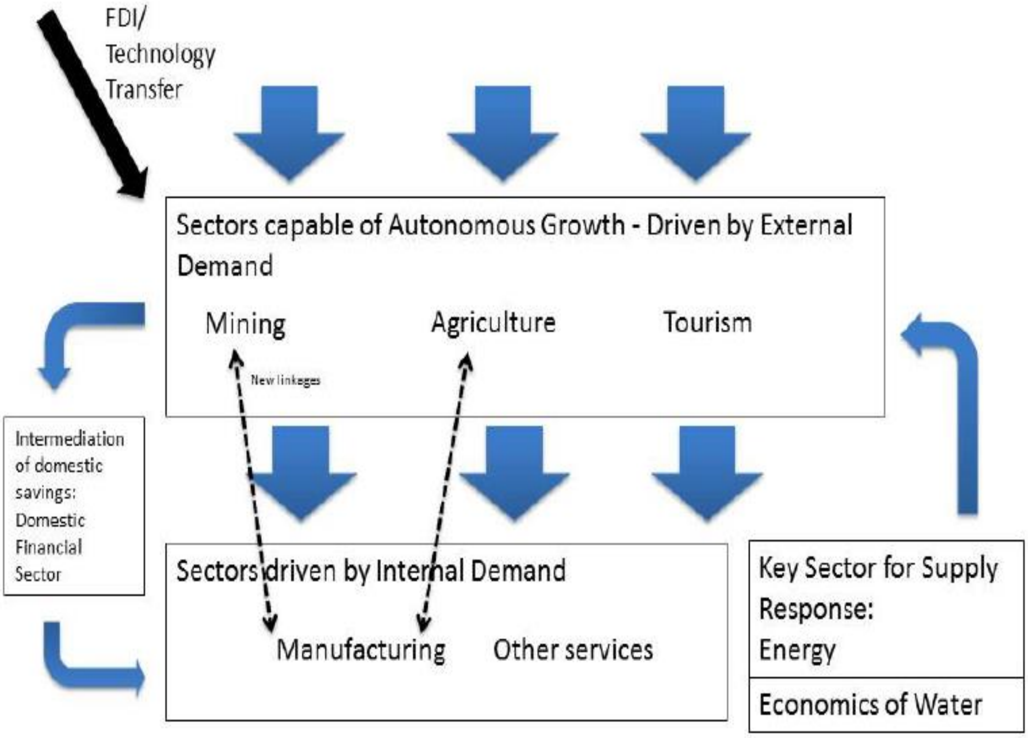
It is also essential to improve the technological advancement of the sector given that during the crisis period, "… at a time when manufacturing industry worldwide is becoming more skills- and knowledge-intensive, Zimbabwe has fallen behind technologically." There is need at the national level to take a conscious effort to acquire and assimilate technology, thereby creating an urgent need to develop skills and acquire state-of-the-art technology. The government needs to subsidize R&D, provide technical extension services and information, and create a technology infrastructure to help firms do quality control, testing, design development, production "trouble-shooting" and process adaptation, (Lall, 1993).

There is also need to support internal demand by supporting higher levels of growth in mining and agriculture, support competitiveness of these sectors by applying sound fiscal policies, reducing firms' costs by improving the quality and price of services; and improve credit availability by strengthening efficiency of financial intermediation, and expanding

[15] Kanyenze. G, Kondo.T and Chitambara. P, 2011. **Beyond the Enclave:** Towards a Pro-Poor and Inclusive Development Strategy for Zimbabwe, Weaver Press, Harare

domestic savings (World Bank, 2012). Figure 8 below depicts the schematic illustration of linkages in the post-crisis Zimbabwean economy that can enhance the employment-intensity of growth.

Figure 9: Schematic Illustration of Linkages in the Post-Crisis Zimbabwean Economy



Source: World Bank, 2012.

In this proposed strategy, economic recovery and growth will be based on exploiting the abundant natural resources in the agriculture, mining and tourism sectors that are driven by external demand. Linkages will then be built by adding value to the natural resources through commodity-based industrialisation, starting with labour-intensive sectors, upgrading to medium- and high-technology sectors as productive capacities are built. This is particularly important because industrialisation has the capacity to foster strong forward and backward linkages across sectors, generating direct and indirect employment. This way, more productive activities and better jobs will emerge from the structural transformation process closely linked with a strong natural resource sector. Instead of holding the country back, a strong and diversified primary sector becomes an important step towards a diversified economy that creates productive jobs. This is the strategy being promoted through the African Union's Agenda 2063 and the SADC Industrialisation Strategy and Roadmap (2015-2063).

As demonstrated through the Africa Mining Vision (AMV) Report of 2008, the potential of the capital-intensive sectors such as mining can be maximized through building resource linkages with the rest of the economy. The value of thinking in terms of linkages is that it reflects how each participant in an industry is connected to others.

d. **Infrastructure Development:** as noted before, the infrastructure in the country has deteriorated, and this also creates an opportunity for employment creation. In terms of the road network, only about 20 percent of the total network is in good condition and therefore requires only regular routine maintenance. A little less than 40 percent of the network is judged to be in fair condition and therefore in need of a sustained programme of periodic maintenance. The bulk of the roads in fair condition are unpaved secondary roads, paved urban roads, and the tertiary roads. About 40 percent of the network, equivalent to about 36,000 km, is in poor condition and requires a sustained programme of rehabilitation. Thus, employment can be generated in the construction, rehabilitation and maintenance of the infrastructure.

In Zimbabwe, there is need for the national budget to refocus on the development of infrastructure, as this is critical for employment creation in all the other sectors of the economy. In the tourism sector, the AfBD (2011) estimates that 500,000 additional foreign tourists would arrive by air and would spend more than $500 million, if infrastructure is developed. In the finance sector[16], during the RBZ's Sunrise Project conducted in August 2006, communities indicated that a major reason why they kept large sums of cash at home instead of in a bank was that the nearest banking facility was 50 - 100 kilometres away.

f. **Tourism-:** The direct contribution of the tourism sector to GDP has been on the rise in Zimbabwe and is expected to continue growing. In 2014, the sector generated 80,000 direct jobs. Within the vision of the Ministry of Tourism and Hospitality, employment in the sector is projected to grow to 100,000 jobs. Below are some of the recommendations to grow the sector:

- ✓ Promoting domestic tourism packages for low income earners so that they can have opportunity to visit some tourist attraction areas;
- ✓ Removing VAT (Value Added Tax) on foreign visitors accommodation so as to be price competitive;
- ✓ Improving on fiscal support from the government;
- ✓ Infrastructure development to make properties accessible;
- ✓ Creating regional tourism packages; and
- ✓ Trickle down positive effects to down-stream industries such as service industry.

5.3 Selected Sectors and Sub-Sectors with Employment Creation Potential

This section looks at the sectors and subsectors that can be targeted to create employment in Zimbabwe. These sectors[17] were also highlighted in the National Employment Policy Framework-Annex 5, as the targeted sectors for employment creation identified at the stakeholders' validation workshop of 10 January 2009.

i) **Infrastructure (Construction, Maintenance, Rehabilitation)** - In its Action Plan for Infrastructure, the AfDB proposed programme for infrastructure development will generate a large demand for a wide range of skilled and semi-skilled workers, as well as creating job opportunities for large numbers of unskilled workers.

The total cost of the programme is estimated at US$14.2 billion of development expenditures and US$7.2 billion of maintenance expenditures. The analysis suggests that about US$6.4 billion would be spent on labour services under the programme. Assuming about 25 percent of the skill requirements would be met by internationally

[16] ibid
[17] This is a sample selection and not exhaustive of the list in the National Employment Policy.

recruited personnel, about US$4.8 billion would be spent on skilled and unskilled labour in the domestic market. This would represent a very substantial injection of wage income into the domestic economy. In addition to the opportunities created by the capital development programmes, the Action Plan calls for more than US$7 billion of expenditures on maintenance activities in the decade ahead, approximately US$2.3 billion of which would be applied to labour services that would include substantial amounts of skilled labour such as electricians and other trade-related skills, as well as semi-skilled and unskilled labour for road maintenance and similar activities. Infrastructure development will generate a large demand for a wide range of skilled trades' people such as electricians, surveyors, welders and mechanics among others.

Thus, a total of US$7.1 billion will be allocated to labour services. Assuming an average annual cost per person of $7,200 for skilled and semi-skilled trades', this implies full time employment for some 98,600 people over the ten year period, in infrastructure development.

ii) **Mining Sector:** Table 14, below illustrates the employment creation potential in the mining sector both with and without major upgrades in infrastructure and more investor friendly policies, based on McMahon (2012).

Table 14: Employment creation in the Mining Sector

Mineral	Employment			Production		
	2011 base	2018-No change in investment policy and infrastructure	2018-Positive change in investment policy and infrastructure[18]	2011 Production (000)	2015* Production (000)	2018 Production (000)
Gold (oz)	8,600	15,200	27,600	418	617	2,510
Platinum (oz)	8,115	8,200	10,300	670	423	995
Diamond-Kimberlite (ct)	330	430	800	9,000	3,500	1,000
Coal (t)	3,400	3,750	6,000	4,564	7,800	40,000
Chrome and Ferro-Chrome (t)	2,865	3,500	7,100	770	500	986
Nickel (t)		870	1,400		17	29
Iron Ore (t)			2,000			2,500
Total	***23,310***	***31,950***	***55,200***			
Employment increment in mining		***8,640***	***31,890***			
Employment increment in other sectors		***25,920***	***95,670***[19]			

Source: McMahon 2012, *Midterm Fiscal Policy Review-2015, and Own Calculations

[18] The positive initiative to be undertaken by the Government includes clearing issues of uncertainty with respect to ownership, having a relatively investment friendly mining policy, taxes and fees set at average global levels, and improvements of transport and power infrastructure.

[19] With positive linkage-promotion, on average for every one job created in the mining sector three jobs are created in other sectors. McMahon and Tracy (2012) estimate that the Kansanshi copper mine in Zambia creates about 3.5 jobs in mine supplier companies for every job in the mine. The level of employment created through domestic procurement is often far higher than employment in the mines themselves: a study of the Newmont gold mine at Ahafo in Ghana found 2.8 direct supplier jobs for each mining job. ZEPARU-2012, also noted that in Zimbabwe mining created 43,000 jobs directly and another 78,260 jobs were created in the industries that either supply goods and services to the mining sector.

iii) **Clothing and Textile Sector**- At its peak, the cotton and textile industry employed 51,000 people, with the clothing subsector alone employing 35,000 in 1994. By 2005, employment levels had been reduced to 28,822, to 13,500 in 2009 and to 12,506 in 2010. By the end of 2012, the sector was employing only 4,748 employees. In 2014, the Government of Zimbabwe developed the Cotton-to-Clothing Strategy (C2C) (2014-2019) as a part of its Industrial Development Policy. The Strategy conducted an overview of the current state of the sector, including details on the historical context, production structure and export performance of sector enterprises. Following the diagnostics and based on identified restricting factors, strategic orientations were identified for future perspectives, which provide direction for expanding sector exports in target markets along both a short-term and medium-term time frame.

Strategic objective 3 focuses on increasing farmers' and firms' capacity and productivity, and in turn their competitiveness. The C2C Strategy identifies the strategic changes that have to be undertaken in: cotton production; cotton ginning and seed processing; textiles; and clothing and fashion. Table 15 details what the strategy aims to deliver.

Table 15: Production and Employment in the C2C Sector by 2019

Production	Employment
✓ 71% increase in yields to 1,200 kg/hectare; ✓ Yearly seed-cotton production to reach 450,000 tons, from the current 145,000 tons; ✓ Usage of available ginning capacities to attain 69.5%, up from 20% currently; and ✓ Volumes of cotton fibre processed locally to increase to 25%, from the current 3-5%.	✓ **250,000 of smallholder farmers benefit from revenues from cotton; and** ✓ **More than 40,000 new jobs in the textile and clothing sector.**

Source: Zimbabwe-Cotton to Clothing Strategy, 2014-2019

iv) **Engineering, Iron and Steel Sector**: Operating at 38 percent capacity utilisation and at one day shift, the sector currently employs 12,000 workers. In 2015, through the Trade and Private Sector Development Programme in Zimbabwe, the sector has developed a strategic plan which will run from 2015 to 2020. At full capacity, at one day shift, the sector has a potential to employ over 30,000 workers. Given that the sector at full capacity has three shift days, this implies that the sector will have the potential to employ in excess of 90,000 workers. The strategic plan is based on six key pillars, which are: (a) Skills and Efficiency enhancement to Sector SMEs; (b) Market Studies and Competitiveness; (c) EISAZ's Capacity Development; (d) Cluster Development; (e) Skills Upgrading; and (f) Opportunity Enhancement.

v) **Green job potential in renewable energy for sub-sectors:** In a paper done by LEDRIZ (2015) on green jobs, it highlighted that, employment in renewable energy is not just located in the energy-producing sector. The renewable energy value chain encompasses the manufacture and distribution of renewable energy equipment; renewable energy project development; construction and installation work associated with the development of renewable energy capacity; operation and maintenance of renewable energy facilities; and a range of cross-cutting activities that contribute to more than one of the other value chain stages. As employment in renewable energy is usually project-based, its continuity depends on the flow of new projects. Thus, for substantial and greater employment impact, the number of projects must continue to grow.

Table 16: Green Job Opportunities in Zimbabwe

Name of organisation	Description of initiatives	Implications on job creation
Solar		
SIRDC	Developed 30 units of solar dryers for agro-processing projects in Mutare.	• Installation of each dryer requires at least three (3) people (carpenter, welder and maintenance person). • Potential exists for job creation – small-scale farming and agro-processing activities. • Marketing and retailing dried products.
	Establishment of solar water-pumping systems in rural areas.	• Requires about five (5) people for the job construction activity namely, (designer, implementer, electrician, plumber, welder, and builder). • Day-to-day maintenance requires two (2) full-time people for civil works as well as a general specialist.
Biogas		
Rural Electrification Agency (REA)	Constructed more than 30 biogas digesters at public institutions	• Construction jobs in the construction of bio-digesters
SNV (2012–2015)	Constructed about 60 domestic bio-digesters	• At least three (3) workers are required to construct one (1) bio-digester (MoEPD, 2015)
Biofuel		
Government	Chisumbanje (blending)	• This is a labour-intensive initiative. It is estimated that about 4,500 jobs have been created. Prior to the onset of the project, it was expected that about 9,000 jobs would be created, both directly and indirectly. • There is potential for the growth of green jobs in the agriculture sector through establishment of out-grower schemes, which will supplement the total input required.
Government	A pilot biodiesel plant is operational in Mutoko; it has a daily production capacity of 10,000 litres.	• There is potential for the growth of green jobs in the agriculture sector through establishment of out-grower schemes, which will supplement the total input required. • Downstream impact of job creation in the transport, distribution and retail sectors.

Source: LEDRIZ, 2015b (*unpublished)*

5.4 Sectorial Employment Projection

Taking into account the projection made in Section 5.3 above and assuming that the public sector recruitment freeze holds, Table 17 below shows the number of jobs that can be created in each sector and the potential employment levels for each sector. By projecting a freeze in public sector employment, it is assumed that there will be a rationalisation of public sector employment between over-employing and under-employing sub-sectors. It is worth noting that the projections in the:

a. mining sector are based on active reforms;
b. Water, energy, construction, transport and communication are based on infrastructure development and maintenance;
c. Finance sector, based on the expansion of the sector into rural areas, the informal economy and financing of SMEs; and
d. Tourism is based on the estimated annual growth of 10,000 workers and the revamp of the transport infrastructure in Zimbabwe.

Table 17: Sectoral Employment Projections for 3 years (2016-2018)

Industrial Sector (Employees in thousands, annual average)	**Current Employment Level**	**Projected Employment Level 2018**	**Employment Potential**
Agriculture, forestry & fishing	328	400.8	72.8
Mining & quarrying	39.2	71.1	31.9
Manufacturing	93.1	203.5	110.4
Electricity & water	18.3	36.5	18.2
Construction	23.8	77.8	54.0
Finance, insurance & real estate	49.7	56.1	6.4
Distribution restaurants & hotels	78.9	108.9	30.0
Transport & communication	35.4	52.1	16.7
Public administration services	108.5	108.5	freeze
Education services	150.5	150.5	freeze
Health services	45.7	45.7	freeze
Private domestic services	141.2	149.1	7.9
Other services	53.3	66.1	12.8
Total	**1165.6**	**1526.7**	**361.1**

Source: Own Calculations[20]

Form Table 19 above, the total potential productive employment that can be created in the economy for the next three years 2016-2018 is estimated at 361,116 jobs, thus 120,272 jobs annual. The majority of the jobs will come from the agriculture and manufacturing sectors. Within the agriculture sector, there will be need for workers and farmers to shift from grain to more labour-intensive or biofuel crops in order to increase employment. This will also call for the establishment of value chains. For the manufacturing sector, there is need to strategise

[20] With only 14 percent of the total population having access to the formal banking services, there is room for the sector to increase the assortment and scope of available services thereby opening diversified revenue streams for the sector, in the process creating more jobs. The banking sector has to penetrate the unbanked rural population and thriving informal sector. There is scope for underwriting more business in rural areas if banks think strategically to mobilise the agricultural based deposits. According to the World Bank, as of 2014, the Deposits Accounts per 1,000 individuals stood at 88 in Zimbabwe, thus only 88 individuals out of 1,000 people have Bank deposit accounts, leaving 912 people excluded from the banking system.

around promoting SMEs, as mentioned before. The World Bank noted that Zimbabwe's manufacturing sector still presents one of the strongest diversifications in the Sub-Saharan African context, but there is very limited entry of new firms and the focus is on older large firms. Cluster and value chain development in the manufacturing sector, targeting especially the SMEs, is the viable industrialisation option for Zimbabwe.

Conclusion

The 2012 National Employment Forum called for the annual analysis of employment trends at the sector level. The Forum also called for the mainstreaming of employment at all levels of policy development and in all policy frameworks. Taking a note from this, there is need for the Government of Zimbabwean to review Government sectoral policies and see if they mainstreamed employment.

At the sector level, for agriculture there is need to ensure access to financial and human resources, efficient markets, technological innovation, a favourable macroeconomic environment and farmer support services. For the mining sector, review of the regulatory mechanism, overhaul of fee structure, support of transparent partnerships in financing infrastructure and development of domestic linkages are required. For the manufacturing sector, cluster and value chain development is a viable strategy, especially for SMEs and access to finance. Overall development of infrastructure is key for national and sectoral development focusing on energy, transport, communication and water.

6.0 Conclusion and Recommendations

6.1 Conclusion

The above analysis has shown that even at the best of times with growth, the employment and poverty outcomes have been suboptimal. There exist a weak link between growth and employment, brought about by the inherited dual and enclave structure of the economy. With the wrenching structural changes that have occurred following de-industrialisation and informalisation of the economy, the vast majority of the population is locked in low productivity and low income non-formal sectors and production is dominated by activities of a survivalist nature. This calls for a comprehensive-holistic approach towards addressing these challenges. There is need to move away from the piecemeal approach for addressing un-and underemployment in the country and focus on strategies that create employment along value chains and channels, as well as clustering MSMEs. Adoption of new technologies will assist the nation in value-adding all its raw materials, thereby creating jobs in more productive and higher income sectors.

6.2 Recommendations: Towards Decent Employment Creation

The development of sectoral employment creation strategies is in line with the international development agenda which is guided by 17 Sustainable Development Goals (SDGs), with Goal #8 seeking to "promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all". The Zimbabwe Decent Work Country Programme- Outcome 1.2 calls for the creation of decent employment opportunities for improved livelihoods and alleviation of poverty in targeted economic sectors. ZimAsset seeks to create 2.3 million jobs by 2018. However, it lacks a strategy and action plan. In order to achieve a job-centered development agenda, the following strategic interventions are suggested.

6.2.1 Mainstreaming employment objectives across all policy frameworks (macro and sectoral) and developing employment indicators and targets.

In line with the Zimbabwe National Employment Policy Framework (2009-2014), employment must be mainstream across all policy frameworks (macro and sectoral) in order to consciously promote decent work-rich growth and sustained poverty reduction. This is in line with the Ouagadougou Declaration and the Declaration on Social Justice for a Fair Globalisation adopted at the 97th Session of the International Labour Conference of the ILO in June 2008. The Declaration requires Governments to place full and productive employment and decent work at the centre of economic and social policies, and to implement macro-economic frameworks that are employment-friendly. It calls upon member states to pursue policies based on the four strategic objectives of decent work – employment, social protection, social dialogue and rights at work which it deemed 'inseparable, interrelated and mutually supportive.' This effectively places employment at the heart of economic policies and calls for new partnerships with non-state actors. This therefore means that employment creation objectives will be integrated during the formulation of any policy, its implementation and monitoring.

To realize this objective, there is need to carry out employment audits of all policies to assess the extent to which they integrate employment creation objectives, then develop national and sectoral employment targets to be integrated in the relevant policy documents, and especially the macroeconomic framework. This reinforces the set guidelines from the inaugural Employment Forum which envisioned annual monitoring of sectoral employment creation.

6.2.2 Implementing Doing Business Reforms to Promote Sustainable Enterprises

The 2014 Mid-Term Fiscal Policy Review concedes that the 'doing business' environment in Zimbabwe is unfavourable, highlighting the need to undertake legal, regulatory or administrative reforms. Such reforms, as indicated in the Mid-Term Fiscal Policy Review Statement relate to the cumbersome processes on (i) licencing requirements; (ii) permits' issuance and administration; (iii) company registration; (iv) property registration; and (v) access to electricity and other utilities.

There is need to operationalise the National Competitiveness Commission, to spearhead competitiveness and ease and cost of doing business reforms. The Commission needs to implement the recommendations emanating from the 2015 Zimbabwe National Competitiveness Report.

6.2.3 Facilitating Transition to Decent Work and Formality

The first step towards designing effective interventions to improve conditions in the informal economy is to recognise the heterogeneity of informal economy activities. What is required is an integrated policy framework that takes into account the two main categories of informal employment (self- and wage employment) as well as the three main responses to informality (regulation, protection and promotion).

The 104th International Labour Conference held in 2015 adopted Recommendation No. 204 concerning the Transition from the Informal to the Formal Economy. The major aim of this international labour standard is to help workers and economic units move out of informality and into the formal economy. The new international standard provides guidance for member States to:

- facilitate the transition of workers and economic units from the informal to the formal economy, while respecting workers' fundamental rights and ensuring opportunities for income security, livelihoods and entrepreneurship.
- promote the creation, preservation and sustainability of enterprises and decent jobs in the formal economy and the coherence of macroeconomic, employment, social protection and other social policies, and
- prevent the informalisation of formal economy jobs.

ILO Recommendation 204, has seven policy areas a State should look at:

i. Legal and policy frameworks reforms (the regulatory framework);
ii. Employment policies (quality employment generation and growth strategies);
iii. Rights and social protection (extension of social protection, promoting equality and addressing discrimination);
iv. Incentives, compliance and enforcement;
v. Freedom of association, social dialogue and role of employers' and workers' organisations; and
vi. Data collection and monitoring.

6.2.4 Enhancing skills development and achieving a better fit between labour supply and demand.

Skills development strategies will be a critical in promoting growth and improving employment outcomes. The skills needed to exploit the identified economic opportunities will need to be identified and the necessary programmes developed. In some cases there will be need to develop and capacitate training institutions to offer tailor-made programmes that address the skill needs for the exploitation of the economic opportunities identified. Appropriate technologies will also need to be identified and developed in order to take full advantage of the identified opportunities and improve the competitiveness of the nation, efficiency and productivity.

This should be done by supporting the adoption of diversified skills development models which include: community based training driven by economic and employment opportunities; outreach programmes that bring skills development closer to recipients; infrastructure programmes implemented in rural areas which are labour intensive; promoting the expansion and upgrading of informal apprenticeship as one way of increasing access to skills that can have a higher return on investment, (Mambo, 2010).

6.2.5 Productivity Enhancement

There is need to activate and resource the National Productivity Institute (NPI). The role of the NPI among others should be to identify and develop new technologies that transform the structure of the economy and enhance its ability to grow and create the much needed productive jobs. This will also enable the economic activities undertaken in the country to be more knowledge-based, thus, shifting jobs from low to high-skilled sectors, and increasing productivity and incomes of the workers. The manner and rate at which such new technologies are diffused across the economy will have an impact on productivity and employment growth. This therefore means that technology diffusion mechanisms become a key policy priority.

The National Productivity Institute will also have to ensure that the skills development policy is reviewed in order to reduce mismatches between demand and supply for skills and improving employment performance. By improving conditions for the creation and growth of new technology-based firms, the NPI will enable them to increase their direct job-creating potential, while indirectly contributing to economy-wide growth and job creation through higher productivity, lower prices and greater product variety.

6.2.6 Implementing Employment Intensive Interventions in Infrastructure Development and Maintenance

The Infrastructure cluster under the ZimAsset blueprint is focused on the rehabilitation of infrastructural assets and the recovery of utility services in Zimbabwe. In the development and maintenance of infrastructure, the Government of Zimbabwe can also borrow from/ utilise the ILO-Employment Intensive Investment Programme (EIIP), whose major lines of action are to:

- ✓ contribute to mainstream development policy by placing key concerns of job creation, poverty reduction, enterprise promotion and improvement of working conditions in

the broader framework of nationally defined macro-economic employment and investment policy, and
- ✓ promote employment-intensive works and public employment programmes in times of social and economic hardship and crisis.

The programme links employment with infrastructure development, thereby promoting the creation of productive employment for economic development and social protection, and environmental measures for natural resources restoration, management and climate change adaptation. The EIIP promotes the orientation of infrastructure investments at three levels-macro, meso and micro. The uniqueness of infrastructure development is that apart from creating direct jobs, it is an enabler of both growth and employment creation in other sectors.

6.2.7 Expanding the Role of the National Employment Councils (NECs)

National Employment Councils can play a broader role beyond collective bargaining, to include focus on sectoral performance, human resource development, issues of productivity and competitiveness. The NEC will have to be also responsible for skills and workforce development of all those employed in their sectors - from professional staff to tradesmen and women, administrative staff, support staff and other ancillary workers. The goals of such changes will be to:
- ✓ reduce skills gaps and shortages, thus carry out a review of the skills needs and trends for the industry and develop strategies to meet those skills needs;
- ✓ improve productivity in tandem with the work of the National Productivity Institute;
- ✓ increase opportunities for all individuals in the workforce; and
- ✓ improve learning supply, by analysing training provision.

The NEC will have to also develop strategies for the growth of the sector; conduct skills and employment gap analysis, including scenario planning and development of a programme of agreed interventions to close the gaps. In so doing, NECs should incorporate employment creation strategies that will feed into the national employment creation strategy.

The National Employment Policy Framework advocates for National Employment Councils (NECs) to play a more proactive role in the provision of employment services, including vocational counselling and career guidance, specialized labour market information, training and labour inspection.

6.2.8 Expansion of the Skills for Youth Employment and Rural Development Programme

The Skills for Youth Employment and Rural Development Programme focused on the introduction of the Training for Rural Economic Empowerment (TREE) methodology in rural communities, and improving the Quality of delivery of training in Informal Apprenticeship (QIA) in the informal economy. To date these programmes have created 6,969 sustainable jobs for youth, while 2,800 craft persons realised quality improvements.

The Government of Zimbabwe needs to use the work done by the ILO as a stepping stone and start replicating and implementing these programmes at the national level to ensure that more youths and women are placed into productive employment. Since TREE already covers

31 districts in the country, there is need to expand its coverage to all districts. The design of the TREE programme is based on local economic development, which entails making use of the resource endowments in the area as the prime target for production. This ensures that communities develop based on the resources they have in their areas and this assists in decentralizing development to all parts of the nation.

6.2.9 Consolidating the Various Commodity Value Chain and Clusters Programmes

As highlighted in the discussion, several bilateral programmes are being implemented to promote commercialisation of communal agriculture and commodity value chains. The idea is to promote linkages, including contract farming arrangements across the eight commodity industry groups or clusters, namely, (i) horticulture; (ii) livestock and meat; (iii) legumes and oilseeds; (iv) tree crops; (v) grains; (vi) cotton; (vii) tobacco; and (ix) forestry and timber.

Useful lessons for capacity building support across selected value chains, as well as programme governance can be drawn from the interventions to support and strengthen agri-business value chains by bilateral and multi-lateral international partners who have initiated such programmes since 2009. These programmes include the USAID supported Zimbabwe Agricultural Competitiveness Program (Zim-ACP), the USAID supported Zimbabwe Agricultural Income and Employment Development Program (Zim-AIED), the Credit Fund, the FAO Programme, the EU Programme focusing on sugar, and the SNV Programme.

The programmes are essentially demand-driven targeting various nods of the value chain at all levels supporting communal and old resettlement farmers to become commercial producers. More importantly, these interventions are based on commercial criteria, with participating local banks and agencies involved in the provision of technical support and capacity building. Instructively, the vetting of participating farmers is found to be a key success factor.

For impact, and in view of the fact that some of the programmes have been completed, Government needs to adopt a more comprehensive and consolidated approach with budgetary support.

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Annex 1: The Future of Work

The role of work (employment) has become a key fundamental for economic development and poverty reduction in the world. The emergence of the neoliberal wave under the Washington Consensus in the midss-1980, saw social goals being treated as residuals of economic policy to benefit from *'trickle-down'* and employment policy-making lost traction. The failure of this conservative economic agenda to achieve sustained growth, employment creation and poverty reduction, exacerbated by the global financial crisis of the mid-2000s, and especially rising employment deficits and growing inequality and poverty, resulted in the re-emergence of employment as the central goal of economic and social policies.

The thrust of the International Labour Organisation's 1944 Declaration of Philadelphia which requires member States to adopt programmes geared to promote the attainment of full employment and the raising of standards of living, is now at the fold of developmental discussions. Internationally and continentally, the discussion of the future of work has increased, the following programmes speak to the future of work:

i. ***The Global Initiative on Decent Jobs for Youth*** is a unique partnership with governments, the UN system, businesses, academic institutions, youth organisations and other groups to scale-up action to create new opportunities and avenues for quality employment in the global economy and assist young people in developing the skills needed to compete in today's job market. The initiative reflects the UN commitment to tackle youth unemployment and promote decent jobs for youth. It also reflects that youth employment should be a priority at all levels to unlock the potential of 1.8 billion youth, this is imperative for development, as well as peace and security.

The initiative is supposed to address the challenges faced by young people in the world of work, where two out of every five young persons of working age are either unemployed or working jobs that don't pay enough to escape poverty. The trap of working poverty in higher in low-income countries, where nine in ten young workers remain in informal employment which is sporadic, poorly paid and falls outside the protection of law.

In consultation with governments, the initiative will coordinate employment and economic policies for job growth and social inclusion and protect labour rights to ensure that young people receive equal treatment. The Initiative will make full use of the expertise of participating UN entities and other partners by focusing on "green jobs" for youth, quality apprenticeships, digital skills and the building of "tech-hubs", support young people in the rural economy, facilitate transition from the informal to the formal economy and promote youth entrepreneurship.

ii. The coming end of the Millennium Development Goals (MDGs) in 2015 saw a new global frameworks for development being adopted, the ***Sustainable Development Goals (SDGs)***, officially known as Transforming our world: the 2030 Agenda for Sustainable Development, are an intergovernmental set of aspiration Goals with 169 targets. Of the 17 goals of the SDG outlining Paragraph 51, Goal 8 on Decent Work and Economic Growth speaks to the *Promote inclusive and sustainable economic growth, employment and decent work for all.*

The Sustainable Development Goals (SDGs) aim to encourage sustained economic growth by achieving higher levels of productivity and through technological innovation. Promoting policies that encourage entrepreneurship and job creation are key to this, as are effective measures to eradicate forced labour, slavery and human trafficking. The goal is to achieve full and productive employment, and decent work, for all women and men by 2030. The goal notes that sustainable economic growth will require societies to create the necessary conditions that allow people to have quality jobs that stimulate the economy while not harming the environment. Job opportunities and decent working conditions are also required for the whole working age population.

iii. Africa has the potential to become the main engine of job creation in the world. Realizing this, the leaders of the African States in 2014 developed the ***Agenda 2063: The Africa We Want***. The aspirations of the Agenda reflect the desire for: shared prosperity and well-being; unity and integration; a continent of free citizens and expanded horizons, where the full potential of women and youth are realized, and with freedom from fear, disease and want.

Of the seven aspirations, two speak to the future of work in Africa, thus;

- ✓ Aspirations 1: *A prosperous Africa based on inclusive growth and sustainable development*: By 2063, African countries will be amongst the best performers in global quality of life measures. This will be attained through strategies for inclusive growth, job creation, increasing agricultural production; investments in science, technology, research and innovation; gender equality, youth empowerment and the provision of basic services including health, nutrition, education, shelter, water and sanitation; and
- ✓ Aspirations 6: *An Africa where development is people-driven, unleashing the potential of its women and youth*. Youth unemployment will be eliminated, and Africa's youth guaranteed full access to education, training, skills and technology, to health services, jobs and economic opportunities, recreational and cultural activities as well as to financial means to allow them to realize their full potential.
  Under this aspiration there is commitment to catalyse an Education and Skills revolution and actively promote science, technology, research and innovation, to build knowledge, human resources, capabilities and skills for the African century.

iv. In 2015, the African Union Summit in Addis Ababa, under the ILO ***13th African Regional Meeting: Transforming Africa through Decent Work for Sustainable Development***, adopted a Declaration and Plan of Action on Employment, Poverty Eradication and Inclusive Development that calls on the ILO to work with the African Union and other partners on a Five-Year Priority Programme. The programme kick started the African Union - Agenda 2063, which includes at the top of its priorities a prosperous Africa, based on inclusive growth and sustainable development realized through decent work.

Under the declaration Continent-wide policy priorities will include:

a. creating decent jobs for all, with particular emphasis on youth, women and persons with disabilities;
b. promoting effective social dialogue and tripartism;
c. strengthening labour market institutions;
d. accelerating the transition from informal to formal economy based on the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204);

e. improving the environment for sustainable enterprises especially micro-, small and medium-sized businesses and providing them with necessary incentives to grow;
f. promoting a conducive business and investment environment;
g. fostering an entrepreneurial spirit;
h. extending social protection by establishing and maintaining national social protection floors based on the Social Protection Floors Recommendation, 2012 (No. 202);
i. promoting employability through investing in education, skills development, lifelong learning, vocational training, apprenticeships and internships;
j. promoting productivity through a reinvigoration of productivity centres and linking productivity with improvements in working conditions and earnings;
k. tackling gender inequality in the world of work;
l. enhancing labour migration governance at national, sub-regional, regional and international levels, and developing policies that take into account labour market needs, based on relevant ILO standards and in accordance with the ILO Multilateral Framework on Labour Migration;
m. promoting a just transition towards environmentally sustainable economies and societies for all based on the ILO guidelines; and
n. enhancing policy coherence and inter-ministerial coordination.

v. Noting the fear that the direction of change in the world of work is away from, not towards, the achievement of social justice, the rise of unemployment, underemployment, large-scale exclusion, inequality and great uncertainty and insecurity in the world of work, in 2015 the ILO developed, ***The Future of Work Centenary Initiative***.

To address the above mention challenges, the ILO has established four centenary conversations, each of which would address a broad area of key significance. The four conversations should be regarded as non-exclusive and indicative; contributions may address more than one of them and all inputs relevant to the future of work should find a place within them, these are:

a. *Work and Society*: The idea that work is crucial to achieving social justice presupposes a notion of the place and function of work in society. The conversation notes that the purpose of work has been to meet basic human needs. Thus, work must certainly meet material needs, but it must also respond to an individual's quest for personal development and the instinctive desire to contribute to something larger than one's own or one's family's welfare. The individual will want to find meaning and purpose in work and material compensation for it that allows him or her to become an independent, full and valued actor in society.
   The increasingly knowledge-based economy places a dividend on cognitive capacities and offers new perspectives to enrich the content and meaning of work and give the individual greater control over it, representing a marked improvement over the fragmentation and routine of industrial or preindustrial times. Here the emphasis is on individual initiative and responsibility, rather than familiar collective mechanisms, to mediate the relationship between work and society.

b. *Decent Jobs for All*: The ILO's constitutional obligation is to promote full employment and rising standards of living. In addition, the Organisation is committed to ensuring that jobs meet the quality criteria of decent work.
   In terms of future sources of employment growth, the conversation has identified two common sources in both developing and industrialized countries are the green

economy, *given the need to invest heavily in energy-efficient infrastructure and production*, and the care economy, *given the aging population in much of the world*. The conversation will also address long-standing employment-related trends, with the impact of technological innovation foremost among them. The debate about the disruptive effects of technological change on jobs will also be discussed. In part, this must address the wider matter of skills and training as a key component – although no panacea – of a future agenda for full and decent employment for all countries, including the least developed.

c. *The Organisation of Work and Production*: An increasingly globalized economy experiencing rapid and deep change under the impetus of technological transformations and a constant quest for increased competitiveness, and conditioned by an evolving policy agenda and, more recently, renewed geopolitical tensions, is generating major developments in the way that work and production are organized.
   The conversation recognizes the increase in "non-standard" forms of work organisation, in terms of loss of employment and income security in particular. It notes that the need to reconcile the needs of enterprises with the interests of workers, most neatly encapsulated in the idea of "flexicurity", should not, however, obscure other aspects of innovative work forms. It goes on to highlight that the organisation of work today is puts a challenge on the capacity of tax and social protection systems, which have for long periods been designed on the basis of the assumed template of a standard employment relationship and this needs to be addressed.

d. *The Governance of Work*: Societies seek to exercise governance over the way work is carried out through a combination of instruments: laws and regulations, voluntarily concluded agreements, labour market institutions, and the interaction of governments and organisations of employers and of workers. The unique and historic role of the ILO has been to take these tools of governance and apply them at the international level, with ever greater scope as its membership has expanded to near universality. Though with challenges the ILO has managed to do with notable success.
   Governments, employers and workers, have shown firm support to the ILO's key international standards-based global governance function. Noting that they want it to work well, to have authority, and to be strengthened. Through the standards centenary initiative, there is renewed focus on standards, and in particular for the adoption or revision of standards in response to newly arising needs and circumstances.
   The future of trade unions and of employers' organisations must therefore be part of this centenary conversation. It is understood that strong, democratic, independent organisations interacting in conditions of mutual trust and respect are the preconditions for credible social dialogue.

The recognition of the central importance of full and productive employment and decent work for inclusive and sustainable development creates new expanded opportunities and responsibilities for nations and developmental organisations. It becomes the role of the Zimbabwean Government and its social partners to tap-into and institutionalise these global and continental instrument for the sustainable growth of the economy and decent job creation.

Annex 2: List of Interviews

Below is the list of organisations interviewed during the study:

- ✓ NEC for The Textiles Industry;
- ✓ NEC Engineering Iron and Steel Association of Zimbabwe;
- ✓ NEC for Chemicals Industry;
- ✓ NEC For The Catering Industry;
- ✓ Employers Confederation of Zimbabwe[21];
- ✓ Ministry of Energy, Ministry of Environment, Climate Change and Water;
- ✓ University of Zimbabwe,
- ✓ Practical Action; and
- ✓ ZCTU Affiliate Trade Unions.

[21] EMCOZ held its annual Collective Bargaining Summit, from the 25-27 of November 2015. It was at this event that the authors inquired on the sectors present if they had undertaken any work on employment growth or potential in their respective sectors. Sadly of the 12 sectors present only one sector had done some work.

Annex 3: Mining Production 1980-2004 (Index 1990=100)

	Volume Index	Unit Value Index	Aggregate Value Index
1980	93	31	29
1981	89	30	27
1982	90	32	29
1983	86	41	35
1984	90	44	40
1985	90	50	45
1986	92	54	50
1987	96	59	57
1988	95	76	72
1989	99	93	91
1990	100	100	100
1991	102	135	138
1992	100	184	184
1993	96	238	228
1994	109	294	322
1995	116	349	405
1996	111	399	444
1997	111	445	493
1998	120	674	820
1999	112	1,086	1,239
2000	104	1,356	1,410
2001	88	1,964	1,728
2002	96	3,832	3,679
2003	79	36,369	28,732
2004	106	354,150	375,399

Source: UNDP: The Mining Sector in Zimbabwe and its Potential Contribution to Recovery, Page 4, 2009