



**Zambia's Way Forward: Job Creation to Promote Inclusive Growth**

**High-Level Stakeholders' Dialogue Event**

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**“Inclusive Growth and Job Creation:  
International Experiences and Lessons for Zambia”**

**Keynote address by:**

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Honourable Minister of Finance, Alexander Chikwanda;

Honourable Minister of Labour and Social Security, Fackson Shamenda;

Honourable Ministers present;

Distinguished Representative of the IMF;

Your Excellencies, Ambassadors and Representatives of the Diplomatic Community;

UN Resident Coordinator, Janet Rogan, and Colleagues from the United Nations Family;

ILO Social Partners;

Distinguished Guests;

Ladies and Gentlemen.

**Honourable Minister,**

Allow me, through you and on behalf of the ILO, to convey to the Government of the Republic of Zambia, and to all the good people of Zambia, my most sincere condolences upon the recent passing of His Excellency President Michael Sata.

President Sata was known as a man of action. He had an outstanding career, as a dedicated civil servant, parliamentarian and politician. President Sata was also a trade unionist. He saw Zambia reach 50 years of independence as a truly united nation that has enjoyed continuing peace, both within and with its neighbours, even during times of turmoil in the sub-region. As Zambia strives for development and prosperity, the ILO is proud to accompany you on the journey.

**Ladies and Gentlemen,**

I was honoured to receive your invitation to address this august gathering on the theme of “Inclusive Growth and Job Creation”, a theme that resonates not only with the work of the ILO

in Zambia and the African region at large, but which stands at the core of the ILO's mandate itself.

When the great African statesman, Nelson Mandela addressed the International Labour Conference in 2007, he asserted that *“We rely on the ILO to continue its struggle to make decent work a global reality”*. Indeed, when people and workers in our society look towards the ILO's mandate, they do so with a clear hope that the Decent Work Agenda brings the possibility of a more efficient and more inclusive growth, of more peace, more equity and more rights, with less poverty and less instability in economies, enterprises, workplaces and, ultimately, in society at large. ILO policies are meant to contribute to a world with fewer tensions, greater social justice and strengthened security. Indeed, the ILO was founded in 1919 on the principles that *“if you want lasting peace – cultivate social justice”*.

### **Distinguished Guests,**

We meet at a critical time.

In recent years, Zambia has achieved robust macroeconomic growth, which is illustrated by an average GDP growth rate of 7 per cent. However, recent economic growth in the country has failed to translate into broad-based and job-rich outcomes. Rather, many Zambians have continued to experience long-term unemployment, involuntary part-time and temporary employment, and job insecurity. Youth unemployment is on the rise as the young become disconnected from the job market and the transition from school to work is prolonged.

In recent years, the ILO has sought to unlock the formula of “what works” in terms of achieving inclusive growth and job creation, particularly in an extractive industries-dependent economy like Zambia. What is the policy combination that reduces the time lag between output growth and employment creation in socially acceptable ways?

I believe the extractive industries in Zambia cannot catalyze the creation of more jobs across the sectors of the economy and engender inclusive and broad-based economic growth unless integrated macroeconomic policies are put in place to support such a strategy.

There are different ingredients for inclusive growth. Generally speaking, inclusive growth has been described as broad-based economic growth, which entails not only the expansion of economic activities reflected in GDP growth figures, but also processes and policies that provide economic opportunities for people in all sectors through the creation of sustainable and decent jobs for all with decent wages. The Asian Development Bank observes that growth will be inclusive when the measurable benefits reach the poor and marginalized groups in the society. Such growth will bring about social development and enable the weaker groups to gain access to assets and other economic opportunities. I subscribe to this view.

### **Distinguished Guests; Ladies and Gentlemen,**

We have no time to lose.

The political consequences of unacceptably high levels of unemployment and idleness are ripping apart the fabric of many societies, both developed and developing. Young women and men are especially vulnerable, with youth unemployment and underemployment rates in some countries of over 50 per cent.

The signs of social discontent are all too clear. They are telling us that growth with good quality jobs is the priority of individuals, families and communities, even countries! The fact that it is not happening is rapidly increasing the “disconnect” between citizens on the one hand and government policy making on the other. The unravelling of the Arab Spring is still fresh in our minds.

The increasing “financialization” of the global economy since the 1980s has led to a progressive stagnation in productive investment in the real economy. We need to reverse this trend and put the financial system at the service of the real economy – making finance available at lower cost

to spur investment, particularly for small and medium enterprises. Measures to stimulate the real economy have become the “new normal” in major economies, such as the United States – through so-called quantitative easing; in Japan – through the policies of *Abenomics* (the economic policies advocated by Prime Minister Shinzō Abe); as well as in Europe through the European Central Bank’s pumping liquidity into the banks for onwards lending to small and medium enterprises.

Inequality has increased almost everywhere, leading to indecent levels of income and wealth concentration. Just one figure: 3.5 billion people together have the same income as the 61 million richest individuals in the world. These levels of inequality are no longer politically sustainable or ethically defensible.

Economic growth on its own, if concentrated in the hands of a few, or in an enclave economy, can be detrimental to a nation as it reinforces inequality and vulnerability. Almost two-thirds of the employed in Sub-Saharan Africa are working poor, earning less than two dollars per day. While there has been progress in relative terms, the absolute number of the working poor has grown significantly in the last decade. A truly transformative agenda must place full and productive employment for all – women and men – at the fore of macroeconomic, sectoral and development policies.

It is thus not only about the quantity of jobs, but also the quality. A transformative agenda for Africa must be anchored on transforming low-skilled, low-productive and informal jobs into productive, safe and fairly remunerated decent jobs. Better quality jobs are a prerequisite for higher productivity and inclusive economic growth.

### **Ladies and Gentlemen,**

Zambia has a population of 14.5 million people, which is overwhelmingly young with almost half of the population below 15 years of age.

Capturing the potential of the extractive industry in the country for broader social and economic development will require a break from the historical social and economic policies and development model. Therefore, the overall challenge for Zambia is to seize the opportunity provided by the wealth from the extractive industry, particularly copper and mineral resources, to increase the growth of non-mining sectors substantially to create more and better jobs and achieve a durable reduction in poverty.

What are some of the lessons that can be drawn from countries that have managed to combine sustained economic growth and GDP per capita growth with increased social spending, reduced poverty and inequality?

If we look north to **Rwanda**, we see a country that has experienced a remarkable economic growth rate with robust social indicators in the past decade. Between 2000 and 2012, Rwanda's real GDP per capita grew at an average annual rate of about 5 per cent. In 2013, the GDP per capita was 50 per cent higher than the level of the pre-conflict period. Poverty rates in the country stood at 70 per cent at the end of the armed conflict. By 2011, the rate had declined to 45 per cent.

Rwanda could be considered a good example of a resource-poor sub-Saharan African country that has achieved inclusive economic growth, characterized by poverty reduction and a decline in overall inequality. Many factors account for the success story in Rwanda. Amongst these are increases in agricultural productivity and commercialization; increases in non-farm employment; increases in social protection services; a decline in fertility; and improvements in governance.

If we look across the Atlantic, **Bolivia**, a country that has historically depended heavily on extractive industries, presents another good example of a country that through different social distributive channels has targeted poor and neglected groups in society. Among these channels are cash transfer programmes aimed at improving primary school attendance, small monthly payments to the elderly, and a "mother and child grant" aimed at promoting maternal and child health services. Bolivia has also launched a youth employment scheme which aims at improving

the employment conditions of youth working in the urban formal labour market. Social protection measures contributed to reducing poverty by 43 per cent between 2005 and 2012.

And let me also highlight the example of the *Bolsa Família* programme in **Brazil** through which cash assistance is offered to disadvantaged families on the condition that their children attend school. In addition, the Government of Brazil has introduced a pension scheme and a minimum wage. These measures have stimulated aggregate demand and consumption, creating a virtuous cycle of increased purchasing power, increased demand, higher labour demand and higher incomes. It has been estimated that every *Real* (Brazilian currency) invested in *Bolsa Família* has generated 1.78 *Reals* in economic growth.

Finally, institutions matter! **Argentina** only achieved significant social progress after a patient process of repairing and building social and labour institutions – from labour laws to collective bargaining and trade unions.

### **Ladies and Gentlemen,**

It is imperative to identify areas of immediate and accelerated policy intervention in Zambia. What lessons, then, could Zambia draw from other countries on the implementation of inclusive and job-rich strategies? Whilst there is no blueprint for creating broad-based, poverty-reducing and labour intensive economic growth, some principles can be summarized:

**Pro-employment macroeconomic policies:** Prudent management of the economy enables the economy to stabilize and grow. This entails reasonable price stability, external and fiscal sustainability. These are important enablers of growth. At the same time, macroeconomic prudence does not mean a mechanical adherence to numerical limits to inflation, debt ratios and deficits. Macroeconomic policy managers ought to be able to play the dual role of guardians of stability as well as being active agents of development.

**Increase in human capital investment and social protection:** A recognition of the important role of human capital development in poverty, including investment in social protection

programmes, cash transfer schemes, housing, health care insurance and education. This should be extended to cover improvements in labour conditions and minimum wages.

**Strengthening tax bases and public expenditure:** Policy initiatives are necessary to ensure adequate and sustained flows of tax revenues to the government. Part of this process is the formalization of the informal sector and a renewed commitment to domestic resource mobilization. Such resources can support much needed public expenditure geared towards meeting long-term development goals in health, education, infrastructure, as well as in supporting public employment programmes.

**Structural changes to promote equity, such as the empowerment of women:** Promoting women's access to economic opportunities contributes to the pace and inclusiveness of growth. Greater gender equality has a demonstrated potential to contribute to inclusive growth when it is achieved in education and employment. Government is often a major provider of the forms of employment most likely to empower women. Government can also help to redistribute the benefits of economic growth in ways that have proved empowering for women, most prominently in the field of education.

**Enhance rural development** and stem rural-urban migration by directing government expenditure in rural infrastructure development with the explicit objective to decrease spatial inequalities.

**Improve agricultural productivity** and growth. The government needs to create an enabling environment by providing better access to inputs such as fertilizers, improved seed, technologies and markets for farm produce as well as redistribution of credit and land to smallholder farmers.

**Create an enabling environment for sustainable small and medium enterprises** to promote the emergence of a dynamic private sector, especially in rural areas. This should be done with a view to create more productive, non-farm employment, with linkages to social protection and support specifically targeted at women and remote rural areas to decrease currently high levels of inequality.

**Improve educational systems and promote innovation in vocational training.** In order to equip and enable unemployed youth to seize opportunities of new economic environment, new skills that are in demand in the emerging economy must be acquired and basic ones enforced. It is necessary to design skills acquisition programmes for the youth, especially for those with little or no skills.

**Ladies and Gentlemen,**

Despite progress in reducing extreme poverty since 2000, enormous challenges remain in transforming the pattern of global development to meet the goals of economic, social and environmental sustainability. Establishing a new framework for inclusive growth through full and productive employment and decent work is central to a renewed global drive to eradicate extreme poverty and reduce inequality. Re-establishing a positive relationship between growth and jobs is critical to avoid a low growth trap and to achieve strong, sustainable and balanced growth in the medium term.

From Africa, the message has been clear: no post-2015 development agenda will be seen as credible if it does not fully address the jobs challenge. The ILO stands ready to work with Zambia and Africa in addressing the challenge.

Thank you for your attention.