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Zambia's Employment Outlook: Diversification, Formalization and Education

Pauline Ravillard

Employment
and Labour
Market Policies
Branch

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Preface

The primary goal of the ILO is to work with member States towards achieving full and productive employment and decent work for all. This goal is elaborated in the ILO Declaration 2008 on Social Justice for a Fair Globalization,¹ which has been widely adopted by the international community. Comprehensive and integrated perspectives to achieve this goal are embedded in the Employment Policy Convention of 1964 (No. 122), the Global Employment Agenda (2003) and – in response to the 2008 global economic crisis – the Global Jobs Pact (2009) and the conclusions of the Recurrent Discussion Reports on Employment (2010 and 2014).

The Employment Policy Department (EMPLOYMENT) is engaged in global advocacy and in supporting member States in placing more and better jobs at the centre of economic and social policies and growth and development strategies. Policy research and knowledge generation and dissemination are essential components of the Employment Policy Department's activities. The resulting publications include books, country policy reviews, policy and research briefs, and working papers.²

The Employment Policy Working Paper series is designed to disseminate the main findings of research on a broad range of topics undertaken by the branches of the Department. The working papers are intended to encourage the exchange of ideas and to stimulate debate. The views expressed within them are the responsibility of the authors and do not necessarily represent those of the ILO.

Azita Berar Awad
Director
Employment Policy Department

¹ See http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf

² See <http://www.ilo.org/employment>.

Foreword

Promoting full and productive employment is a major challenge for emerging and developing economies and a key component of their socio economic development agenda. Strong and effective employment and labour market institutions and policies are critical for creating productive and sustainable jobs. Sectoral, skills and education policies are also important for supporting structural transformation which then translates into better wages and more decent jobs. Well-designed and effective employment policies contribute to achieving the Sustainable Development Goals (SDGs), especially Goal 8 “to promote inclusive and sustainable economic growth, employment and decent work for all”.

The International Labour Organisation (ILO) has a clear mandate to support countries in these areas. The 2014 International Labour Conference resolution called to support member States devise comprehensive employment frameworks to “promote employment, enhance productivity and facilitate structural transformation processes.” (ILO, 2014: 7(b)). The ILO Employment and Labour Market Policies Branch has the primary responsibility for the facilitation of tripartite policy dialogue on employment policy and policy development and implementation. This requires the organization of employment and labour market diagnostics, which can effectively inform policy-making. Employment trends and opportunities and constraints for quality job creation are identified and the evidence is used as the basis for prioritizing policy responses through a consultative process; these are then articulated in the national employment policy. This process is an opportunity to promote coherence among the various government ministries, to encourage tripartite dialogue (among governments, employers and workers) and to gain momentum and consensus on the best way to achieve employment gains in a given context.

As part of the ILO’s support to the Ministry of Labour and Social Security of Zambia, a detailed analysis of the situation on the labour market was undertaken, based on the last two labour force surveys (2012 and 2014), to inform the National Employment Labour Market Policy (NELMP). While Zambia has been experiencing rapid economic growth, hovering around 6 per cent per annum in the past decade, it registered little improvement in living standards, insufficient productive employment creation and increasing inequality. The employment targets of the Sixth National Development Plan (2013–2016) are far from being met. In terms of employment, the most salient issues are: 1) the high informal employment rate (nearly 90 per cent); 2) the persistence of a high working poverty rate; and 3) a stagnating unemployment rate (around 8 per cent). As the Zambian government is launching its 7th National Development Plan (NDP) for the period 2017-2021, the paper shows that particular attention needs to be paid to three reform areas in order to overcome the country’s persistent employment challenges. These are: formalization of employment, diversification of the economy, and education.

Sukti Dasgupta
Chief
Employment and Labour Market Policies Branch
Employment Policy Department

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List of abbreviations

AfDB	African Development Bank
CSO	Central Statistical Office
DIS	Duncan Index of Segregation
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
ICLS	International Conference of Labour Statistics
IGPE	Inclusive Growth and Productive Employment
ILO	International Labour Organization
IMF	International Monetary Fund
LFS	Labour Force Survey
MESVTEE	Ministry of Education, Science, Vocational Training and Early Education
SNDP	Sixth National Development Plan
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WMO	World Meteorological Organization
ZMK	Zambian Kwacha
ZMW	New Zambian Kwacha

1. Introduction

While Zambia has been experiencing rapid economic growth, hovering around 6 per cent per annum in the past decade, its over-reliance on copper has made it vulnerable to falling commodity prices (USAID, 2016: 3). Since the beginning of 2016, copper prices have been falling. As a consequence, the copper industry has dismissed 15,000 workers, prices have soared by 20 per cent and the local currency, the kwacha, has lost over 50 per cent of its value (Aguirre, 2016; Mabenge, 2016; McGroarty et al., 2016).

The Zambian population is one of the world's fastest growing and is expected to triple by 2050. This creates a challenging situation for policy-makers looking to meet Zambian people's demand for employment (United Nations, 2015). Indeed, unemployment and underemployment – especially in rural areas, where roughly two-thirds of the population live – are considerable problems in Zambia and have resulted in informal employment (African Research Bulletin, 2013). These issues were highlighted in the International Labour Organization (ILO) study *Inclusive growth and productive employment in Zambia*, published in 2015 (Harasty et al., 2015).

The findings of that study were manifold. It noted high and rapid economic growth in Zambia, but little improvement in living standards, a lack of productive employment¹ creation and increasing inequality. In terms of employment, the most salient issues were: 1) the high informal employment rate (nearly 90 per cent), resulting in low earnings and the absence of social protection; 2) a lack of improvement in the percentage of the working poor; and 3) a stagnating unemployment rate of around 8 per cent.

This paper is an update of the previous ILO paper. It seeks to inform the forthcoming formulation of Zambia's Seventh National Development Framework for 2017–21. Its main objective is to assess whether there has been a change in the dynamics and characteristics of the labour market and employment over the period 2012–14, by using newly available data on the labour force.

The most noticeable changes compared with the findings of the previous study are that overall unemployment has been decreasing and informal employment has slightly increased. There also seems to have been an improvement in education and more diversification in both male and female employment across all sectors of economic activity. While the main period of analysis of this paper is 2012–14, this is sometimes extended to 2008–14 to provide an overview of the changes in employment trends.

The economic context in Zambia is currently undergoing a number of important changes, against which employment must be analysed. First, as mentioned above, the population is growing fast and hence there is a need to create employment for the next generation. Zambia is a “young country” where the median age is 17 years and the youth unemployment rate has stagnated at around 15 per cent, depending on the age group (according to the 2014 Labour Force Survey (LFS) it was 17.1 per cent for the 15 to 19 age group and 13.8 per cent for the 20 to 24 age group). Second, for Zambia to overcome its reliance on copper, it needs to diversify its economy and therefore promote

¹ Productive employment as defined by the ILO in its 2015 Inclusive Growth and Productive Employment (IGPE) study means “employment yielding sufficient returns from labour to give the worker and his or her dependants an income level above the poverty line” (Harasty et al., 2015: 4).

employment in sectors other than mining. Third, the challenge of dominant informal employment has to be tackled, as this severely limits the protection and rights of workers and affects productivity and growth. Finally, the creation of productive employment is the crucial mechanism to alleviate poverty, as growth in Zambia creates insufficient productive jobs. Of the total Zambian population, 60 per cent live in poverty and 42 per cent live in extreme poverty (Aguirre, 2016; Harasty et al., 2015).

The main argument put forward by the present study is that particular attention needs to be paid to three reform areas in order to overcome the employment issues highlighted above. These are: formalization of employment, diversification of the economy, and education. While these reform areas are different in nature, they are not completely disconnected.

This paper is organized as follows. The following chapter looks at Zambia's economic context and compares the evolution of key macroeconomic indicators over the period 2000–14. Chapter 3 discusses the present conceptual framework. Chapter 4 looks at comparability issues between the labour force surveys, as well as definitions of employment and informal employment in and outside the informal sector. Chapter 5 provides the reader with background information on the evolution of the labour market from 2008 to 2014 (with a particular focus on 2012–14) according to gender, geography, age, status and occupation. Chapter 6 analyses the informal economy. Chapter 7 looks at growth and employment by sector of economic activity to shed light on the potential for economic diversification. Chapter 8 is dedicated to the education levels of the workforce. Finally, in light of the recent elections, the last chapter will draw the main conclusions of this paper and give some employment policy recommendations for each reform area, in order to tackle the challenges faced by the Government and social partners.

2. Zambia's economic context

Up until 2014, Zambia's economic situation was promising. Growth rates had been high over the previous decade (even in per capita terms), inflation was below 7 per cent, Foreign Direct Investment (FDI) was high and the current account balance was positive. However, in 2014 the country's economic situation started to deteriorate. Economic growth slowed, dropping by 0.7 percentage points in just two years (table 2.1). Inflation rose from 6.6 per cent to 7.8 per cent over the same period of time, though it is expected to fall below 7 per cent in 2017 (African Development Bank, 2016).

Imports of goods and services remained relatively unchanged between 2012 and 2014, while exports decreased slightly (from 42.1 per cent to 40.9 per cent of GDP). The current account balance deteriorated to become negative and net inflows of FDI went down (from 6.9 per cent to 5.6 per cent of GDP over the period 2012–14). There was also a higher government budget deficit. Today tax revenues remain low, partly as a result of tax avoidance by multinationals in the copper industry (Magenbe, 2016).

Table 2.1. Key macroeconomic indicators, 2000, 2012 and 2014

	2000	2012	2014
GDP growth (annual %)	3.9	6.7	6 ^a
GDP per capita, current USD	340.2	1686.6	1721.6 ^a
Inflation, consumer price (annual %)	26	6.6	7.8 ^a
Exports of goods and services (% of GDP)	23.9	42.1	40.9 ^a
Imports of goods and services (% of GDP)	36.5	37.1	37.8 ^a
Net ODA received (% of GNI)	23.1	3.9	3.9 ^a
Gross fixed capital formation (% of USD GDP)	20.8	33.4	33.3 ^b
Official exchange rate (Zambian Kwacha per USD, period average)	3.11	5.15	6.15 ^a
Government budget deficit (% of GDP)		-2.8	-5.5 ^c
Foreign Direct Investment (net inflows as % of GDP)	3.4	6.9	5.6 ^a
Agriculture, value-added (annual % rate)	0.2	6.8	6.5 ^a
Industry, value-added (annual % rate)	4.4	5.7	3.5 ^a
Manufacturing, value-added (annual % rate)	4	7.2	2.3 ^a
Services etc., value-added (annual % rate)	5.3	7.3	7.4 ^a
Current account balance (% of GDP)	-18.4	5.5	-1.4 ^a

Sources: for 2000 and 2012 see IGPE 2015, ^a World Bank Development Indicators,

^b National Accounts Main Aggregates Database 1970-2014, ^c Trading Economics, Reuters, Bloomberg

2.1 The domestic currency

The Zambian kwacha (ZMW)² had been overvalued since 2000 and became the world's third worst performing currency in 2015, when it plummeted by 41 percentage points against the US dollar (Gaffey, 2016). Zambia was consequently downgraded from B1 to B2 by international credit rating firm Moody's, making 2015 a harmful year for the Zambian economy (Tshabalala, 2015). However, the kwacha has recovered since the beginning of 2016 as copper demand and prices have risen again, becoming one of the world's best performing currencies.

² On 1 January 2013, the old Zambian kwacha (ZMK) was replaced by the new kwacha (ZMW). One ZMW equals 1,000 ZMK.

The main issue with Zambia's national currency is that its value is highly volatile, due to its dependence on copper prices. For instance, the drastic loss in the currency's value in 2015 was the result of a 27 percentage point decline in copper exports to China and falling copper prices (Aguirre, 2016).

2.2 Over-reliance on copper

Zambia is heavily reliant on its mining industry. The sector's contribution to the country's GDP is roughly 11 per cent, and its contribution to the Treasury increased by 21 percentage points from 2013 to 2014, from K8.21 billion to K9.95 billion (Mupeseni, 2016; Tshabalala, 2015). This makes the economy noticeably volatile, as is shown by past episodes of mineral booms and recessions, accompanied by high or low economic growth respectively (Africa Research Bulletin, 2013).

Copper, more specifically, is key to the Zambian economy. It is the country's biggest export, contributing about 70 per cent of its total export earnings (Aguirre, 2016; Mabenge, 2016). But while this industry's available share of GDP was 10.4 per cent in 2013, in 2014 its share of employment was a mere 1.4 per cent (CSO, 2014, table A6; 2015, table 5.13). Relying on this sector for revenues is not yielding the expected benefits either, as half of the total value added is repatriated profits that are not re-injected into the Zambian economy (Harasty et al., 2015: 8).

Table 2.2. Key facts about Zambia

- Economic growth has been averaging 5–6 per cent per annum over the past decade.
- Ranked ninth in world's top copper producers and second in Africa.
- One of the fastest growing populations in the world, soon reaching 17 million.
- 60 per cent of its population live below the poverty line, while 42 per cent are considered to be living in extreme poverty.
- One of the youngest countries in the world, with a median age of 17 years.
- In the 2010 Human Development Index, ranked 150th out of 169 countries.
- Ranks among the ten countries in the world with the highest HIV rates, with 12 per cent of adults affected

2.3 Foreign Direct Investment

FDI is an important contributor to GDP. In Zambia, the sector that attracts most FDI is mining, followed by manufacturing and construction. Opportunities for FDI have increased with the devaluation of the kwacha, as this makes the country's wages and production costs lower relative to those of its foreign counterparts, and consequently more attractive for productive capacity investments.

However, despite being one of the biggest recipients of FDI in Africa, Zambia's recent FDI inflows have significantly decreased. FDI declined by 48 percentage points in 2016 compared with 2014. This can be partly explained by a lack of trust on behalf of investors following recurrent electricity shortages and inconsistencies in the mining taxation regime (UNCTAD, 2016: 41). The tax regime has been changed three times between 2013 and 2016, including a major change in the mining fiscal regime in 2015 (Aguirre, 2016; IMF, 2015: 6).

The impact of FDI on employment is twofold. On one hand, foreign investors can contribute to the diversification of the Zambian economy, create jobs and promote technology and knowledge transfers to Zambian workers (Fessehaie and Morris, 2013:

541). For instance, 76,000 jobs were created through Chinese investment during 2000–12 (Sinkala and Zhou, 2014: 42). However, on the other hand FDI can also have a negative impact on employment. Foreign workers are brought into the country to do jobs that Zambians could potentially do themselves (ibid.). If labour costs are lower in the investor’s country than in Zambia, the chances are that Zambian workers will be underpaid. Finally, as foreign investors are not as constrained as local investors in respecting the national law on labour, they might provide their workers with poor working conditions. One example is the 2007 explosion at a Chinese-owned explosives factory, where 49 miners perished due to poor safety measures (Moriyasu, 2016; Carmody and Hampwaye, 2010: 94).

3. Conceptual framework

Three areas of reform need to be kept in mind when looking at Zambia's employment trends and dynamics: formalization of employment, diversification and education. Policies in each field cannot be considered separately and will have spillover effects on counterpart fields (figure 3.1). For instance, formalization can be reinforced if new jobs created in a specific manufacturing firm (diversification) all offer social protection and the firm is registered. Similarly, as the manufacturing sector expands, young people in the workforce can be trained according to the skills required to perform jobs in the relevant firm (education). This section gives a brief definition of these areas of reform and puts them into context. Specific policy recommendations can be found in the concluding chapter of this report.

3.1 Formalization

The informal economy remains a significant problem in Zambia, as it does not seem to be improving over time. Nine out of ten workers are in informal employment. This means that they lack employment benefits and basic social or legal protection, work long hours for low earnings and are exposed to inadequate and unsafe working conditions (ILO, 2016). This is problematic for several reasons.

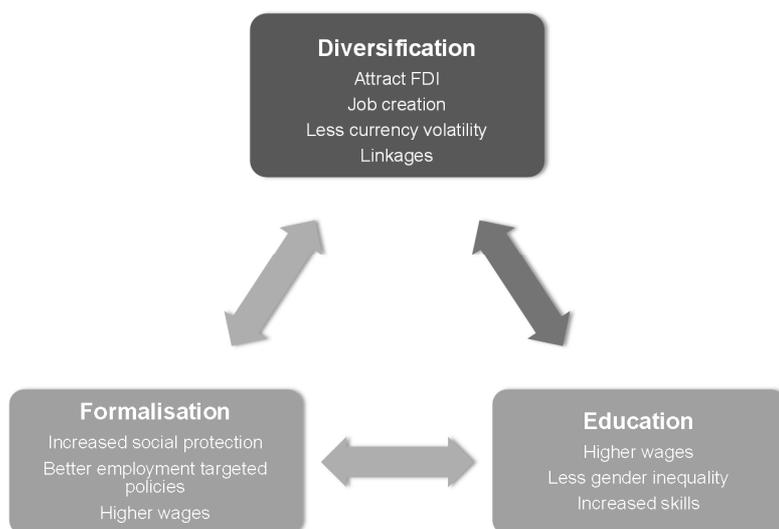
First, it poses a problem in terms of health, as if an informal employee is sick, the chances are that he/she will not seek medical advice or help because of high costs that he/she cannot afford. The same applies to accidents that take place at work. The worker will also most likely keep on attending his/her workplace, despite his/her medical condition, because of a lack of paid sick leave. Even though this issue is not analysed in more detail in this paper, having a healthy working population is key to development and to Zambia's prosperity.

Second, informal employment creates instability in the employment market. Workers come in and out of employment and face uncertainty about their future. Informal employment usually comes without a written contract and is short term, part time or temporary. This makes it difficult to control who is working and who is not, as the figures constantly change. It then becomes problematic to have reliable employment figures on which the Government can base its policy formulation.

Third, employment in the informal sector means that firms are not registered with the Government, that they do not have a complete set of accounts, and/or that their workers are unregistered. This is of course not desirable as the firms and workers avoid taxation, on which government revenues are partly based. Having more firms and workers registered nationally would contribute to the Government's budget and could help in making it less dependent on revenues from copper.

Last but not least, wages in the informal economy are low. If the Zambian population is to become more prosperous and escape the poverty trap, then workers need to move to formal employment, where wages are higher and benefits granted. Low-paid informal employment goes against the promotion of productive employment that was at the core of the previous ILO study.

Figure 3.1. Three areas of reform and their potential outcomes



3.2 Diversification

As the Zambian kwachis now devalued, it is a perfect moment for the country to rethink its economy and move towards diversification, especially in labour-intensive sectors of economic activity. The previously overvalued kwacha posed competitiveness issues as it made Zambian goods and services more expensive for foreign buyers and foreign goods cheaper than domestic ones (Harasty et al., 2015: 10). Therefore, the currency devaluation makes it the right time to focus on the sectors that currently contribute less to total economic growth. This is the case with the manufacturing sector, where the potential is great but the contribution to GDP is meagre. The low currency would boost the exports of processed goods with high added value.

It is also important to bear in mind that a strategy of diversification cannot rely solely on currency devaluation. It would have to be accompanied by other policies based on industrialization or education, such as boosting competitiveness, increasing public investment in infrastructure, and providing vocational training in areas where people lack skills, i.e. rural areas.

Focusing on the manufacturing sector is key, as this can bring other benefits including production links with other sectors, the transfer of production skills and employment opportunities (Dinh, 2013: 5). Developing the manufacturing sector would also increase the contribution FDI makes to national economic growth, as it would allow foreign investors to create links with domestic firms (Harasty et al., 2015). In a recent World Bank study, particular emphasis was put on “light manufacturing”¹ in Zambia as a way out of copper dependence and an opportunity to create more jobs (Dinh, 2013).

However, as was highlighted in the previous ILO study, developing the manufacturing sector and creating a more dynamic agricultural sector are two sides of the same coin. One aspect of the agricultural sector that deserves more attention is the

¹ “Light manufacturing” is defined as the production of small consumer goods where all processing, fabricating and (dis)assembling takes place within an enclosed building.

production of maize, which has been the main driver of agricultural production over the past few years (Harasty et al., 2015: 11; Smale et al., 2013).

3.3 Education

Education in its broader sense is key to development in Zambia. Education can mean attending secondary school or university, holding a certificate or diploma in a specialized field, or even participating in targeted short-term skills training. Educational attainment is particularly low in Zambia and is unevenly distributed by gender and across regions and economic sectors. While education is expanding and the sector is on the right track, it needs to be promoted at a faster pace, as returns from education usually take a while to be realized.

One dimension of education that needs to be emphasized is gender inequality, as women in Zambia are still less well educated than men and have access to a limited number of jobs. This poses a problem on a larger scale, as there are not enough men to do all the jobs available. If women were also able to participate in some of the sectors where they are discriminated against, it would be easier to promote a more even distribution of employment across all employment sectors, as well as increase the education and skills of those in employment. This type of economic policy would have to come hand in hand with one on economic diversification, so that forward-looking sectors of the economy could hire a higher number of better-skilled workers. This in turn would increase productivity and contribute to the economy as a whole.

4. Definitions and comparability issues

The results that are presented in this paper are to be taken with caution, as there are some issues of comparability between the 2008, 2012 and 2014 labour force surveys. There are also some noticeable differences in the definitions of the concepts used here when compared with those advocated by the ILO. This is the case for the definitions of employment (table 4.1) and for those of informal employment and sector (table 4.2), which are interpreted more broadly here than is advocated by the ILO. The definitions used in this paper coincide with those used by the Zambian Central Statistical Office.

The comparability issues between the different labour force surveys are manifold. The biggest is between the 2008 LFS and the 2012 and 2014 labour force surveys. In the 2008 LFS, a person defined as “employed” is anyone who is in paid employment (even if they are temporarily not working) and anyone who is working without pay. The definition of employment in the 2008 LFS excludes household activities (whether or not these are paid), as well as any type of activity in agriculture, farming, fishing or forestry, carried out either on a commercial basis or for personal gain. By contrast, both the 2012 and 2014 labour force surveys include “own-use production work” in their definition of employment (see table 4.1 for more details of this definition). It is important to bear this in mind because, while the 2012 and 2014 labour force surveys show similar employment participation figures, it is likely that the corresponding figures in the 2008 LFS were underestimated. Had these types of work been included in the definition of employment in the 2008 LFS, they would have constituted 19 per cent of total employment – which is not negligible.

There are also comparability issues between the 2012 LFS and the 2014 LFS, which are important as 2012–14 is the time period on which most of the analysis in this report is based. In the 2014 LFS, three new categories – “volunteer work”, “apprentices” and “interns” – are possible answers to the question on economic activity. However, because of the way the questionnaire is constructed, it is not possible to verify whether these people receive any form of remuneration for their work, which is a condition for employment under the ILO definition (19th ICLS, 2013). In 2012, these three categories were not included as possible answers to the same question. However, such a small percentage of respondents chose one of the categories in 2014 – 0.02 per cent for “apprentices” and for “interns” and 0.15 per cent for “volunteer work” – that their inclusion is unlikely to affect the overall results.

With respect to informal employment, it is important to note that the 2014 LFS does not allow workers on temporary/casual or seasonal contracts to answer questions on contributions to a social security scheme or entitlement to any type of paid leave (both of which are prerequisites for formal employment). In 2012, however, this question was asked. This means that the 2014 LFS considers all workers who work on temporary/casual or seasonal contracts to be informally employed. This new feature of the LFS could result in the number of informally employed workers being overestimated, as people on these types of contracts actually constitute about a quarter of the total employed workforce.

By contrast, another issue with the 2014 LFS could lead to an underestimation of the number of workers informally employed in the informal sector. Between two consecutive questions, half of the workers in private businesses or farms “disappeared”. That is to say, they all replied to the first question on their work but did not reply to the second one on whether the business for which they work is registered. The only possible explanation for this lack of response is that their work might not have been registered, but they did not wish to specify this. This question is crucial as it determines whether

workers are employed in the formal or informal sector. This issue did not arise in the 2012 LFS, where almost all workers in private businesses and farms went on to answer the subsequent question on registration.

Finally, in the 2012 LFS workers were able to answer “I don’t know” to the questions on contributions to a social security scheme and entitlement to paid (sick) leave. This option was not given in the 2014 survey. However, the number of workers who chose this answer in 2012 represents only a few percentage points of the sample, and hence can be discounted. It can also be assumed that the people who did not know in 2012 whether they were contributing to a social security scheme or entitled to paid (sick) leave would have answered “no” to that same question in the 2014 LFS.

Table 4.1. Different definitions of employment

The main difference between the definition of employment used by the Zambian CSO and that of the ILO is that certain forms of household work are included in the former but not the latter. According to the ILO, this specific form of work is known as “**own-use production work**” or “**any activity to produce goods or provide services for own final use performed by those of working age during a short period of time**” (see 19th ICLS, 2013, for more details). This work varies from fetching water to manufacturing household goods and managing household accounts.

While the ILO distinguishes between “**employment**” and “**work**”, this distinction is not made in the CSO labour force surveys on which this study is based. As this dichotomy in the definition of employment was discussed and adopted in late 2013 at the 19th ICLS, applying it to the 2014 LFS would have made the comparison with the 2012 LFS less accurate.

The following figures give an approximation of how many of the people employed (as understood by the CSO) are performing **own-use production work** (as defined by the ILO), and who they are, for both the 2012 and 2014 labour force surveys.

Please note:

- The 2014 LFS gave as a possible answer to the question on economic activity “own-use production work”, but the ILO definition would also encompass any other person of working age (in school, housewife/homemaker, etc.) who is performing household work.
- Some of the answers in the 2014 LFS, such as “own-use production work”, were not available in the 2012 LFS.

2012 LFS

Of the total number of people employed:

- 81% are in **employment** (as defined by the ILO).
- 19% are performing **work** (as defined by the ILO), of whom:
 - 47% are in school;
 - 33% are housewives or homemakers;
 - 13% are not working but looking for work;
 - 7% are not working and not looking for work, but available to work.

2014 LFS

Of the total number of people employed:

- 57% are in **employment** (as defined by the ILO).
- 43% are performing **work** (as defined by the ILO), of whom:
 - 52% are in school;
 - 22% are in own-use production work;
 - 13% are housewives or homemakers;
 - 9% are not working but looking for work;
 - 2% are not working and not looking for work, but available to work.

NB: The proportion of workers performing “own-use production work” (as defined by the ILO) is greater in 2014 than in 2012.

Table 4.2. Different definitions of the informal economy

The Zambia CSO definition (used in this paper and based on the multiple CSO labour force surveys)

A worker is in **formal employment** if:

- he/she is employed;
- AND he/she contributes to any social security scheme;
- AND he/she meets one or more of the following criteria:
 - 1) He/she is entitled to paid leave.
 - 2) He/she is entitled to paid sick leave in cases of illness or injury.
 - 3) He/she is entitled to maternity leave when pregnant.
 - 4) He/she is a member of any trade union.
 - 5) He/she is eligible for income tax from his/her salary.
 - 6) He/she is employed on the basis of a written contract.
 - 7) He/she has been working for the same employer for three years or more.

Any worker who does not meet these criteria is considered to be **informally employed**.

A worker is in the **formal sector** if:

- he/she is employed;
- AND he/she works for central or local government, a council, a parastatal or state-owned firm, an embassy or an international organization;
- OR he/she works for a private household, a producers' cooperative, a non-governmental organization, a church, a private business or a farm AND EITHER works in a registered establishment or building OR works at a place where at least five people are employed.

Any worker who does not meet these criteria is considered to be in the **informal sector**.

ILO definition (based on Report VI of the 90th International Labour Conference Session in 2002)

A worker is in **informal employment** if:

- he/she is employed;
- AND he/she meets any of the following criteria:
 - 1) He/she is an unpaid family worker working in a private household of at least five employees OR he/she is an unpaid family worker working in a non-registered place of at least five employees OR he/she is a volunteer working in a non-registered place of at least five employees.
 - 2) He/she is a paid employee who works in a place that is EITHER registered OR has at least five employees AND who does not contribute to any social security scheme/is not entitled to paid leave/is not entitled to paid sick leave in cases of illness or injury.
 - 3) He/she is an apprentice or intern working in a non-registered place of maximum four employees.
 - 4) He/she is an employer working in a non-registered place of maximum four employees.
 - 5) He/she is self-employed and working in a non-registered place of maximum four employees.
 - 6) He/she is an unpaid family worker working in a private household of maximum four employees OR he/she is an unpaid family worker working in a non-registered place of maximum four employees OR he/she is a volunteer working in a non-registered place of maximum four employees.
 - 7) He/she is a paid employee working in a non-registered place of maximum four employees AND does not contribute to any social security scheme/is not entitled to paid leave/is not entitled to paid sick leave in cases of illness or injury.
 - 8) He/she is a paid employee working in a non-registered place of maximum four employees AND who contributes to a social security scheme, is entitled to paid leave and is entitled to paid sick leave in cases of illness or injury.

A worker is informally employed in the **formal sector** under conditions 1) and 2) and employed in **the informal sector** under all the other conditions cited above.

BACKGROUND

This chapter begins with a general overview of the employment trends and dynamics in Zambia, in order to set the context for the sections that follow, which focus on areas where reform is needed.

5. Employment and new labour force dynamics

This section aims to compare trends in employment and the labour force between 2008 and 2014, with a particular focus on the period 2012–14. Analysis is carried out by looking at different characteristics, i.e. gender, region, age, province, employment status and occupation.

It is important to bear in mind throughout this section that the employment figures for 2008 (employment, unemployment and labour participation) are to be viewed with caution, as they exclude certain activities that were included in the definition of employment in the 2012 and 2014 labour force surveys (see Chapter 4 for more details). This is particularly relevant when looking at female employment indicators, as women typically perform the activities excluded in the 2008 LFS definition.

5.1 Overview of the labour force

Since 2008, there has been a general trend of a rise in labour participation in Zambia, and hence a fall in inactivity. Overall unemployment is also falling over time, especially for women. Labour participation has been decreasing for male adolescents (aged 15–19), indicating higher school attendance.

5.1.1 Trends in the labour force: activity, employment and unemployment

The Zambian population is very young and growing fast. From 2008 to 2014, the total population increased by almost 22 percentage points (table A1). The increase in the population has led to an eight percentage point increase in the rural population and a 50 percentage point increase in the urban population (table A2). The significant growth of the urban population shows that there has been a process of urbanization, where people move from the countryside to cities. This rural–urban migration movement can partly be explained by the lack of job opportunities and decent work in the rural areas, pushing workers to migrate to the cities to find jobs and a better life. Between 2008 and 2014, the labour force participation rate increased by three percentage points, from 74.5 per cent to 77.1 per cent (table A1). It slightly decreased in rural areas, while it gained almost 12 percentage points in urban areas (table A3).

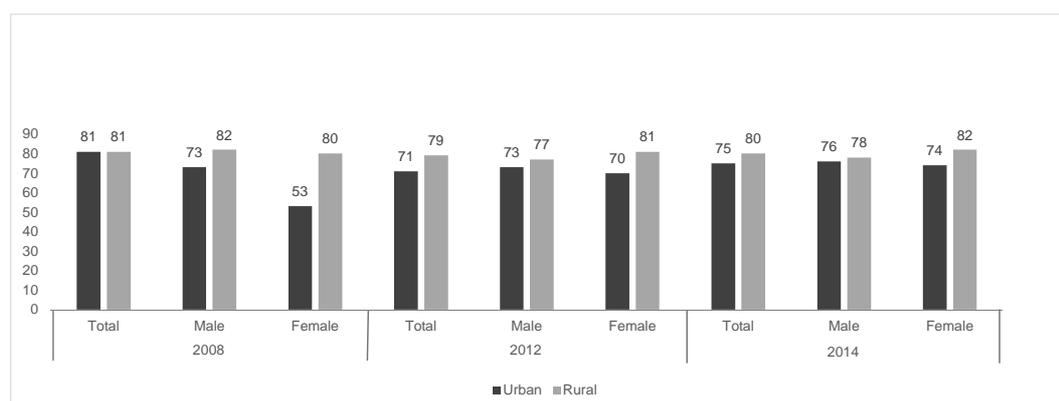
One interesting trend worth noting is that the male unemployment rate decreased during 2008–12, though by 2014 it had reached a higher level than in 2008 (table A1). The opposite has happened for women: by 2012 unemployment had increased and by 2014 it had decreased to a lower level than in 2008 (table A1). This shows a worsening employment situation for men and an improving one for women after 2012.

Overall, the data show two trends: 1) women have caught up with men in terms of employment level; and 2) more women than men are active or employed, and fewer are unemployed.

5.1.2 Labour force participation by region, gender and age

While labour force participation by urban males has increased only slightly between 2008 and 2014, from 73 per cent to 76 per cent, the increase for females has been significant, from 53 per cent to 74 per cent (figure 5.1). This goes hand in hand with the previous finding of increased female employment, particularly in urban areas. However, as mentioned above, this finding is to be viewed with caution as it might have been overestimated due to comparability issues (see Chapter 4).

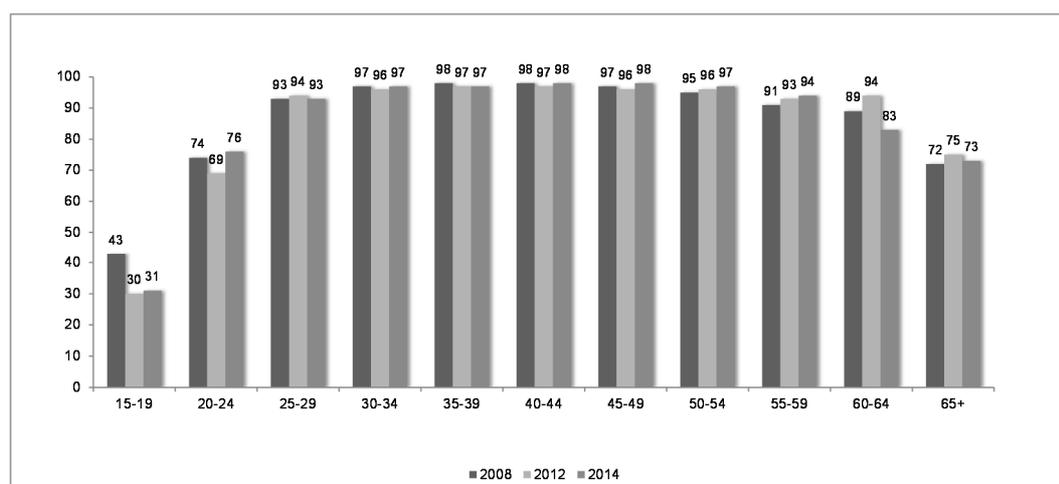
Figure 5.1. Labour force participation rate, urban and rural, by gender 2008, 2012 and 2014 (%)



Sources: CSO, 2011, table 5.1; 2013, table 5.1; 2015, table 4.1

When comparing 2012 and 2014, one can see that total labour force participation has increased in both urban areas (by four percentage points) and rural areas (by one percentage point). This is also the case for male and female participation. In urban areas, female labour force participation has increased by four percentage points and male labour force participation by three percentage points. In rural areas, labour force participation has increased by one percentage point for both genders (figure 5.1).

Figure 5.2. Male labour force participation rate by age group, 2008, 2012 and 2014 (%)



Note: For 65+, the average was calculated for the year 2014 as it was divided into 65-69, 70-74 and 75+

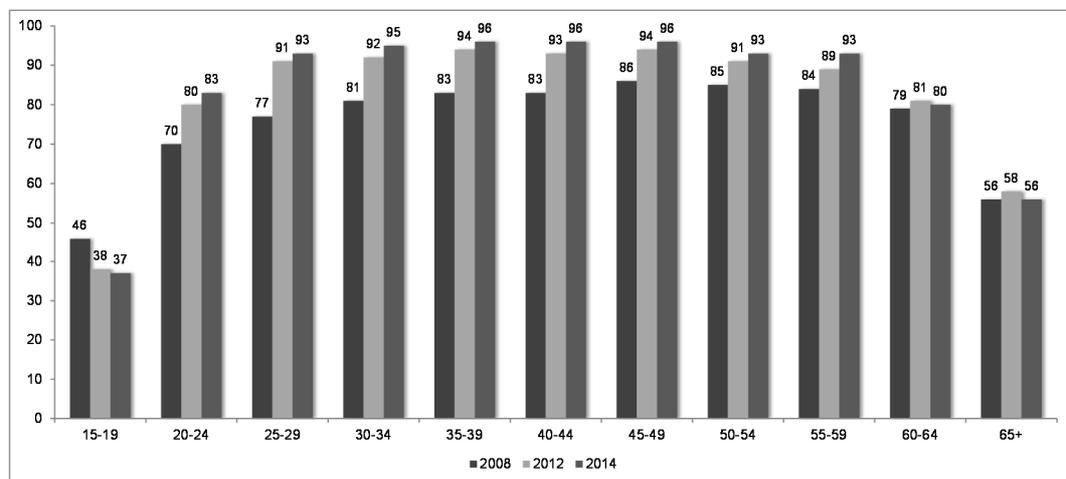
Sources: CSO, 2011, table 5.2; 2013, table 5.2; 2015, table 4.2

Male labour force participation among the 15–19 age group decreased by 12 percentage points over the period 2008–14 (figure 5.2). Adolescents are staying longer in education rather than starting to work as soon as they reach the legal working age of 15 years (Harasty et al., 2015: 36). One possible interpretation of this phenomenon is that

child labour was previously more widespread and schooling was neglected. Indeed, there is now a deeper awareness of and commitment to implement educational policies (Mwalimu, 2014). The fact that the labour force participation rate for young men has decreased over time indicates that schooling has become more valued, affordable and/or available, and that the use of child labour has diminished. It is worth noting, however, that while overall adolescent male labour force participation is decreasing, between 2012 and 2014 it actually rose by one percentage point.

For the age group 60–64, the labour force participation rate increased during the four years from 2008 to 2012, but by 2014 it was even lower than the 2008 rate. This is a positive outcome as it shows increased care for the elderly, meaning they do not have to keep on working as much (or at all) as they get older. This trend also reflects the introduction of an official retirement age of 60 years. A similar trend can be seen for male workers aged 65 and over.

Figure 5.3. Female labour force participation rate by age group, 2008, 2012 and 2014 (%)



Note: For 65+, the average was calculated for the year 2014 as it was divided into 65-69, 70-74 and 75+

Sources: CSO, 2011, table 5.2; 2013, table 5.2; 2015, table 4.2

Like young men, young women aged 15–19 are staying longer in education, as shown by the 9 percentage point decrease in their labour force participation from 2008 to 2014. For all the other age groups (except 60+), the increase in labour force participation between 2008 and 2014, as well as from 2012 to 2014, is more noticeable for women than for men. While female labour force participation seems to have “jumped” between 2008 and 2014, it is important to bear in mind that this improvement in female labour force participation might have been overestimated because of comparability issues between the 2008 LFS and the 2014 LFS (see Chapter 4).

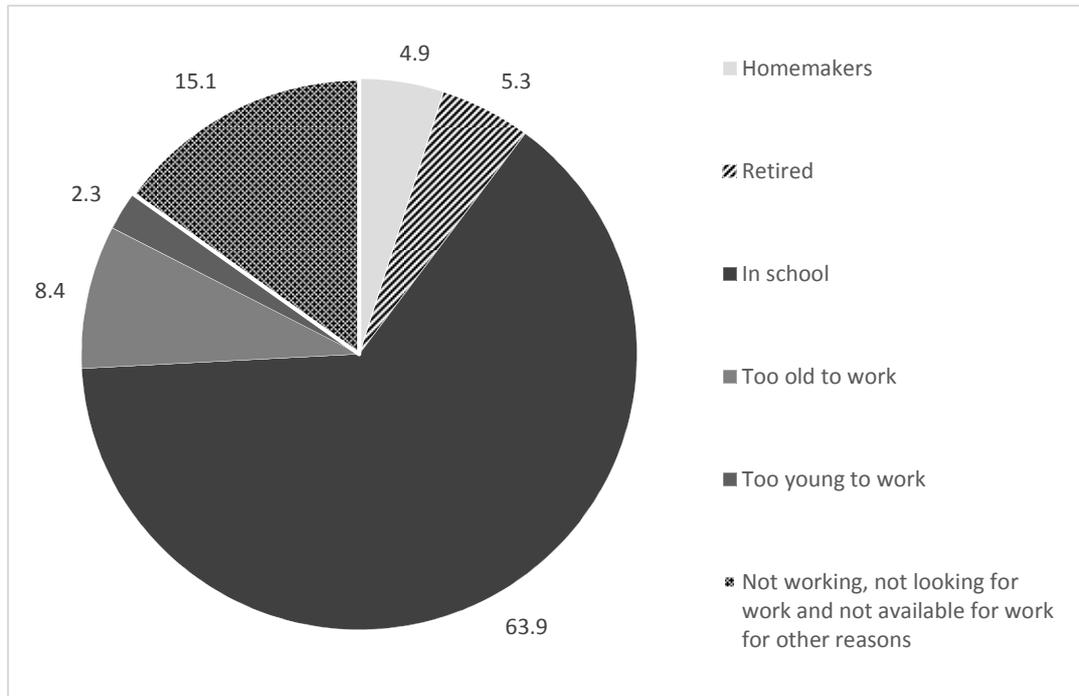
As is the case for men, female labour force participation after the age of 60 has gone down as a consequence of the change to the retirement age, although the difference is minor (minus 1 percentage point) for women in the age group 60–64 compared with the difference for men (minus 11 percentage points).

5.1.3 Reasons for economic inactivity

By comparison with 2012, the reasons for inactivity in 2014 have changed significantly. In two years, 5.2 per cent more people claim to be economically inactive because they are retired, following the change to the pension age. A further 4.3 per cent are inactive because they have other reasons for not working, not looking for work and not being available for a job. By contrast, the number of people economically inactive

because they are attending school has decreased by 8.5 percentage points (figure 5.4; figure A1). This does not mean that there are fewer people attending school, as overall school attendance has increased. It means that in the whole distribution of economically inactive people, a smaller share of people are inactive because of schooling, as proportionately more people are inactive because of retirement or for other reasons.

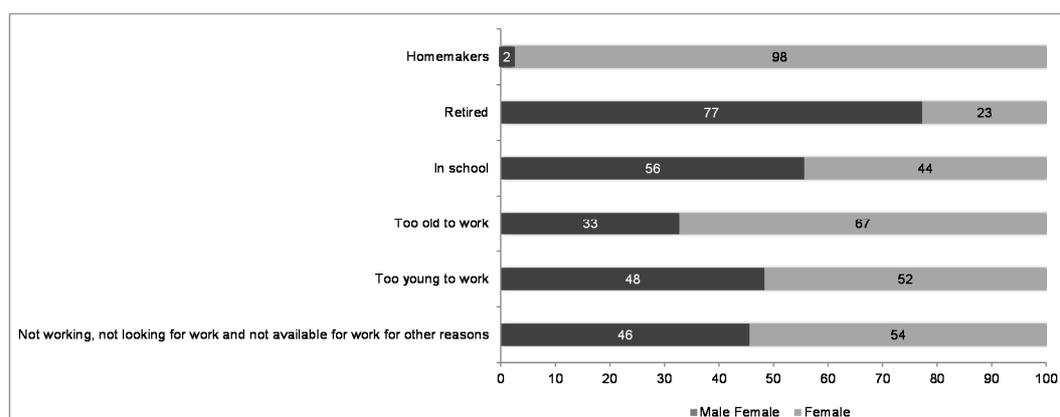
Figure 5.4. Distribution of the economically inactive population by reason for inactivity, 2014 (%)



Source: CSO 2015, figure 4.6

Between 2012 and 2014, the distribution of the reasons for inactivity according to gender has hardly changed (figure 5.5; figure A2). There is an almost equal distribution between men and women when it comes to schooling, young age or “other reasons”. However, when it comes to retirement or being too old to work, the distribution is less even between men and women, as four-fifths of those who are retired are males and over two-thirds of those too old to work are women. This shows that men tend to be more formally employed than women, and hence have an official retirement with a pension. By contrast, women are homemakers or work informally, and do not have a pension.

Figure 5.5. Distribution of economically inactive by reason for inactivity and gender, 2014 (%)



Source: Author's calculations based on 2014 LFS

Summary

- There is increasing labour force participation, especially for women and in urban areas.
- Unemployment is decreasing.
- School attendance is improving.
- There is rapid urbanization.
- Most homemakers are women.

5.2 Employment characteristics

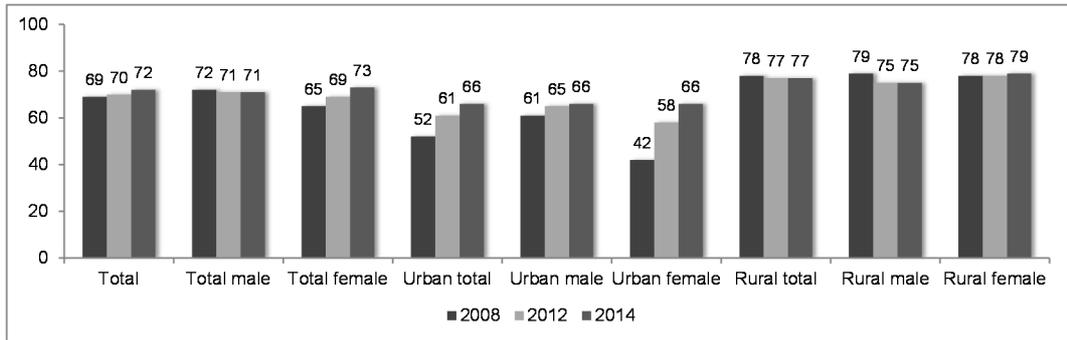
Urban areas show an increase in vulnerable employment, i.e. an increase in self-employed and unpaid family workers. By contrast, the situation in rural areas is more ambiguous. There seems to have been a fall in vulnerable employment, as indicated by the increase in paid employment. However, this increase in paid employment might be due to self-employed farmers losing their land and being forced to work as day labourers, in which case they would still be vulnerable.

5.2.1 Characteristics of the employed by region, gender and age

Trends in employment by geography and gender have not changed in 2014 compared with the period 2008–12. Total employment is still increasing. It rose from 70 per cent to 72 per cent between 2012 and 2014. This is due to a four percentage point increase in the female employment rate (from 69 per cent to 73 per cent), while the male employment rate stagnated at 71 per cent (figure 5.6).

The increase in the employment rate is limited to urban areas, where it rose from 61 per cent to 66 per cent. Over the same period, the urban female employment rate increased by eight percentage points. By contrast, the rural employment rate has remained unchanged during this period.

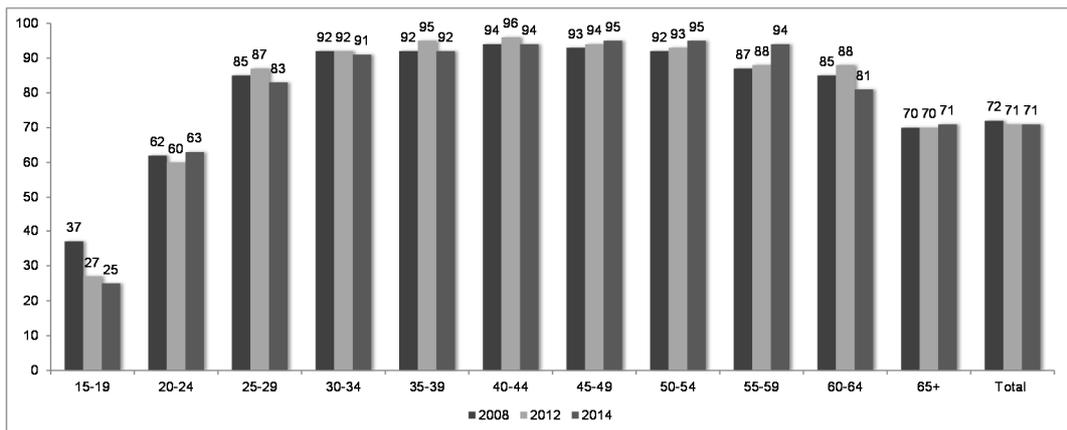
Figure 5.6. Employment rate, rural and urban, by gender, 2008, 2012 and 2014 (%)



Sources: CSO, 2011, table 6.1; 2013, table 6.1; 2015, table 5.2

Looking at the employment rate by age group for both males and females between 2012 and 2014, one can see that changes are more significant in the female employment rate than the male employment rate (figure 5.7; figure 5.8). For all age groups (except 15–19) there has been a positive change in the female employment rate. By contrast, changes in the male employment rate vary across the age groups.

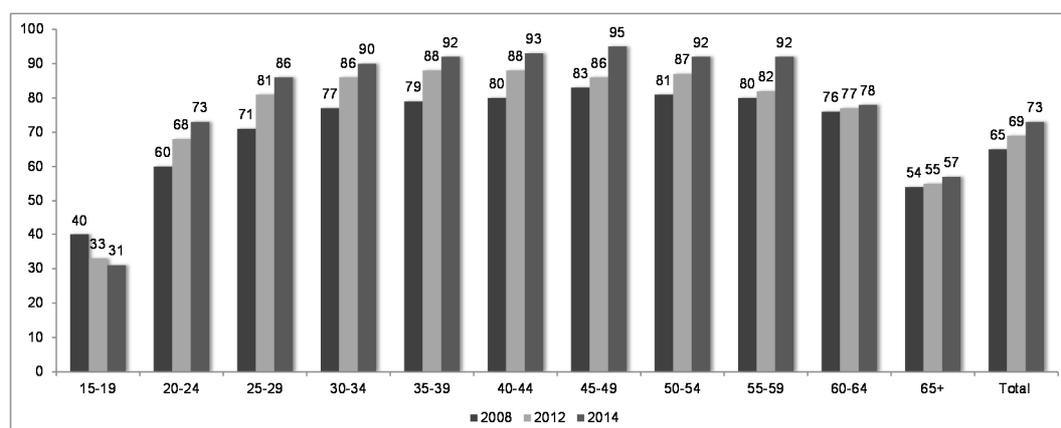
Figure 5.7. Employment rate, male, 2008, 2012 and 2014 (%)



Sources: CSA, 2011, table 6.1; 2013, table 6.1; 2015, table 5.2

There are two notable similarities between the male and female employment rates. One of them is the two percentage point decrease in employment for adolescents aged 15–19, showing improved school attendance at secondary level. The second common feature is that the largest change is an increase in employment for people aged 55–59.

Figure 5.8. Employment rate, female, 2008, 2012 and 2014 (%)



Sources: CSA, 2011, table 6.1; 2013, table 6.1; 2015, table 5.2

Employment is not evenly distributed across the provinces, and neither is its growth. Over the period 2008–14, employment has grown by 11.2 per cent per year in Lusaka, and by 8.2 per cent in the Copperbelt Province, where the mining industry is concentrated (table 5.1). In terms of distribution, employment in Lusaka has dropped by 0.7 percentage points between 2012 and 2014, while employment in the Copperbelt Province has risen by 2.3 percentage points. The most rural provinces of Zambia, the North Western and the Northern with Muchinga, both have a smaller employment share in 2014 than in 2012, confirming that workers are leaving rural areas.

Table 5.1. Employment by province, 2008, 2012 and 2014

	Distribution						Annual Growth
	2008	2012	2014	2008	2012	2014	2008-2014 (%)
Central	531 927	501 923	581 719	11.5	9.1	9.9	1.5
Copperbelt	580 433	747 562	933 451	12.6	13.6	15.9	8.2
Eastern	668 773	678 134	728 058	14.5	12.3	12.4	1.4
Luapula	419 330	462 459	411 845	9.1	8.4	7.0	-0.3
Lusaka	553 748	1 020 325	1 047 560	12.0	18.6	17.9	11.2
Northern & Muchinga	664 712	781 624	776 057	14.4	14.2	13.3	2.6
North Western	274 154	287 282	284 617	6.0	5.2	4.9	0.6
Southern	542 602	646 067	698 760	11.8	11.7	11.9	4.3
Western	371 167	374 296	397 159	8.1	6.8	6.8	1.1
Total	4 606 846	5 499 673	5 859 225	100.0	100.0	100.0	4.1

Note: The Muchinga province was separated from the Northern province in 2011. For comparison purposes, both provinces have been grouped together for 2008-2014. One should also note the underestimation of the urban labour force and overestimations the rural labour force in 2008 affected the regional estimates.

Sources: CSO, 2011, table 6.5; 2013, table 6.5; 2015, table 5.5

5.2.2 Employment by occupation

The distribution of the employed by occupation shows little change between 2012 and 2014. Overall, the changes worth noting are a decrease of 3.3 percentage points for “Skilled agricultural, forestry and fisheries workers” and an increase of three percentage points for “Elementary occupations”¹ (table 5.2).

The decrease for “Skilled agricultural, forestry and fisheries workers” is linked to a 10.5 percentage point decrease in male employment in this sector, which outweighs the 3.3 percentage point increase in female employment in the same sector. In terms of “Elementary occupations”, more men are now involved in them by an 8.8 percentage point increase, and fewer women by a 2.6 percentage point decrease (table 5.2).

Table 5.2. Distribution of the employed by occupation, 2012 and 2014 (%)

	2012			2014		
	Both Sexes	Male	Female	Both Sexes	Male	Female
Managers	0.9	1.4	0.5	1	1.5	0.5
Professionals	4	4.6	3.4	3.6	4.3	3.1
Technicians and associate professionals	1.4	2	0.7	1.3	1.9	0.7
Clerical support workers	0.7	0.7	0.7	0.6	0.6	0.6
Service and sales workers	14	13.3	14.7	14.3	14.3	14.3
Skilled agricultural, forestry and fisheries workers	48.7	46.9	50.4	45.4	36.4	53.7
Craft and related trade works	6.9	11.7	2.3	6.6	11.3	2.4
Plant and machine operators and assemblers	2.7	5.2	0.2	3.1	6.3	0.3
Elementary occupations	20.7	14.3	26.8	23.7	23.1	24.2
Other	0.2	0.3	0.1	0.4	0.5	0.4
Total	100	100	100	100	100	100

Note: ‘Other’ includes all occupations not identified by International Standard Classification of Occupations (ISCO)

Source: CSO, 2013, table 6.8; 2015, table 5.8

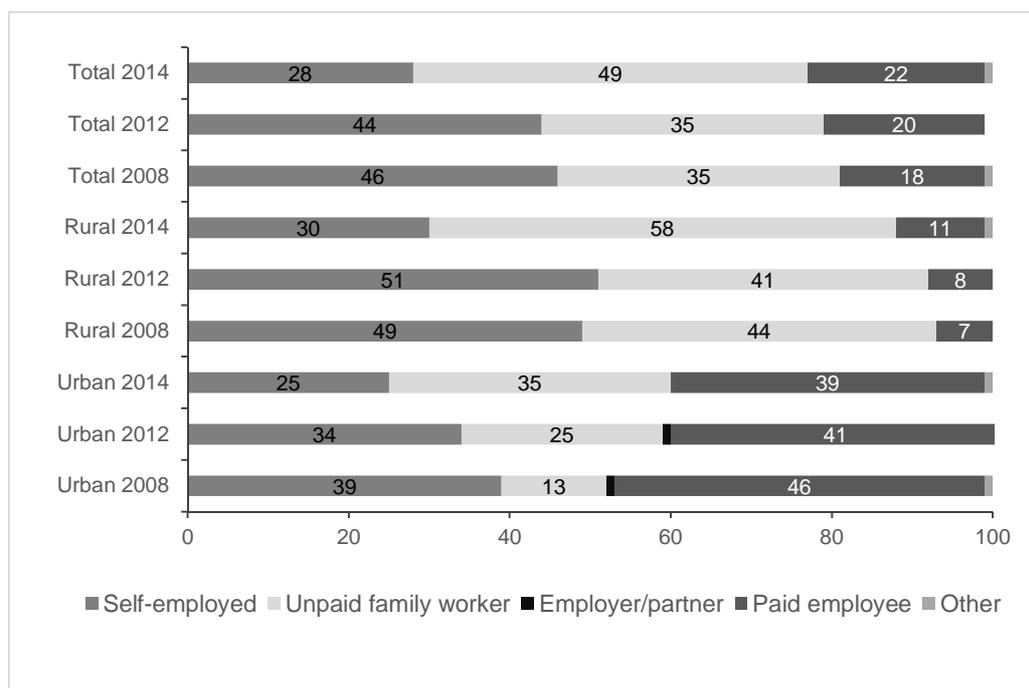
The decrease in the share of male employment in the agricultural sector is linked to men leaving rural areas to find jobs in the cities. However, the jobs men find there tend to be unskilled, leading to an overall decrease in the quality of their employment. By contrast, as men leave rural areas, more women can find employment in the agricultural sector.

¹ According to the International Standard Classification of Occupations, elementary occupations are simple and routine tasks which mainly require the use of hand-held tools and often some physical effort. These include: selling goods in streets and public places, or from door to door; providing various street services; cleaning, washing, pressing; taking care of apartments, houses, hotels, offices and other buildings; washing windows and other glass surfaces of buildings; delivering messages or goods; carrying luggage; door keeping and property watching; stocking vending machines or reading and emptying meters; collecting garbage; sweeping streets and similar places; performing various simple farming, fishing, hunting or trapping tasks; performing simple tasks connected with mining, construction and manufacturing, including product-sorting and simple hand-assembling of components; packing by hand; freight handling; pedalling or hand-guiding vehicles to transport passengers and goods; driving animal-drawn vehicles or machinery.

5.2.3 Employment by status

While the distribution of the employed by employment status did not change significantly between 2008 and 2012, there was a significant decrease of 16 percentage points in the share of self-employed workers and an increase of 14 percentage points in unpaid family workers between 2012 and 2014 (figure 5.9). These changes happened in both urban and rural areas, where the share of unpaid family workers has increased by 10 percentage points and 17 percentage points respectively.

Figure 5.9. Distribution of the employed, urban and rural, by employment status, 2008, 2012 and 2014 (%)



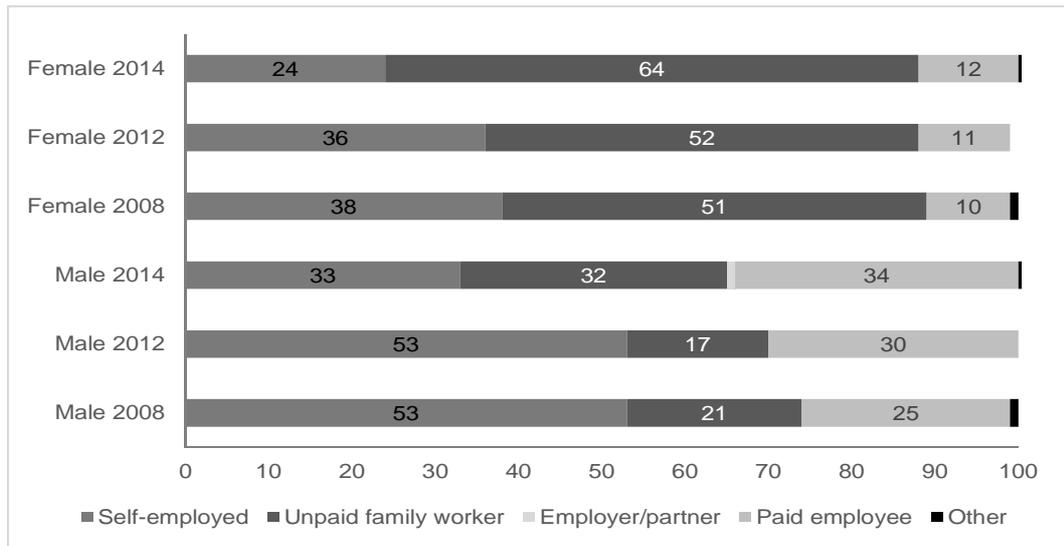
Note: The category "Other" includes apprentices, interns and volunteers in the 2014 LFS (CSO, 2015) and apprentices and interns only in the 2012 LFS (CSO 2013), while the 2008 LFS has no such categories (CSO, 2011). "Unpaid family worker" appears as "Contributing family worker" in the 2014 LFS (CSO, 2015).¹

Sources: CSO, 2011, table 6.2; 2013, table 6.2; 2015, table 5.4

The significant decrease in self-employment between 2012 and 2014 is surprising, as unemployment for men is high. One would assume that high unemployment would stimulate workers to engage in own-account activities, as self-employment is often perceived as an alternative to unemployment (Audretsch et al., 2005). Two possible explanations for the decrease in self-employment are increasing income tax, discouraging workers from engaging in own-account activities, and capital constraints (e.g. limited lending options).

These restrictions on self-employment could explain the significant increase in unpaid family workers. In rural areas, the decrease in self-employment could also be accounted for by scenarios where self-employed farmers lose their land and become day labourers, leading to a small increase in paid employees.

Figure 5.10. Distribution of employed by gender and employment status, 2008, 2012 and 2014 (%)



Sources: CSO, 2011, table 6.2; 2013, table 6.2; 2015, figure 5.1

During 2012–14, the share of self-employed women decreased by 12 percentage points and the share of self-employed men by 20 percentage points. By contrast, there are 12 per cent more female unpaid family workers and 15 per cent more male ones in 2014 than in 2012. Another significant change in employment distribution is the nine percentage point increase in the share of male paid employees between 2008 and 2014, against a two percentage point increase for female paid employees (figure 5.10).

Summary

Employment for women in the cities is increasing.

The number of unpaid family workers is increasing.

Vulnerable employment is increasing.

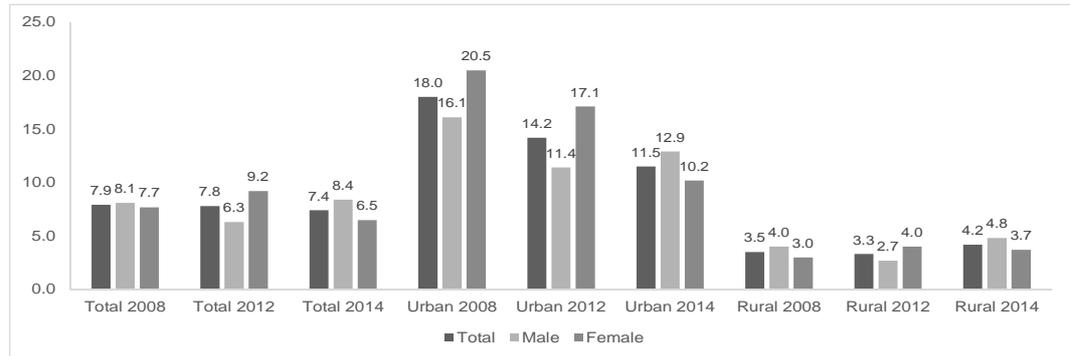
5.3 Underutilization of the labour force

Unemployment is particularly high in urban areas and mainly affects young people, though its general trend shows a decrease over time. In rural areas, the main challenge is underemployment, whether this is time-related (seasonal work) or income-related (low incomes).

5.3.1 Unemployment: A downward trend

In Zambia, unemployment is an urban problem. In 2008, the total urban unemployment rate was almost six times higher than the rural rate, and more than double the total unemployment rate. This ratio has stayed the same throughout 2014. By contrast, the rural unemployment rate has always been lower and was less than half the total unemployment rate in 2012 (figure 5.11). However, it is important to bear in mind that unemployment is not a useful measure of the employment situation, whether in or outside cities, as it does not include social dimensions of poverty, insecurity and low incomes. Nor does it capture underemployment.

Figure 5.11. Unemployment rates, urban and rural, by gender (%)

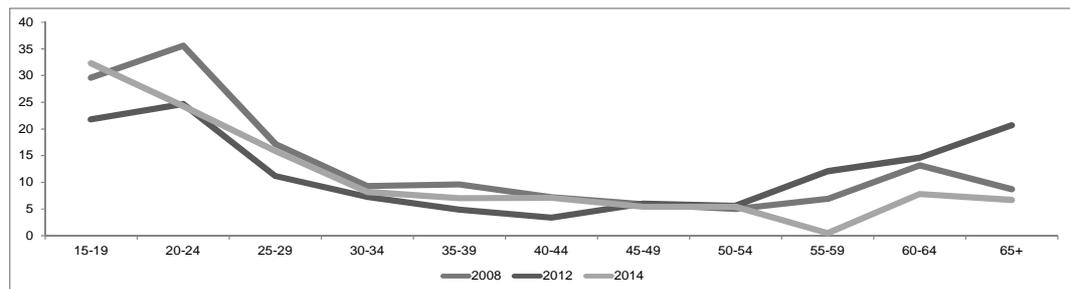


Sources: CSO, 2011, table 9.2; 2013, table 9.2; 2015, table 8.2

While the urban unemployment rate is high, at 11.5 per cent in 2014, it has been decreasing over the years, especially for women (figure 5.11). The rural unemployment rate remains low (4.2 per cent in 2014), even though it has increased slightly since 2012.

The female unemployment rate, whether total, rural or urban, has decreased between 2012 and 2014. By contrast, the total, urban and rural male unemployment rates have all been increasing.

Figure 5.12. Urban unemployment rate by age group, male, 2008, 2012 and 2014 (%)

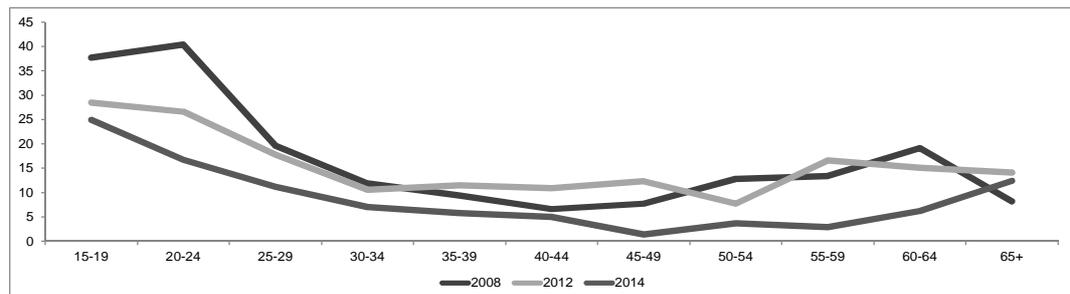


Sources: CSO, 2011, table 9.1; 2013, table 9.2; 2015, table 8.2

The data on male and female urban unemployment rates show that unemployment is fairly high for young people (age 15–25), lower for those in their 30s up to their mid-50s, and then on the rise again for people aged 60+ (figures 5.12 and 5.13).

The 2014 data show that the male urban unemployment rate has decreased since 2008 for all age groups, though the same cannot be said since 2012 for the age groups 25–29 and 40–44. By contrast, the female urban unemployment rate in 2014 is lower than in 2008 and 2012 for all age groups.

Figure 5.13. Urban unemployment rate by age group, female, 2008, 2012 and 2014 (%)



Sources: CSO, 2011, table 9.1; 2013, table 9.2; 2015, table 8.2

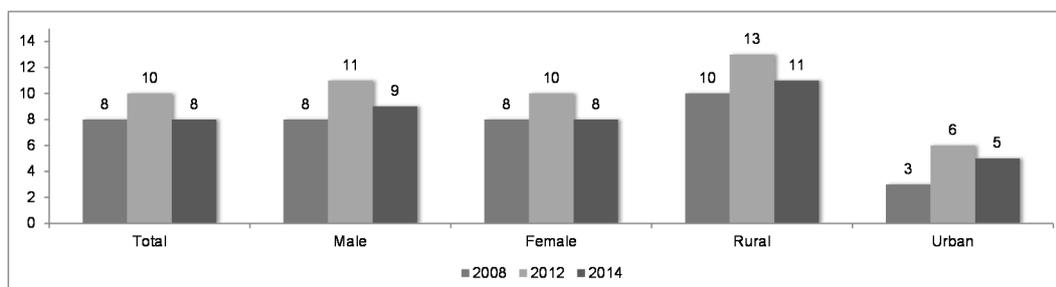
5.3.2. The underemployed: A rural problem

Whereas unemployment is an urban phenomenon, underemployment is a rural one. Time-related underemployment can be understood as a situation where “the hours of work of an employed person are insufficient in relation to an alternative employment situation in which the person is willing and available to engage” (16th ICLS, 1998). Three conditions need to be met for a person to be in underemployment: 1) he/she is willing to work additional hours; 2) he/she is available to work additional hours; and 3) he/she is working less than the selected threshold related to working time (which is specific to each country, but usually 40 hours) (ibid.).

This specific time-related indicator of underemployment is not fully representative of the employment situation in rural areas. Other issues of employment outside the cities need to be taken into consideration. These are: low productivity, low incomes and seasonal employment. The last of these is problematic to the extent that workers are only hired during the agricultural season. This season is limited to a few months, outside of which these same workers do not find paid work because of limited opportunities in the insufficiently diversified rural areas. This also applies to self-employed workers on their own farms.

According to the various labour force surveys, 40 hours of work per week is considered to be the norm. While the underemployment rate increased everywhere between 2008 and 2012, it had decreased again by 2014, when it stood at nine per cent for men and eight per cent for women. The most obvious difference seen is between the underemployment rates for rural and urban areas: the former stood at 11 per cent and the latter at five per cent (figure 5.14).

Figure 5.14. Underemployment rate, urban and rural, by gender, 2008, 2012 and 2014 (%)



Sources: CSO 2011, table 8.1; 2013, table 7.1; 2015

As underemployment is a rural phenomenon, it comes as no surprise that the average number of working hours per week (averaged over the whole year) in rural areas is also the lowest. In 2014 it was 34 hours, compared with 49 hours in urban areas; both numbers have risen by an hour since 2012.

In terms of gender, men work on average more hours than women, with a six-hour difference between the two in 2014. This gap has not altered much since 2012, having reduced by only one hour. The difference in the average number of working hours between men and women is more noticeable in urban areas than in rural ones. In 2014 the difference between men and women in rural areas was four hours, while it was five hours in urban areas (table A4).

5.3.3. Composite indicator of labour underutilization

The composite indicator of labour underutilization (LU) is a measure that seeks to capture both underemployment and unemployment, as well as include people who are marginally attached to the labour force (table 5.3). It is useful to the extent that it gives a clearer idea of mismatches between labour supply and demand and captures the issue of insufficient labour absorption more broadly.

Table 5.3. Composite indicator of labour underutilization

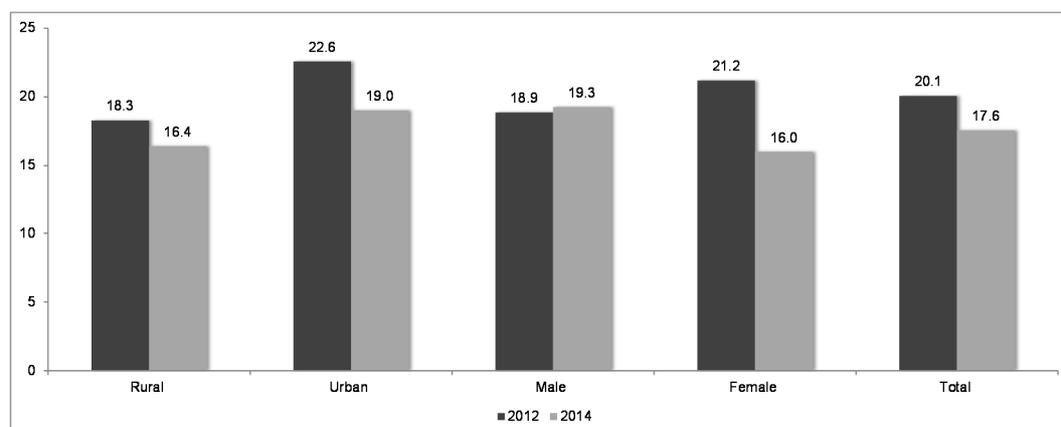
The composite indicator of LU was adopted at the 19th ICLS in 2013. This indicator is an extended measure of LU that goes beyond unemployment, as it also captures people outside the labour force: the potential labour force, which includes people who are seeking work but who are not available to work, and those who are available to work but who are not seeking work. The extended labour force is the sum of the labour force and the potential labour force.

The composite indicator of LU is calculated as follows:

$$\frac{[(\text{persons in time-related underemployment} + \text{persons in unemployment} + \text{potential labour force}) / (\text{extended labour force})] \times 100}{}$$

Between 2012 and 2014, LU went down overall, in both rural and urban areas, and for women. The overall decrease was 2.5 percentage points, while the decrease for women was 5.2 percentage points. These drops show that more of the labour force, in its broader definition, is being employed. The only increase in the indicator was for men, but this was practically insignificant at 0.4 percentage points (figure 5.15).

Figure 5.15. Composite indicator of labour underutilization, rural and urban, 2012 and 2014 (%)



Note: In the 2012 LFS, it is not possible to include people who are looking for work but not available in the measure of the potential labour force as this option is not available in the questionnaire.

Source: Author's calculations based on the 2012 and 2014 LFS

Summary

Unemployment is high in urban areas and for young people, though it is decreasing.

Underemployment, most problematic in rural areas, is decreasing.

On average, men work more hours than women.

Labour underutilization is decreasing for women.

FORMALIZATION

This section sheds light on the informal employment situation, in order to understand what the prevalent obstacles to formalization are.

6. The informal economy

Informal employment has increased slightly between 2012 and 2014, particularly in the urban areas and for women. The distribution of informal employment within and outside the informal sector has remained unchanged.

6.1. Trends in formal employment

More formal jobs have been created between 2008 and 2014, though this trend has slowed after 2012. The number of formal jobs created has almost doubled between 2008 and 2014, from roughly 510,000 to 940,000. In relative terms, this represents an increase from 11 per cent to 16 per cent in the share of formal employment in total employment creation.

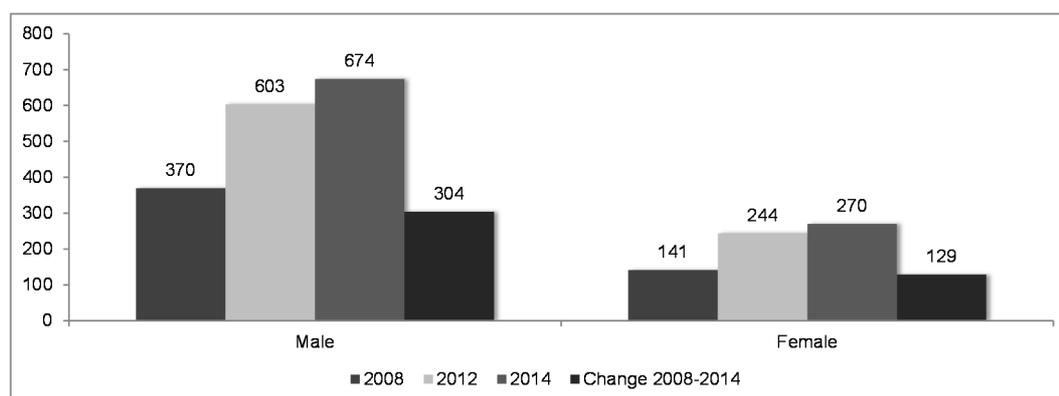
The distribution of formal jobs across economic sectors is heterogeneous. The sectors where most of the formal jobs were created are “Community, social and personal services” (33.6 per cent of all formal jobs created), “Trade, wholesale and retail distribution” (18.9 per cent) and “Construction” (10.4 per cent). “Manufacturing” comes closely behind “Construction”, with nine per cent of formal jobs created.

The industries with the lowest creation of formal jobs during this period are “Electricity, gas and water”, “Mining and quarrying” and “Finance, insurance and real estate”, with 3.5 per cent, 1.1 per cent and 0.9 per cent respectively (table A5). This is not surprising as these sectors are already those with the highest share of formal employment out of total employment.

In the Industrialization and Job Creation Strategy for 2012–16 (Government of Zambia, 2013), the sectors targeted by the Zambian Government for formal job creation are those that have a low share of formal employment out of total employment. These are agriculture (three per cent), tourism (52 per cent), construction (32 per cent) and manufacturing (31 per cent). These sectors were not only selected on the basis of their potential for formal employment creation, but also their potential for increasing value added and enhancing growth. This could be based on a strategy of diversification through industrialization (manufacturing) and further developing services (tourism). Construction is also key as it is a sector that attracts FDI, especially from China (Sinkala and Zhou, 2014).

The fact that most of the formal jobs were created in the manufacturing and construction sectors looks promising.

Figure 6.1. Formal sector employment, by gender 2008, 2012 and 2014 (Thousands)



Sources: CSO, 2011, table 7.3; 2013, table 8.2; 2015, table 7.3

The share of formal sector employment in total employment for both men and women continues to increase, though this trend seems to benefit men more than women. In 2014, almost one in four men was in formal sector employment, while this was the case for less than one in ten women (figure 6.1).

6.2 Stagnating informal employment

Between 2012 and 2014, the informal economy in Zambia has witnessed both negative and positive developments. On one hand, the number of informally employed young adults aged 20–24 has increased considerably. On the other hand, despite a smaller share of formal employment for women compared with men, the educational level of women in both the formal and informal sectors has improved. There has also been a decrease in the informal employment of workers in elementary occupations.

Overall employment in the informal economy, whether in or outside the informal sector,¹ remains a considerable problem in Zambia. In 2014, the overall informal employment rate was 89.3 per cent, the rate for men 83.4 per cent and the rate for women 94.6 per cent (table 6.1). The changes since 2012 in overall informal employment are almost negligible (around 1 percentage point or less overall, for men and for women). The same can be said about the share of informal employment in the informal sector (versus informal employment outside the informal sector), which is stagnating at 94 per cent (table 6.2).

¹ An enterprise is defined as informal when it is unincorporated (i.e., not constituted as a separate legal entity of its owners), produces goods or services for sale or barter, and satisfies a number of criteria; for example, it is unregistered, small, has unregistered employees and/or does not maintain a complete set of accounts. An enterprise is unregistered when it is not registered under specific forms of national legislation (for example, factories' or commercial acts, tax or social security laws, professional groups' regulatory acts). Issuing of a trade license or business permit under local regulations does not qualify as registration. An enterprise is considered small when its size in terms of employment is below a specific threshold (for example, five persons engaged), to be determined according to national circumstances.

Table 6.1. Informal employment, 2012-2014

	Total No.	% of total employment	Male No.	% of total employment	Female No.	% of total employment
2012	4 874 368	88.6	2 258 558	83.6	2 615 810	93.5
2014	5 229 599	89.3	2 325 627	83.4	2 903 972	94.6

Source: Author's calculations based on the 2012 and 2014 LFS

With respect to rural areas, the informal employment rate has remained almost unchanged. By contrast, urban areas have seen an increase of 4.1 percentage points in their informal employment rate between 2012 and 2014, confirming the previous observation of a lack of formal employment opportunities for rural workers migrating to cities. In urban areas, the share of informal employment in the informal economy has increased by 2.8 percentage points.

Table 6.2. Informal employment, 2012 and 2014 (workers aged 15 and over)

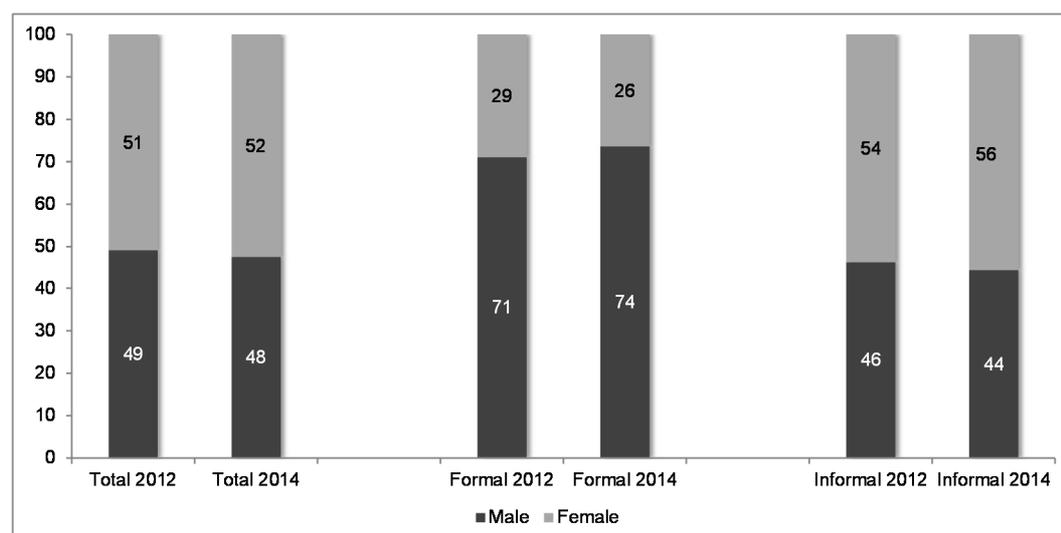
	Total employment	Informal employment (1 + 2)	Informal employment in the informal sector (1)	Informal employment outside the informal sector (2)	Informal employment rate %
Total					
2012	5 499 673	4 874 368 100%	4 562 018 94%	312 349 6%	88.6
2014	5 859 225	5 229 599 100%	4 891 413 94%	338 186 6%	89.3
Male					
2012	2 703 055	2 258 558 100%	2 035 496 90.1%	223 062 9.9%	83.6
2014	2 789 012	2 325 627 100%	2 095 193 90.1%	230 434 9.9%	83.4
Female					
2012	2 796 618	2 615 810 100%	2 526 523 96.6%	89 287 3.4%	93.5
2014	3 070 214	2 903 972 100%	2 796 220 96.3%	107 752 3.7%	94.6
Rural					
2012	3 394 134	3 252 854 100%	3 173 411 97.6%	79 443 2.4%	95.8
2014	3 394 221	3 230 607 100%	3 123 308 96.7%	107 299 3.3%	95.2
Urban					
2012	2 105 539	1 621 514 100%	1 388 608 85.6%	232 901 14.4%	77.0
2014	2 465 003	1 998 992 100%	1 768 105 88.4%	230 887 11.6%	81.1

Source: Author's calculations based on data from the 2012 and 2014 LFS

6.3 Informal employment by characteristics

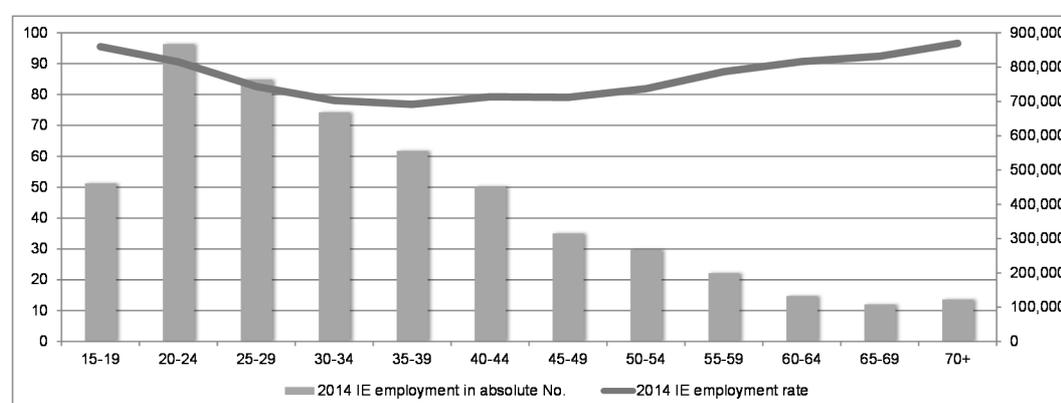
The composition of formal and informal employment by gender has not changed much during the period 2012–14 (figure 6.2). More men than women are formally employed. This is because women tend to work more at home, where they perform household activities. This disparity in men’s and women’s formal employment rates has increased by three percentage points in two years. The share of women in informal employment has increased by two percentage points.

Figure 6.2. Composition of formal and informal employment by gender, 2012 and 2014 (%)



Source: Author’s calculations using the 2012 and 2014 LFS

Figure 6.3. Employment in the informal economy by age, 2014 (% and absolute numbers)



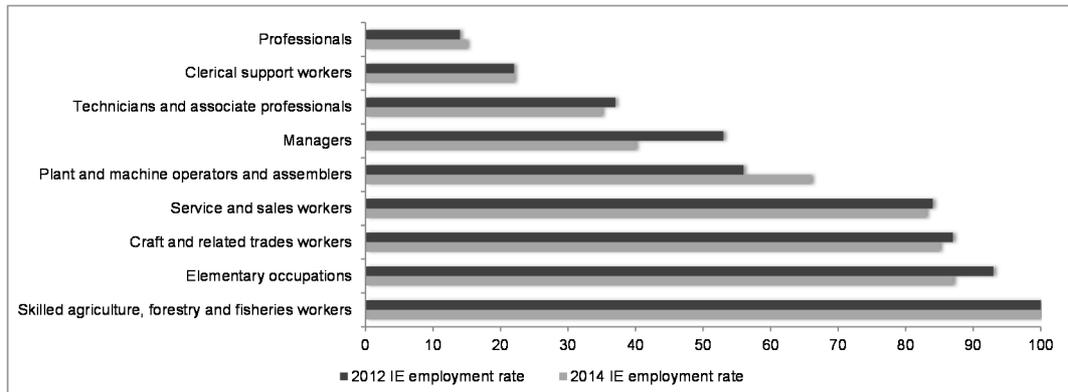
Source: Author’s calculations based on data from the 2014 LFS

Between 2012 and 2014, employment in the informal economy by age category has remained almost the same. The highest informal employment rate is still that of adolescents (15–19 years) and of the elderly (65+ years), hovering around 95 per cent (figure 6.3; figure A3).

The distribution of workers also looks much the same in 2012 and 2014, with the highest number of workers aged 20–24 years and the lowest aged 65–69 years. The most noticeable change is the sharp rise in the number of employers aged 20–24 years. There are roughly 100,000 more of them in 2014 than in 2012, confirming the hypothesis of a

population that is young and growing fast in an economy that lacks sufficient formal employment creation.

Figure 6.4. Informal employment rate by occupations, 2012 and 2014 (%)



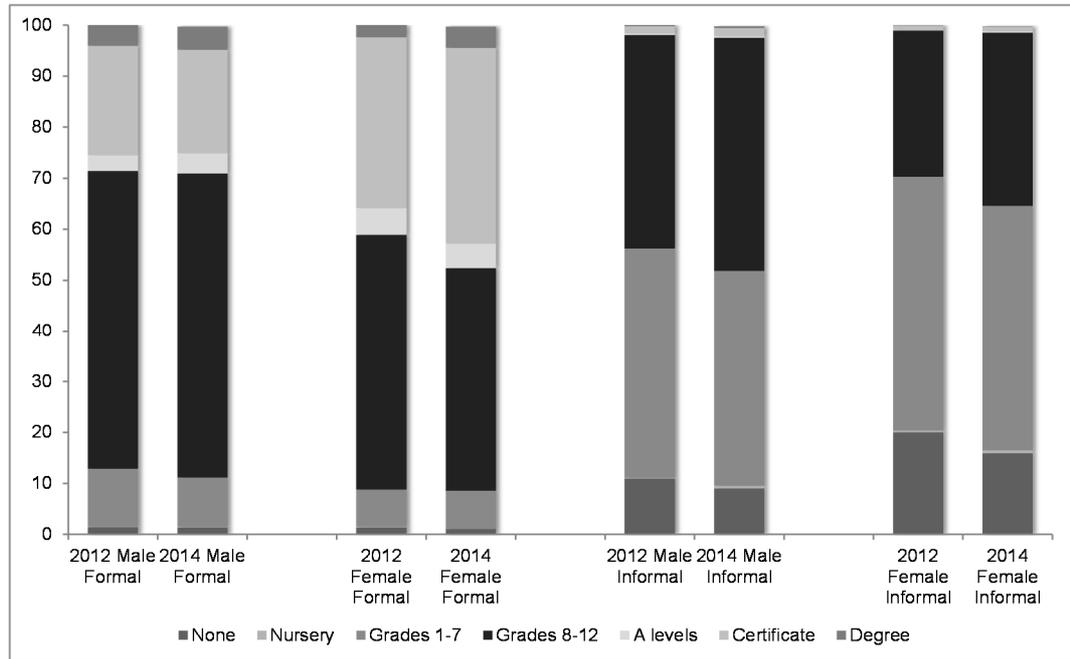
Source: Author's calculations based on data from the 2012 and 2014 LFS

The informal employment rate by occupation has changed the most for “Managers”, “Elementary occupations” and “Plant and machine operators and assemblers” between 2012 and 2014. It has decreased by 13 percentage points for “Managers” and by 6 percentage points for “Elementary occupations” (figure 6.4). This last statistic shows an improvement, as it implies that fewer unskilled workers with primary education are informally employed (those performing elementary occupations are usually unskilled workers with primary education). By contrast, the informal employment rate has increased by 10 percentage points for “Plant and machine operators and assemblers”. The agricultural sector remains the one with the highest informal employment rate (almost 100 per cent), while “Professionals” is still the occupation that hires the lowest share of informal workers (around 15 per cent).

6.4 Informal employment by education level

While formal employment remains a privilege for workers with higher educational attainment, the education level of workers in formal and informal employment, especially women, has been improving. Between 2012 and 2014, there has been an increase in the share of women with a certificate (five percentage points) and a degree (two percentage points) who are formally employed (figure 6.5). In the usually less skilled informal economy, there are four per cent fewer women with no education who are informally employed and five per cent more who completed high school (grade 12).

Figure 6.5. Education level of those in formal employment (FE) versus those in informal employment (IE), 2012 and 2014, by gender (%)



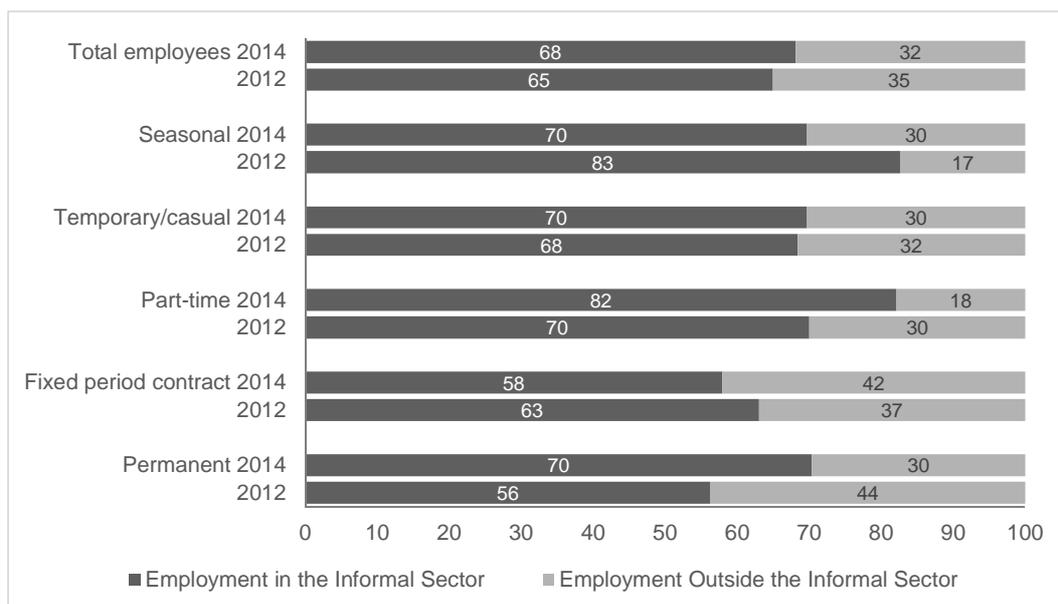
Source: Author's calculations based on data from the 2012 and 2014 LFS

6.5 Informal employment by agreement type and industry

The major changes that have taken place between 2012 and 2014 in the composition of informally employed workers by type of employment agreement have been for seasonal, part-time and permanent workers. In two years, the share of informally employed seasonal workers outside the informal sector has increased by 13 percentage points (figure 6.6). By contrast, the share of informal workers outside the informal sector working part time or permanently has decreased by 12 percentage points and 14 percentage points respectively.

The types of employment agreement where the absolute numbers of informal workers have increased the most in two years are for temporary/casual, part-time and seasonal work (table A6). It is worth noting that these agreements are usually short term and unpredictable, with fewer annual average working hours than other agreements, little worker protection and few employment benefits. Over the same period of time, informal employment rates under each type of agreement have not changed significantly, though it is difficult to draw any conclusion on seasonal and temporary/casual agreements given comparability issues (see Chapter 4 for more details).

Figure 6.6. Composition of informal employment by type of employment agreement, 2012 and 2014 (%)



Source: Author's calculations based on data from the 2012 and 2014 LFS

The industries where there have been the largest increases in informal employment are “Electricity” (25 percentage points) and “Activities of extraterritorial organizations and bodies” (24 percentage points) (table A7). One possible explanation for the sharp increase in informal employment in the “Electricity” industry could be the recurrent electricity shortages across the country. These might have required more workers, though the industry might not have had the financial means to employ them formally.

Summary

Overall, there is no improvement in formalizing employment.

More formal jobs are created for men than for women.

Informal employment is worsening in urban areas.

Those informally employed are the young and the elderly.

There is a decrease in informal employment in elementary occupations and for “Managers”.

The share of informal employment remains the highest for “Skilled agriculture, forestry and fisheries workers” and the lowest for “Professionals”.

Education levels remain low but are increasing, especially for women, in both the formal and informal sectors.

Informal employment in the informal sector is increasing for workers on permanent and part-time contracts.

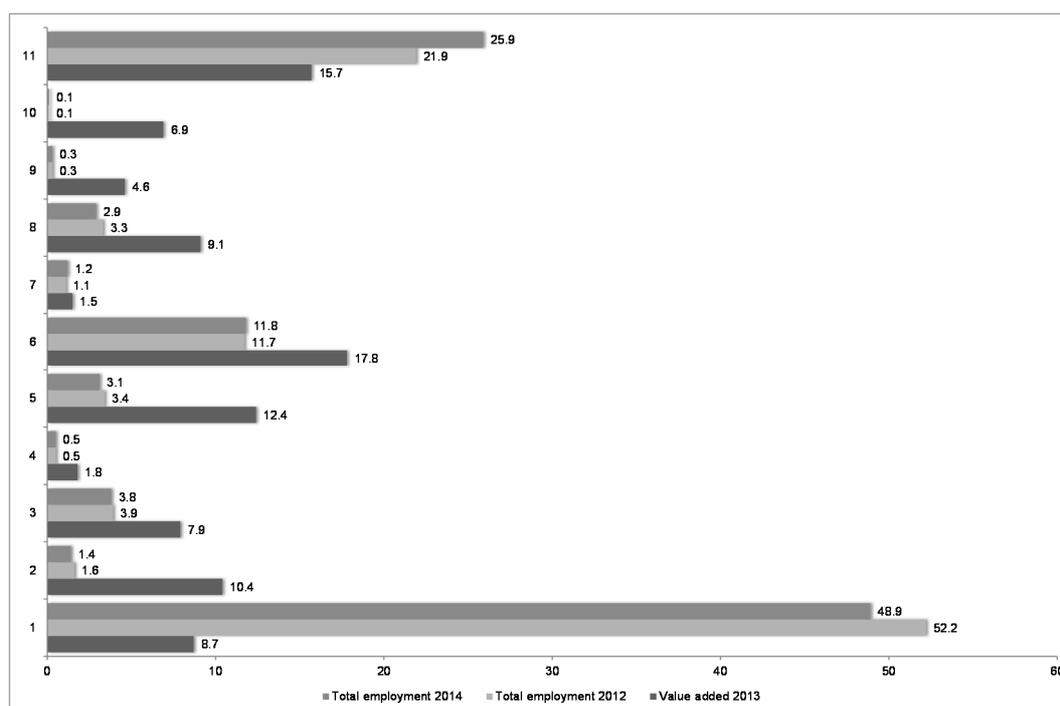
DIVERSIFICATION

This section provides a detailed comparison of the different economic sectors in order to identify the sectors that deserve further investment.

7. Growth and employment across sectors of economic activity

Employment in Zambia is unequally distributed across the different sectors of economic activity, gender and geographical location. In 2014, over half of the employed were in the “Agriculture, forestry and fishing” sector, a quarter in “Community, social and personal services” and a tenth in “Trade, wholesale and retail distribution” (figure 7.1). While the trading and services sectors make the highest contribution to GDP, as well as a high contribution to total employment, “Construction” and “Mining and quarrying” are important GDP contributors but only employed 3.1 per cent and 1.4 per cent respectively of the total employed workforce in 2014.

Figure 7.1. Distribution of employed persons (aged 15 years and over) and value added by sector, 2012 and 2014 (%)



Note: The same value added data is used for both years as it is the latest available

Source: CSO, 2013, table 6.1; 2014, table A6; 2015 table 5.13

Value added and employment across all sectors have not changed much between 2012 and 2014, except for a decrease in the share of employment in “Agriculture, forestry and fishing” from 52.2 per cent to 48.9 per cent, and an increase of 4 percentage points in the share of employment in “Community, social and personal services”.

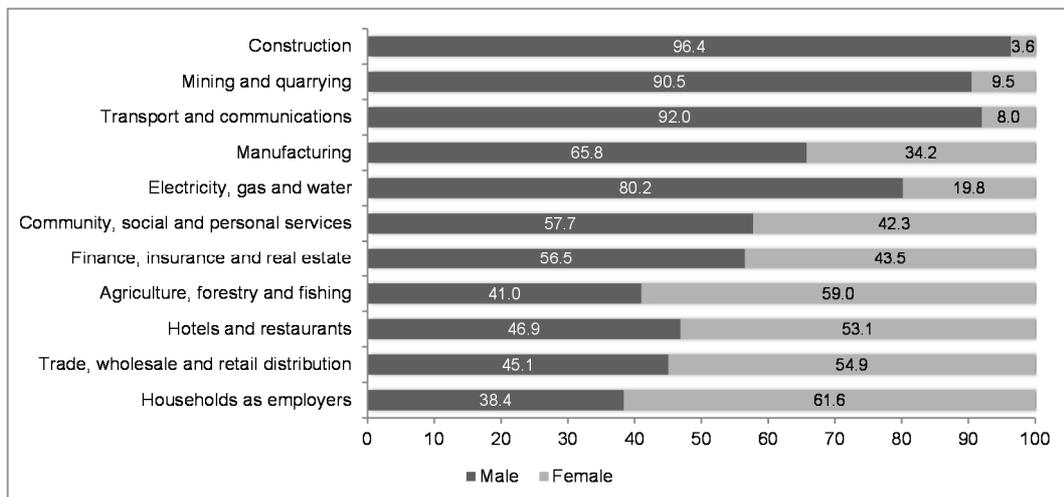
Value added and employment do not necessarily go hand in hand. For instance, the sectors “Real estate and business services” and “Financial and insurance services” have high value added but together employ less than 1 per cent of total workers. By contrast, the agricultural sector employs around half of the working population but has only 8.7 per cent value added. The reason why employment and contribution to GDP across

sectors in Zambia do not move at the same pace is that jobs that have high value added are also jobs that require high skills and are more capital-intensive. Out of every 100 workers, only five have studied beyond secondary school and might have the skills required. By contrast, the agricultural sector does not necessarily require high skills and can hence capture a much bigger share of workers.

7.1 Gender segregation

Female employment is concentrated in a few sectors. These are “Agriculture, forestry and fishing”, “Trade, wholesale and retail distribution”, “Restaurants and hotels” and “Households as employers”. Over half of those employed in these sectors are women. By contrast, sectors such as “Construction”, “Mining and quarrying” and “Transport and communications” are particularly male-dominated: males account for 96 per cent, 86 per cent and 83 per cent of employment in these sectors respectively (figure 7.2).

Figure 7.2. Sectoral distribution of employment by gender, 2014 (%)



Note: In the category “Community, social and personal services” includes “Professional, scientific and technical activities”, “Administrative and support service activities”, “Public administration and defence; compulsory social security”, “Education”, “Human health and social work activities”, “Art, entertainment and recreation”, “Other service activities” and “Activities of extraterritorial organizations and bodies”. The category “Activities of households as employers” is treated separately here.

Source: Author’s calculations, based on data from the 2014 LFS

From 2012 to 2014, the distribution of male and female employment by sector has not changed much, except for an increase in male employment in “Electricity, gas and water” (20 percentage points), “Transport and communications” (nine percentage points) and “Mining and quarrying” (five percentage points) (figure 7.2; figure A4). One promising change is the increase of almost 2 percentage points in the share of female employment in manufacturing. Overall, gender segregation is becoming less common over time (table 7.1).

Table 7.1: Duncan Index of Segregation

The Duncan Index of Segregation (DIS) allows us to check whether jobs are blindly distributed according to a certain characteristic, such as gender, race or ethnicity. Here, we are interested in seeing the extent to which the different sectors of economic activity are dominated by males or females.

The DIS can be calculated as:

$$I = 0.5 \sum |M_i - F_i|$$

where $M_i = m_i/m$ and $F_i = f_i/f$ (the percentage of individuals in the group working in this sector).

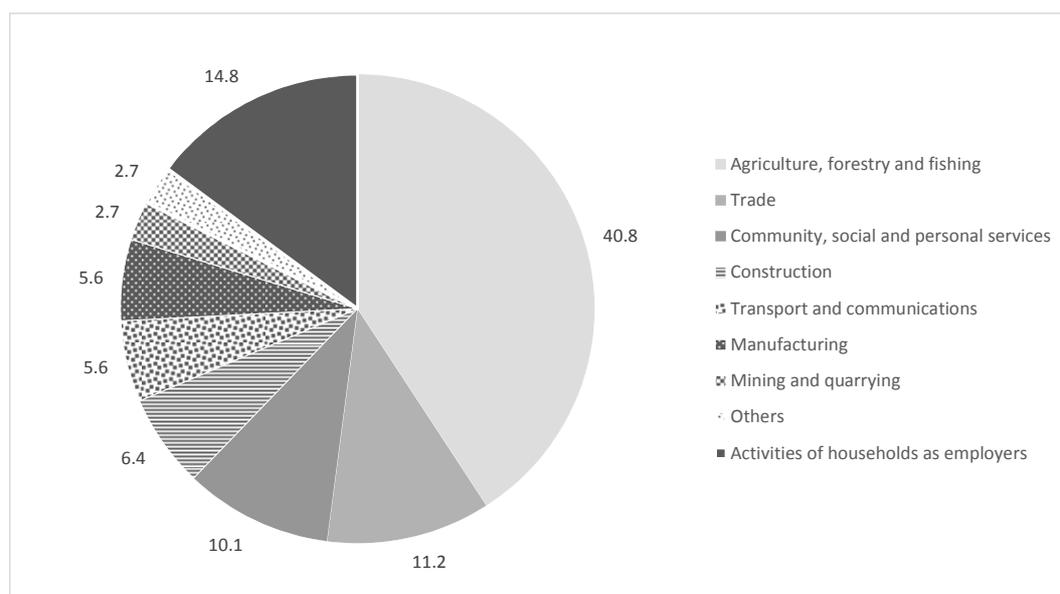
If $I = 0$, there is no segregation in any sector.

If $I = 1$, there is complete segregation in all sectors.

- The DIS in 2012 is **14 per cent**. This means that 14 per cent of women would have to change jobs for employment distribution to be equal.
- The DIS in 2014 is . This is 2 per cent less than in 2012, therefore showing an improvement in the distribution of employment by gender across all sectors.
- Gender segregation seems to be decreasing over time.

Source: Author's calculations based on the 2012 and 2014 LFS

Figure 7.3. Distribution of male employment by main sectors of activity, 2014 (%)



Note: the category "Others" includes "Electricity, gas and water", "Hotels and restaurants", "Finance, insurance and real estate" and "Not stated". The category "Community, social and personal services" includes "Professional, scientific and technical activities", "Administrative and support service activities", "Public administration and defence; compulsory social security", "Education", "Human health and social work activities", "Art, entertainment and recreation", "Other service activities" and "Activities of extraterritorial organizations and bodies".

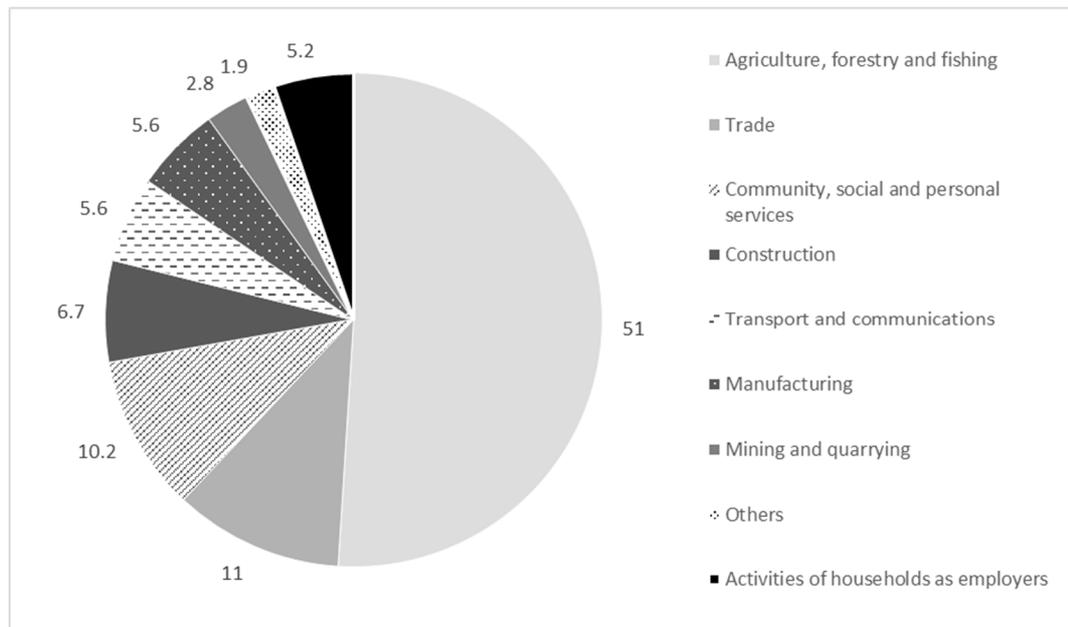
Source: CSO 2015, table 5.12.

The distribution of male employment by main sectors of activity has not significantly changed between 2012 and 2014, except for in "Activities of households as employers" and "Agriculture, forestry and fishing". While 5.2 per cent of men were performing household activities in 2012, this number has almost tripled by 2014 (to 14.8 per cent) (figure 7.3; figure 7.4). This increase is significant as it shows that more men

now work for private households and fewer work in agriculture (evidenced by a 10.2 percentage point decrease in male employment in agriculture).

One interpretation of this shift in male employment from agriculture to household activities is that, as there is less employment in agriculture (whether because of bad harvests, low demand or migration), household activities becomes an easy alternative as it does not require specific skills. Usually, those who work in the agricultural sector are low or less skilled workers. In other words, this is a consequence of rural–urban migration, where workers leave their farms to work as employees of private households (for example, as security guards, gardeners, drivers and cooks) in the cities.

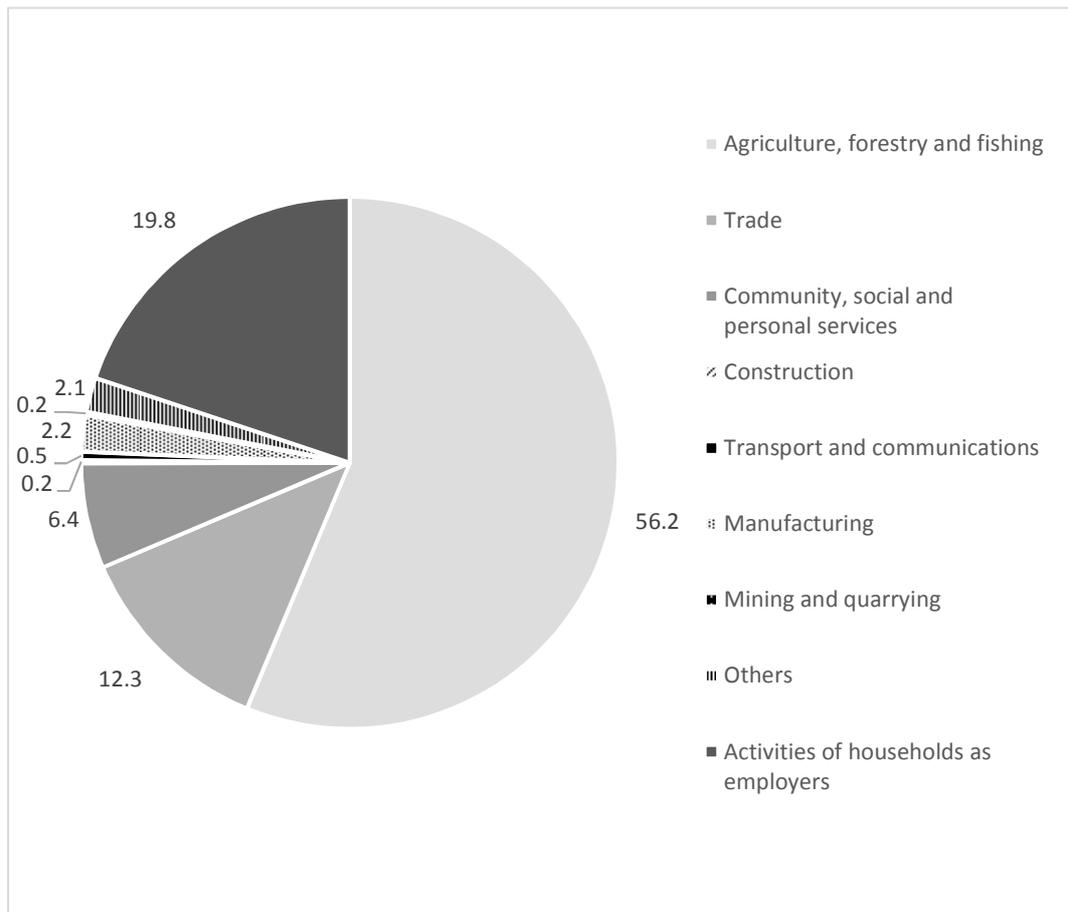
Figure 7.4. Distribution of male employment by main sectors of activity, 2012 (%)



Source: CSO 2012, table 6.11.

When looking at female employment by sector of economic activity, the agricultural sector remains the dominant sector employing women (over half of female employees), while one woman out of five performs household activities that do not require any specific skills or educational attainment.

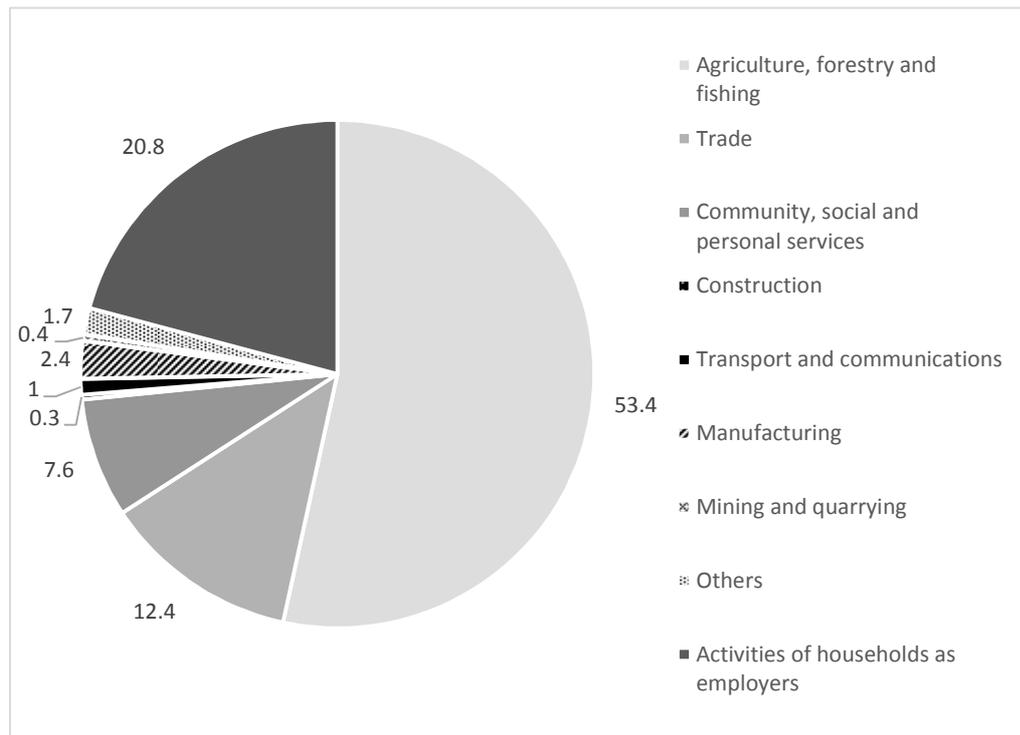
Figure 7.5. Distribution of female employment by main sectors of activity, 2014 (%)



Source: CSO 2015, table 5.12.

The biggest changes between 2012 and 2014 in the distribution of female employment by sector are the decreases in “Agriculture, forestry and fishing” (2.8 percentage points) and “Community, social and personal services” (1.2 percentage points) (figure 7.5; figure 7.6). However, these changes remain very small, indicating that the distribution of female employment has not dramatically changed over time (in contrast to the situation for males).

Figure 7.6. Distribution of female employment by main sectors of activity, 2012 (%)



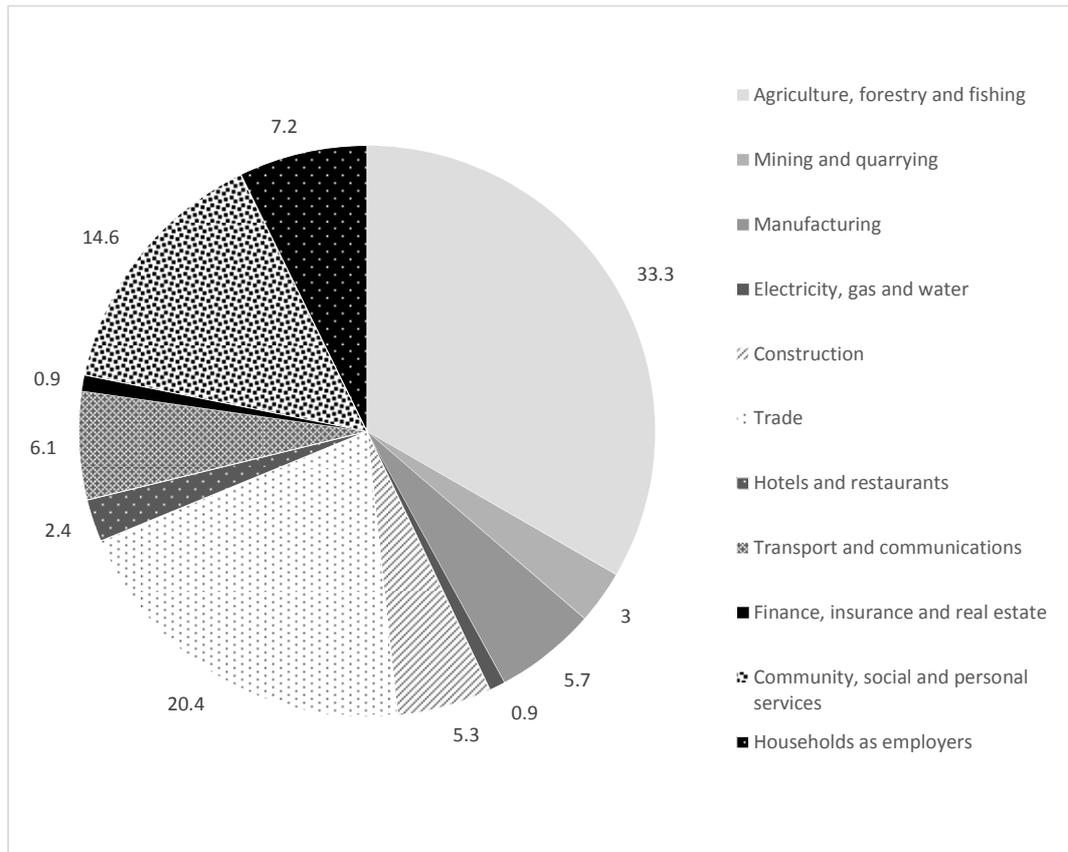
Source: CSO 2012, table 6.11.

These observations call for two strategies: first, diversifying the economy so that more sectors of economic activity can create employment; and second, improving education – especially for women, so that they can also be hired for jobs that require specific training or high skills.

7.2 Sectoral diversification: An urban–rural divide

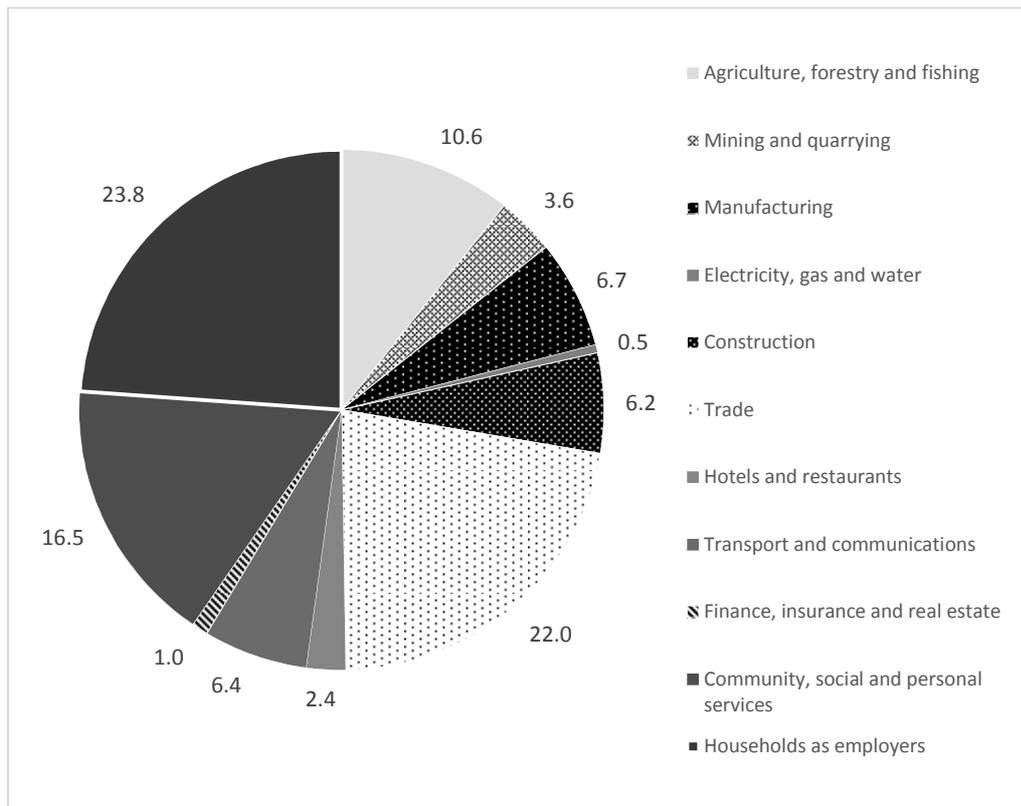
The sectoral distribution of employment varies significantly between urban and rural areas. Urban employment is more evenly distributed across sectors than rural employment. In 2014, 33.3 per cent of urban employment was in agriculture, followed by 21.8 per cent in “Community, social and personal services” and 20.4 per cent in “Trade, wholesale and retail distribution” (figure 7.7).

Figure 7.7. Sectoral distribution of employment, urban 2014 (%)



Source: CSO 2015, table 5.13.

Figure 7.8. Sectoral distribution of employment, urban 2012 (%)

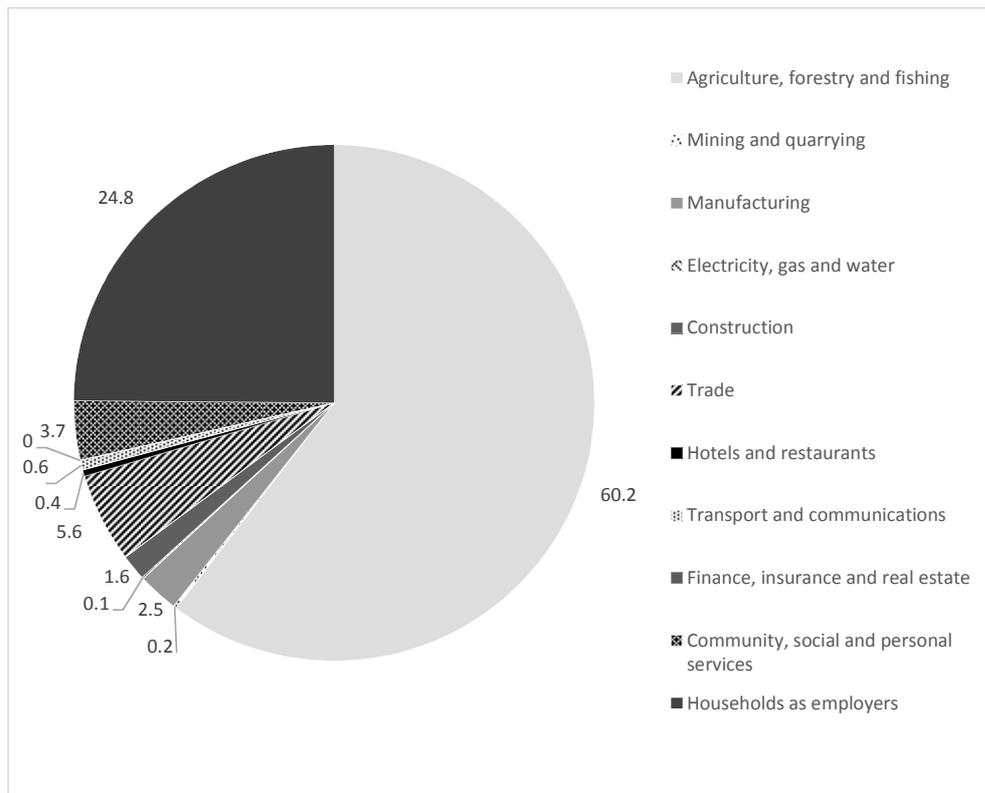


Note: for 2014, the category “Community, social and personal services” includes “Professional, scientific and technical activities”, “Administrative and support service activities”, “Public administration and defence; compulsory social security”, “Education”, “Human health and social work activities”, “Art, entertainment and recreation”, “Other service activities” and “Activities of extraterritorial organizations and bodies”. The category “Not stated/classified elsewhere” does not exist in the 2014 LFS and hence has been removed from the 2012 figures to avoid confusion. In any case, this category does not represent more than 0.5 per cent of those in employment.

Source: CSO, 2013, table 6.12

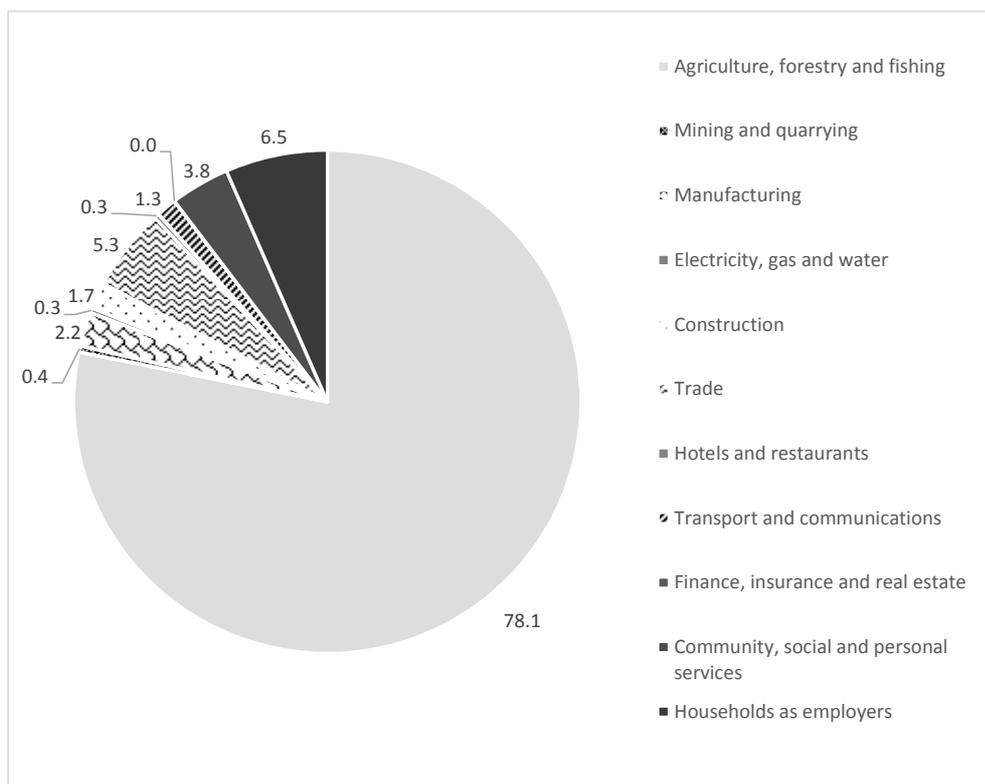
In rural areas, “Agriculture”, “Community, social and personal services” and “Trade, wholesale and retail distribution” remain the most important in terms of employment. Agriculture hires almost two-thirds of rural workers. By contrast, “Mining and quarrying”, “Electricity, gas and water” and “Finance, insurance and real estate” employ hardly any workers in rural areas (figure 7.9).

Figure 7.9. Sectoral distribution of employment, rural, 2014 (%)



Source: CSO, 2015, table 5.13

Figure 7.10. Sectoral distribution of employment, rural, 2012 (%)



Source: CSO, 2013, table 6.12

Looking at the period 2012–14, there have been noticeable changes in the distribution of urban employment by sector. The most intriguing change is that the share of “Households as employers” has declined threefold (from 23.8 per cent to 7.2 per cent) (figure 7.7; figure 7.8). By contrast, the share of the agricultural sector has tripled in two years (from 10.3 per cent to 33.3 per cent). One possible explanation for this increase is the movement of workers from rural to urban areas, who have skills in agriculture and would boost this sector’s percentage of urban employment.

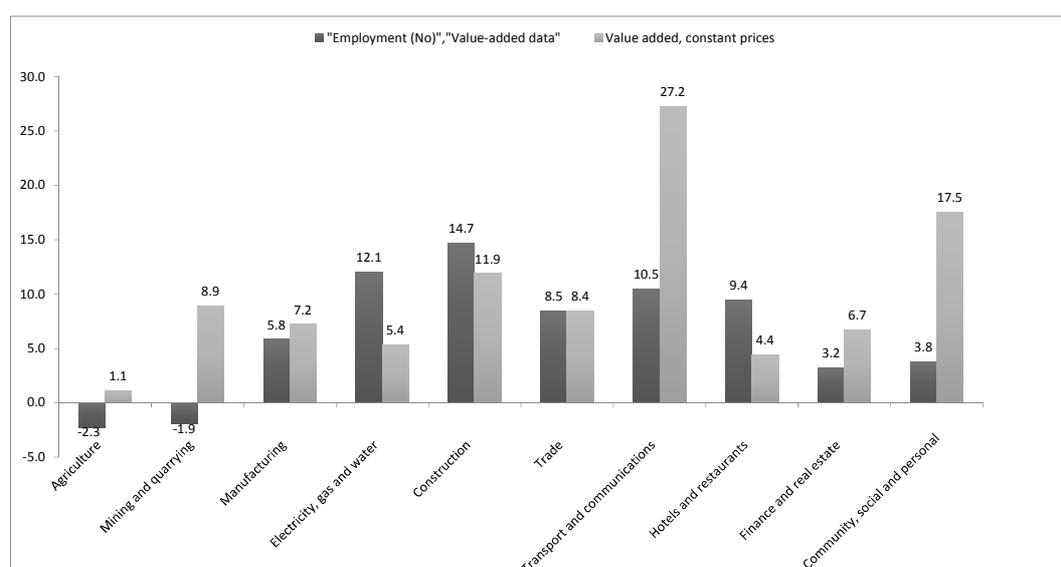
In rural areas, two big changes have taken place. On one hand, the agricultural sector has lost 17.9 per cent of its share. On the other hand, the share of “Households as employers” is almost four times higher, having jumped from 6.5 per cent to 24.8 per cent (figure 7.9; figure 7.10). These trends are moving in the opposite direction from those in urban areas, leading us to conclude that there has been a transfer of workers in the agricultural sector from rural areas to the cities.

7.3 Growth, employment and productivity by sectors

Note that the period covered here is 2008–14, as two years would be too short to capture changes in value added, earnings, employment and productivity. Also, the data used for value added are the latest available, i.e. from 2013.

Between 2008 and 2014, the fastest growing sectors in terms of value added have been “Transport and communication” (27.2 per cent), “Community, social and personal services” (17.5 per cent) and “Construction” (11.9 per cent) (figure 7.11). While in 2000–09 mining was the second fastest growing sector in Zambia, during 2008–14 it ranked only fourth in terms of value-added growth (Harasty et al., 2015). Despite recorded economic growth of 8.9 per cent, the sector’s employment rate has been on the decrease, dropping by 1.9 percentage points. Mining in general contributes considerably to GDP, but creates limited employment. The recent drop in its rankings for value added and employment can be understood as the impact of falling world copper prices. Indeed, copper prices started to drop dramatically at the beginning of 2012 (Trading Economics, 2016). This meant lower revenues from copper for the mining industry, and consequently fewer opportunities for hiring employees.

Figure 7.11. Average annual growth in employment and value added by sectors, 2008-2014 (%)



Note: The value added data used for 2014 is the latest available

Sources: Employment data from CSO, 2011, table 6.12 and 2015, table 5.13. Value added data calculated from CSO, 2014A, table A2

Employment in the fastest growing sectors of “Construction” and “Transport and communications” has been growing over 10 per cent annually. While these sectors are on promising trajectories, it is worth noting that they are also among the most male-dominated sectors. Agriculture is the worst performing sector, both in terms of economic growth (1.1 per cent annually between 2008 and 2014) and employment (an annual loss of 2.3 percentage points over the period) (figure 7.11).

Table 7.2. Growth of productivity and earnings, 2008-2014 (%)

	Productivity, constant prices, annual average growth, %	Real monthly earnings, annual average growth, ZMW
Agriculture	3.3	27.3
Mining and quarrying	11.0	35.6
Manufacturing	-0.9	15.8
Trade	-2.7	0.6
Transport and communications	2.2	10.6
Finance and real estate	1.0	2.0
Community and social services	5.3	13.0

Sources: Productivity calculated from CSO, 2014a, table A2; 2011, table 6.12; 2015, table 5.12. Monthly earnings from CSO, 2011, table 10.2; 2015, table 9.4

Productivity in “Mining and quarrying” and “Community and social services” has increased significantly between 2008 and 2014. As noted previously, while mining is a high-productivity sector that offers competitive salaries, it employs less than 1 per cent of total workers. Productivity decreased in “Trade, wholesale and retail distribution”, which also recorded very low annual growth in wages. “Agriculture” and “Manufacturing” show low or negative annual average productivity growth but high growth in monthly earnings (table 7.2).

Overall labour productivity in 2014 remains low and has not changed much since 2012, when it was ZMW22,385 (equivalent to US\$4,309 on 13 August 2016) (Harasty et al., 2015). The most significant increase in productivity took place between 2008 and 2012 (table 7.3).

In 2014, labour productivity was highest in the capital-intensive sectors of finance and mining. However, the finance sector had considerably lower annual average productivity growth over 2008–14, with only 1 per cent (compared with 11 per cent for mining).

Table 7.3. Labour productivity and labour productivity growth, 2008, 2012 and 2014

	Productivity at constant prices ZMW			Annual average productivity growth % 2008 - 2014	Productivity growth % 2008-2014
	2008	2012	2014		
Agriculture	2 947.1	3 858.2	3 581.9	3.3	21.5
Mining and quarrying	79 107.9	130 871.0	147 778.8	11.0	86.8
Manufacturing	43 965.2	41 015.4	41 527.9	-0.9	-5.5
Electricity, gas and water	120 542.4	76 141.6	79 313.9	-6.7	-34.2
Trade	35 808.3	30 892.0	30 317.4	-2.7	-15.3
Transport and communications	54 367.1	53 087.1	62 080.1	2.2	14.2
Hotels and restaurants	42 155.7	27 515.1	24 454.1	-8.7	-42.0
Construction	124 465.8	69 734.3	79 846.4	-7.1	-35.8
Finance and real estate	564 310.2	571 312.7	600 640.1	1.0	6.4
Community and social services	28 138.3	34 481.0	38 319.7	5.3	36.2
All sectors	17 232.9	22 384.6	23 638.3	5.4	37.2

Sources: Productivity calculated from CSO, 2014a, table A2; 2011, table 6.12; 2015, table 5.12

Monthly earnings from SCO 2011, table 10.2; 2015, table 9.4

Labour productivity growth in “Agriculture” seems to be promising. By contrast, the worst performing sectors have been “Hotels and restaurants”, “Construction” and “Electricity, gas and water”, with negative annual labour productivity growth of 8.7 per cent, 7.1 per cent and 6.7 per cent respectively (table 7.3).

Summary

Employment is concentrated in the sectors of agriculture, services and trade.

High value added sectors that require high skills employ only a small share of the workforce.

There is strong gender segregation across sectors of economic activity.

However, male employment and female employment across sectors of economic activity are slowly becoming more diversified.

Men increasingly perform household activities and fewer of them are employed in agriculture.

The sectors with the highest growth in employment are also the most male-dominated sectors.

Labour productivity remains low but is higher in high value added capital-intensive sectors.

EDUCATION

This section examines the educational attainment of the labour force in order to identify the potential challenges faced by national education.

8. Employment by education level

While educational attainment remains low in Zambia, it has been improving. Women are still less well educated than men, and the distribution of educational levels across the sectors of economic activity remains heterogeneous.

8.1 Education of the employed

Table 8. Employed by education level, 2008, 2012 and 2014

Education				Distribution			Annual Growth
	2008	2012	2014	2008	2012	2014	2008-2014 (%)
None + nursery	710 340	806 682	722 350	15.4	14.6	12.4	0.3
1 – 7	2 047 364	2 401 956	2 439 801	44.4	43.7	41.6	3.0
8 - 12	1 637 436	2 024 760	2 396 933	35.5	36.8	40.9	6.6
A levels + certificate/diploma	189 223	235 887	261 979	4.1	4.3	4.4	5.6
Degree	22 483	30 389	38 161	0.5	0.6	0.7	9.2
Total	4 606 846	5 499 674	5 859 225	100.0	100.0	100.0	4.1

Note: Due to changes in classification of educational levels between the LFS 2008 and those of 2012 and 2014, some groupings were made to allow comparison. The education levels "none" and "nursery" were grouped together, as were those for "A levels" and "certificate/diploma".

Sources: Author's calculations, based on CSO, 2011, table 6.4; 2013, table 6.4; 2015, table 5.11

The education level of the employed is relatively low, as about 95 per cent of employees have not been educated beyond secondary school (table 8.1). However, the situation has been improving over time, especially since 2012. Fewer people with primary education or below, and more with secondary education or above, are employed. There has also been a noticeable 9.2 per cent annual growth in the number of employed people with a degree. Overall, education levels are increasing and the share of the employed with higher education levels is increasing fastest of all.

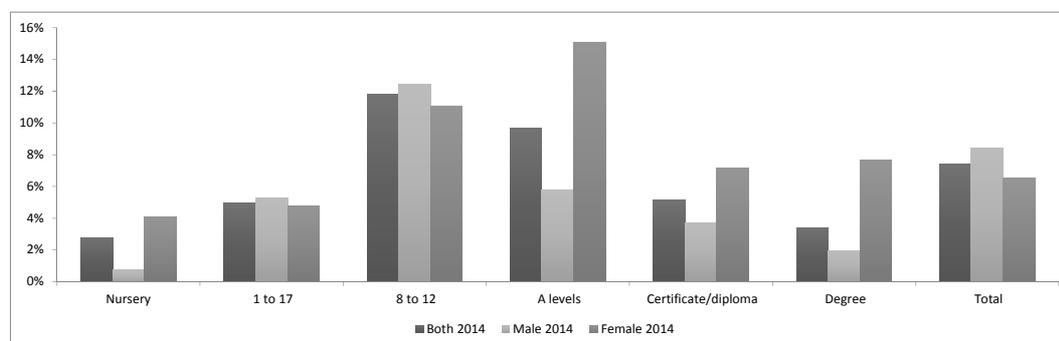
8.2 Education of the unemployed

The overall unemployment rate in 2014 is considerably higher for those who attended high school (grades eight to 12) without receiving a diploma, followed by those who obtained their A levels and those who hold a certificate or diploma (figure 8.1). This is slightly different from the 2012 pattern, where the unemployment rate for those holding a certificate or diploma was higher than for those with only A levels (figure A5).

The lowest unemployment rate in 2014 is attributed to those who did not go to school, while in 2012 it belonged to those with a degree. When looking at gender, the

female unemployment rate is higher than the male unemployment rate in most categories, except grades one to 12. This shows a clear improvement from 2012, when the female unemployment rate was higher in all education categories.

Figure 8.1. Unemployment rates by education level and gender, 2014 (%)



Note: in the 2014 LFS, there are no data on unemployed people to the education level “None”

Source: Author’s calculations based on data from the 2014 LFS

The fact that female unemployment in 2014 is higher than that of men for all categories except primary and secondary school does not change the fact that, in total, female unemployment is lower than that of men. This is because over three-quarters of the population have attended primary and/or secondary school.

The only pattern that has not changed significantly in the two-year period is that the biggest gap in the unemployment rates between men and women are for those with A levels. This gap in the A levels category was the highest of all in 2012 (11.6 per cent) and remains the highest in 2014 (9.3 per cent), despite a small decrease.

From 2012 to 2014, the male unemployment rate has increased in all categories, except for a 1.7 percentage point decrease for those who never attended school and a 1.5 percentage point decrease for those who hold a certificate/diploma. For women, the unemployment rate has either decreased or remained the same.

8.3 Education across sectors of the economy

Economic sectors require different skills and hence workers with different levels of education. In 2014, 42 per cent of the employed had only primary education, 45 per cent had secondary education and 12 per cent had no education at all (N.B. “no education at all” here also includes nursery). This left only 1 per cent of the distribution in the tertiary education category (note that certificates are not included in the tertiary education category) (figure 8.2). This means that roughly one worker out of ten never went to school and only one in 100 went to university. To give a rough idea of the challenges facing the education system in Zambia, in 2014 the lowest tertiary education attainment among OECD members was 17 per cent (Turkey), while South Africa attained 6.6 per cent in 2012 (OECD, 2016).

The sectors in which the share of workers with no education is highest are agriculture (16 per cent) and household activities (13 per cent), while those with the highest shares of workers who studied beyond secondary school are “Financial and insurance activities” (16 per cent), “Professional, scientific and technical activities” (11 per cent) and “Education” (eight per cent).

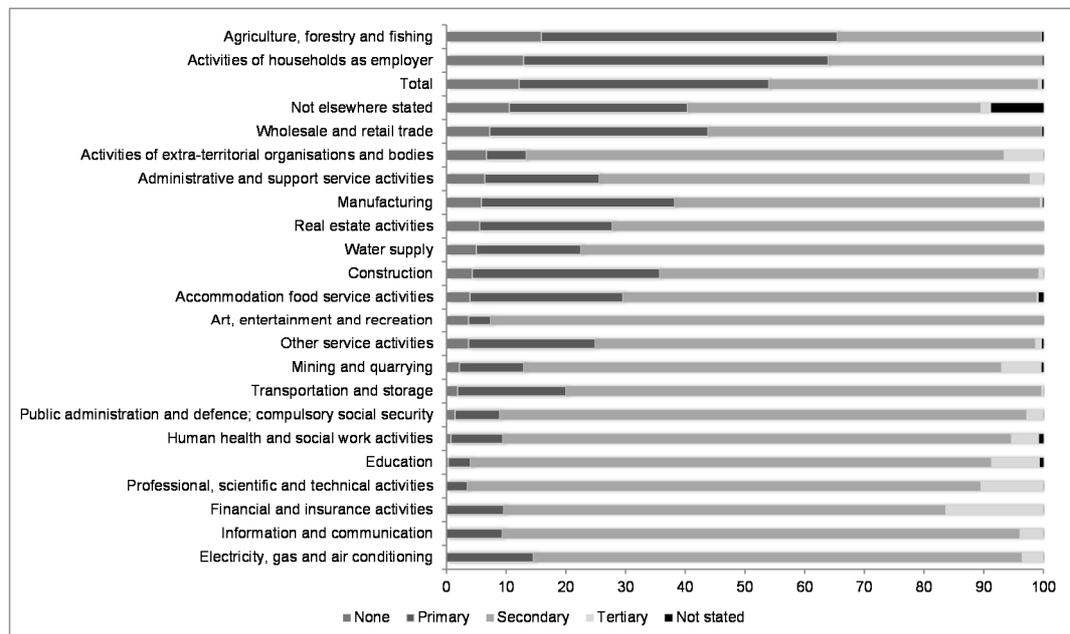
Not even one per cent of workers in rural areas have received tertiary education, compared with 17 per cent with no education at all (figure 8.3). By contrast, slightly more than one per cent of workers in urban areas went further than secondary school, along with 67 per cent who attended secondary school, 26 per cent who attended primary school and 6 per cent with no education at all (figure 8.4).

Overall, and for rural areas, the sectors of economic activity dominated by primary-educated workers are “Agriculture, forestry and fishing” and “Activities of households as employers”. By contrast, in the urban areas it is “Information and communication” that hires the most primary-educated workers, followed by “Agriculture, forestry and fishing” and “Activities of households as employers”.

The sectors with the highest shares of workers with tertiary education are also the same in the urban areas and overall. These are “Professional, scientific and technical activities”, “Financial and insurance activities” and “Education”, in descending order. By contrast, in rural areas having a university degree is not common at all, except for workers in “Professional, scientific and technical activities”, where 12.5 per cent went to university, and workers in “Education”, with just under 10 per cent holding university degrees.

These findings imply that rural areas lack high-skilled workers with tertiary education. Two possible explanations are that there is lower demand for higher skilled workers in rural areas, and that access to tertiary education is usually more difficult in these regions.

Figure 8.2. Educational structure of employment by sector, 2014 (%)

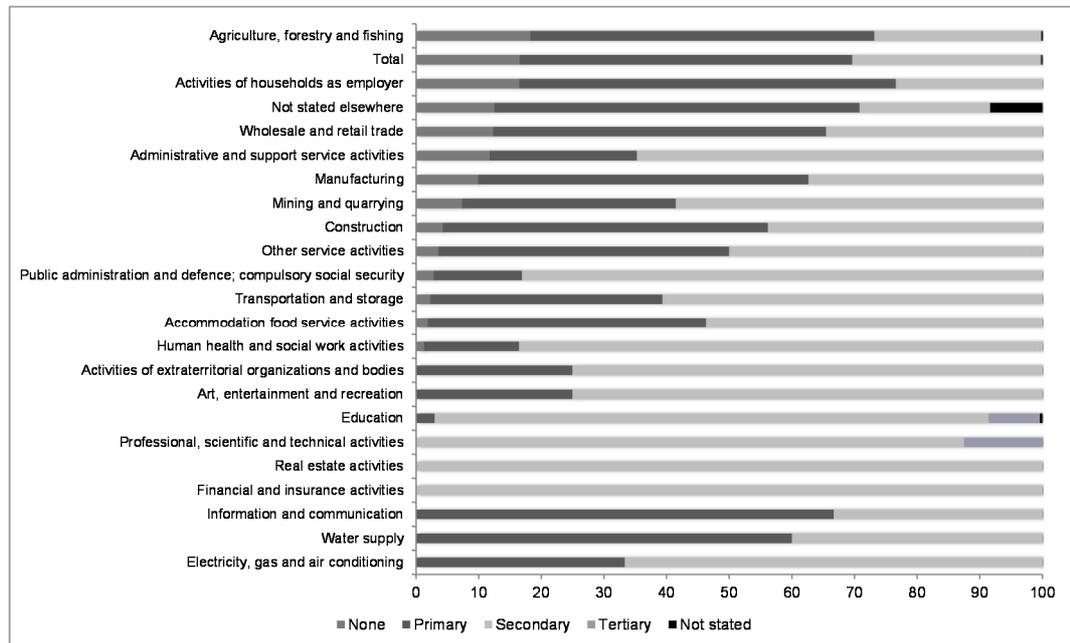


Source: Author’s calculations from LFS 2014

While educational attainment remains low, it has nonetheless been improving since 2012 (figure A6). Overall, fewer people employed have no education at all or only primary education and more have secondary or tertiary education. While the general trend shows an improvement in the educational attainment of workers, sectors behave very differently. For instance, the “Activities of extraterritorial organizations and bodies” went from not hiring any workers with an education below secondary school in 2012 to hiring almost 13 per cent of them in 2014. Similarly, the sector of “Financial and insurance

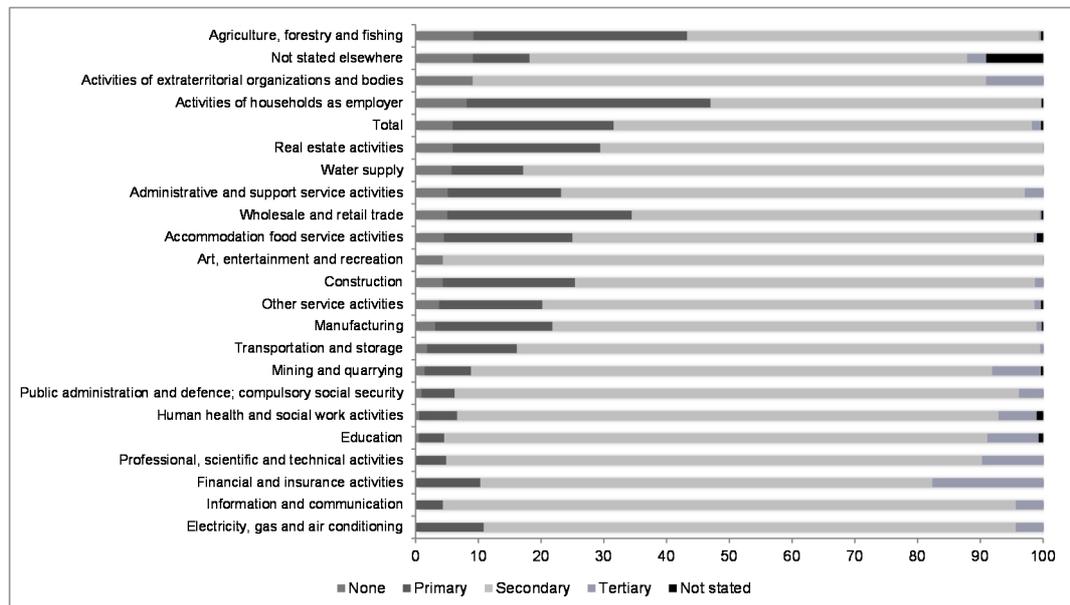
activities” hired less workers who went to university and more who only attended primary school in 2014 compared to 2012.

Figure 8.3. Educational structure of employment in the rural area, by sector, 2014 (%)



Source: Author's calculations from LFS 2014

Figure 8.4. Educational structure of employment in the urban area, by sector, 2014 (%)



Source: Author's calculations from LFS 2014

These data show some changes in Zambia’s labour market in terms of skill requirements. The changes have been going in both directions and affect both urban and rural areas (figure A7; figure A8). Either skill requirements have gone down to make certain sectors attainable for all workers, regardless of their level of education, or they have gone up in order to attract more educated workers. These phenomena are interesting and can be interpreted both positively and negatively. On one hand, they could be demonstrating flexibility in the labour market, where it adjusts to the skills of the

available workforce (these skills might also depend on geographical area). On the other hand, they could be showing the absence of a strong engine for job creation, i.e. manufacturing.

While overall the education level of workers across all sectors is improving, it is important to bear in mind that there is heterogeneity in the evolution of the educational structure of employment, with some sectors hiring more skilled workers and others less skilled ones. It is worth remembering that the labour market is adapting and changing over time – in the same way as the Zambian population is changing in terms of number (a growing population), age (younger), skills (increasing education) and geography (rural–urban migration).

Summary

Overall education levels remain low, though they have been improving.

Unemployment is higher for educated women than for their male counterparts.

The sectors agriculture and household activities have the highest shares of workers with no education.

Workers in rural areas are less educated than those in the cities.

Uneducated workers are mostly hired in agriculture and to perform household activities, while the most educated workers are hired either in education, finance and insurance, or to perform professional, scientific and technical activities.

9. Conclusions

In this paper, several observations were made that are similar to those in the 2015 Inclusive Growth and Productive Employment (IGPE) study:

- Labour force participation is still increasing, especially for women and in the urban areas.
- Labour force participation for adolescents aged 15–19 is still falling, indicating higher school attendance.
- The female employment rate is still on the rise, except for those aged 15–19, especially in urban areas. By contrast, the male employment rate has remained stable overall, though it has decreased in rural areas.
- Employment growth remains unevenly distributed across regions, with Lusaka and Copperbelt still growing the most.
- The education level of the employed continues to be relatively low, though it is increasing.
- Gender segregation across economic sectors is still strong.
- Vulnerable work is still on the rise in urban areas, though it has decreased in rural areas.
- Gender inequality in education in both formal and informal employment remains high.

However, some new conclusions can be drawn based on results from the recently available 2014 LFS:

- Overall unemployment is falling, though it increased slightly for men.
- More people are inactive because of retirement, which is confirmed by a decrease in male labour force participation for people aged 60+.
- There has been an overall decrease in the share of employment in agriculture, and an increase in the share of employment in elementary occupations.
- Men are more formally employed than women.
- Overall informal employment has slightly increased, due to an increase in female and urban informal employment.
- The share of women in formal employment has decreased, compared with that of men.
- There has been a significant increase in young informal workers (aged 20–24).
- Informal employment in elementary occupations has decreased.
- The education level of workers (both formally and informally employed) has improved, especially for women, though it remains low and spread heterogeneously across sectors, the sexes and geographical locations.
- There is more diversity in terms of male and female employment by sector of economic activity.
- Promising sectors in terms of GDP contribution and employment (construction, information and communication and most of the personal and social services) are hiring more skilled workers.

All these findings show that the employment situation in Zambia is increasingly dynamic and that many promising changes have taken place in little time, especially in employment and education. However, some of the targets set in the Sixth National Development Plan for 2013–16 are far from being met (table 9.1). This shows that initiatives still need to be taken to improve the employment situation. Three reform areas deserve particular attention for future employment policy-making: **formalization of employment, diversification and education.**

Formalization

Informal employment is still a considerable problem in Zambia and needs to be tackled as early as possible, as formalizing employment is a lengthy process. There are a few policies, both short term and long term, which can be put in place. It is worth noting here that the policies suggested are **not** about moving workers from informal to formal employment (or from the informal to the formal sector), i.e. making them quit their current job for another one. This would not be realistic in Zambia as there is already a high rate of unemployment in formal employment. Rather, the policies are about **transforming** informal employment and the informal sector to make them formal.

One feature of informal employment in Zambia to bear in mind when formulating policy is that the informal economy consists of “hard-to-tax groups such as small-scale traders, farmers, small manufacturers, craftsmen, individual professionals and many small-scale businesses” (Phiri and Nakamba-Kabaso, 2012: 18).

Short-term

* Policy 1 – **Information:** to make the taxpayer informed and aware of the long-term benefits he/she would have from transiting to the formal economy, be they training, social protection or financing (ILO 2009, 2014).

* Policy 2 – **Strengthen representation of informal workers:** to include informal workers in the current system instead of marginalizing them. One example would be to register them and suggest that they form representative groups in order to take part in the policy-making process (ILO, 2009).

Long-term

* Policy 1 – **Framework for tax collection:** to create an appropriate framework where administrative resources would be allocated to collect tax from informal micro, small and medium-sized enterprises (Phiri and Nakamba-Kadaso, 2012: 19).

* Policy 2 – **Encourage taxpayers:** simplify taxation and minimize differential tax treatment in order to incentivize micro, small and medium-sized enterprises to participate in the standard tax regime (ibid.: 20).

* Policy 3 – **Raise costs of informality:** this can be done, for instance, by making a link between provision of basic services (i.e. electricity) and registration, which would force small businesses that depend on these services to register in order to continue operating (Shah, 2012). / **Lower costs of formalizing:** to promote a regulatory environment where barriers to formalizing are reduced and at the same time workers’ rights are protected (ILO, 2014).

* Policy 4 – **Promote entrepreneurship:** offer access to finance and business development services (e.g. information on technologies, access to competitive resources), promote female entrepreneurship, improve access to the market by encouraging links

between enterprises in value chains and clusters, and support informal enterprises to form production conglomerates or cooperatives (ILO, 2009).

* Policy 5 – **Universal national social protection floor**: put in place a minimum wage and implement health and safety measures that would also be applied to the informal economy (ILO, 2014).

* Policy 6 – **Progressive strengthening of current tax regime**: this is a long-term process to the extent that a sector is usually informal because its earnings are not high enough to meet the basic tax thresholds. Asking an informal company to pay taxes overnight is not realistic, as money does not grow on trees (and even if it did, it would take time to grow). Instead, the idea is to enforce the current tax regime progressively; for instance, start by making informal companies pay a tax that they can afford.

Prevention

While the list of policies above is more about what can be done *a posteriori* to address the existing situation, some measures can also be taken *a priori* to prevent the informal economy from growing. These mainly have to do with macroeconomic policy. An effective **macroeconomic policy** should aim to achieve growth, reduce poverty and promote economic stability. It needs to go hand in hand with the development of financial policy, industrial policy and fiscal policy, with the objective of formalizing the economy (ILO 2009, 2014).

Diversification

Diversification is key to the Zambian economy. This is especially true as it is overly reliant on a single commodity (copper) and hence on its revenues. Being dependent on the mining industry is not desirable for three reasons: 1) it leads to repatriated profits that are not re-injected into the national economy; 2) it makes the national currency too volatile; and 3) it absorbs only a small share of total employment.

Diversifying the economy, which means promoting other sectors so that they make a higher contribution to GDP and absorb more of the workforce, is particularly relevant to rural areas. Diversification is already taking place, but slowly. There are three key sectors to look at: manufacturing, agriculture and construction.

Manufacturing

Manufacturing is a driving force behind modernization and job creation, if one thinks about all the countries that went through Import–Substitution–Industrialization (and the success story of the Asian Tigers) or those under structural transformation. It is also a source of considerable FDI.

“Light” manufacturing: more attention should be given to the industries of textiles and apparel, leather products, and wood and metal, where there is great potential for formal job creation and where value can be added to raw materials. This sectoral policy would need to go hand in hand with the exploitation of Zambia’s comparative advantage in natural resources, through industries such as agriculture, livestock and forestry (Dinh, 2013).

Agriculture

Recent harvests have been severely affected by natural hazards, such as drought (caused by *El Niño*) or floods. While preventing these hazards is nearly impossible, it does not mean that the agricultural sector should be ignored. If anything, it should be perceived as the other side of the coin of industrialization. This is especially important given that the agricultural sector employs roughly half of those in work.

* Policy 1 – **Beef and dairy**: there is huge potential to develop these industries, which are underperforming and uncompetitive. To exploit this potential, improvements are needed in the operating environment, the business environment, productivity, competitiveness and market constraints (see World Bank, 2011 for more details).

* Policy 2 – **Maize**: the maize seed industry is one of the most important in the region. Smallholder farmers in Zambia are growing many different varieties of maize, and the seed market is a very competitive oligopoly of large companies. As it is the production of maize that has been driving agricultural production over recent years, efforts should be directed towards further developing this industry. One way to do this is by promoting and advertising the varieties of maize that are rich in vitamin A under a single brand. The creation of this brand would have to be accompanied by 1) exclusive rights to preserve product differentiation; 2) regular quality checks; 3) risk sharing with competing companies; and 4) subsidy (Smale et al., 2013).

Construction

The construction sector is looking promising as it is already hiring more workers and becoming increasingly formalized. It is an important source of FDI. One obstacle to the further development of this sector is that it remains accessible solely to men.

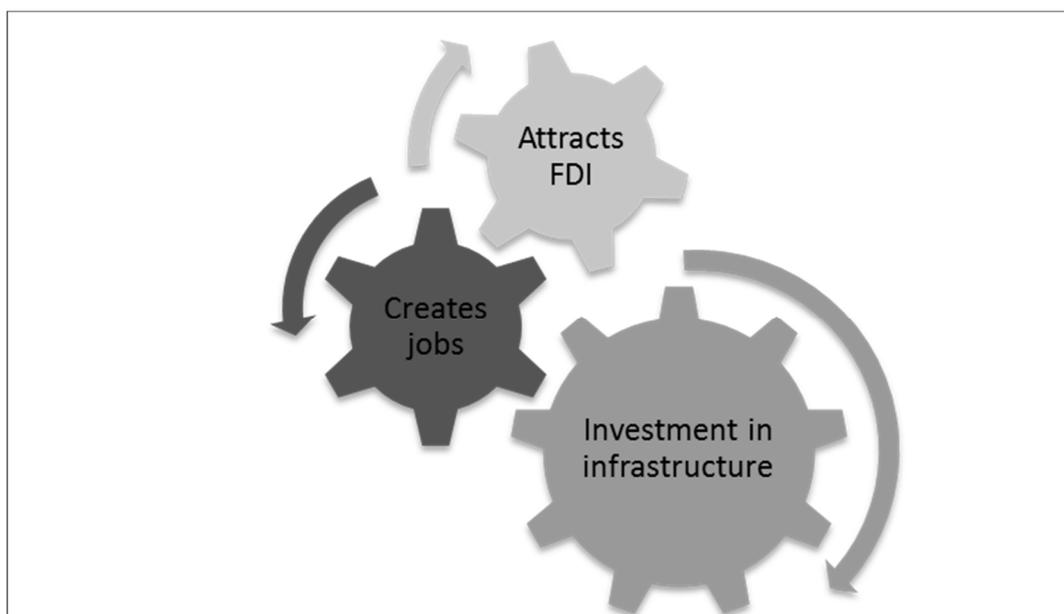
* Policy 1 – **Employment creation**: it is necessary to continue to create jobs in this sector, even if this is done through private investment.

* Policy 2 – **Promote access for women**: quotas to include women could be set per number of jobs created to break the tradition in this male-dominated sector. However, setting quotas alone is not good enough. Even if women have the opportunity to work in the construction sector, they will not necessarily want to, or have the requisite skills. This is where complementary policies such as specific training/workshops and maternity leave/protection can create incentives for women to join the sector.

* Policy 3 – **Attract FDI**: in order to continue attracting FDI, whether in construction or other sectors, it is imperative that the Zambian Government invests more in infrastructure and basic utilities. This is necessary to make the economic environment stable for foreign investors. For instance, FDI flows to Zambia declined by 48 per cent in 2015, to \$1.7 billion. This decline was mainly the result of obstacles to FDI in the mining sector: these were mostly electricity shortages, on top of the unstable mining tax regime (UNCTAD, 2016: 41).

Investing in infrastructure can create employment in two ways. First, workers are needed to build roads and facilities. Second, better infrastructure attracts FDI, which in the long run can also lead to employment creation for local workers (figure 9.1).

Figure 9.1. The close links between investments in infrastructure, job creation and FDI



Education

Raising the level of educational attainment in a country can be a driving force behind growth, especially in the long run. This comes as no surprise, as better-educated people are those with higher skills, hence better jobs and higher salaries. To do this requires focusing on both quality and access. Indeed, having high-quality education that is limited to a minority of the population will not lead to development; on the contrary, it will exacerbate inequalities. In the same way, universal education of poor quality is not desirable either.

Tertiary educational attainment in Zambia is still limited to a very small number of people (less than 1 per cent of the population) and to workers in a few sectors of economic activity. It is also worse for women than for men, especially in the informal sector. As new job opportunities arise with the diversification of the economy and the formalization of employment, there is an imperative for the population to become better educated and develop their skills in order to be able to meet future offers of employment. Formulating educational policies is not an easy task, as there cannot be a one size fits all approach. Implementing the right educational policies is particularly important at this time in Zambia, as its population is young and growing fast, meaning there is room to bring about change.

Some of the key challenges Zambia is facing with respect to education are: 1) access to education in high-density areas where there are not enough places in schools; 2) long journeys to schools in rural areas; 3) improving the quality of education; and 4) low learning achievement scores (Ministry of Education, Science, Vocational Training and Early Education (MESVTEE), 2015).

However, there have recently been positive developments in education. Some initiatives that have already been taken include: 1) the creation of 550,000 new places in community schools; 2) the spread of school enrolment; 3) imposing a minimum period of two years at the same school for teachers before they can move; 4) reducing the number of teachers in rural areas who leave without being replaced; 5) a new national curriculum; and 6) the introduction of a two-tier system (MESVTEE, 2015).

* Policy 1 – **Enhance suitable vocational education:** reform and upgrade vocational education and training, especially in the private sector, with a specific focus on technology and skills transfers (ILO, 2009). Make sure that the skills taught are aligned to the demands of the current job market to avoid skills mismatch (Hamusunga, 2012).

* Policy 2 – **More government commitment/intervention:** increase government spending on education. Conduct regular evaluations of pupils' knowledge to capture their progress. Assess the knowledge of teachers during teaching time. Develop a feedback process to capture the quality of teaching received by pupils/students.

* Policy 3 – **Support from cooperating partners and civil society:** government and international agencies, such as USAID (Education Programme Evaluation), UNICEF (Country Programme 2011–15) and the World Bank (Girl's Education and Women's Empowerment and Livelihoods Project), are already present in Zambia and play a role in improving access to quality basic education. It is crucial for Zambia to continue to gain support from the national and international communities. These provide financial resources, advice and volunteer participation, and track progress.

* Policy 4 – **Improve access in rural areas:** improving access to schools for people living in rural areas is part of the requirement to increase infrastructure. It is also necessary to develop adequate transportation networks, such as school buses.

* Policy 5 – **Encourage female enrolment:** there are high dropout rates for girls at all levels of education, principally due to pregnancy, marriage or safety concerns (Hamusunga, 2012). A system of school buses is one way of making the trip to school safer. Having school finish earlier would also make the journey safer as it would avoid girls walking home alone at night time. Another recommendation is to shorten the school day, especially for girls. This would encourage them to attend, as they would also have time to perform household tasks or take care of their children (in the case of early motherhood). Setting up nurseries would also allow young mothers to attend school. However, we acknowledge that this is more complicated than it sounds, as it would require buildings, materials, food, trained staff and the budget to finance all these things.

* Policy 6 – **Create relevant loan schemes/bursaries:** the Government has encouraged private investment in tertiary education in order to increase the level of enrolment. This proved successful during the noughties. However, private education does not come for free and many students have been unable to attend these universities due to high fees and a lack of available bursaries (Hamusunga, 2012).

There is one issue that has not been mentioned on its own, but that is part of each suggested reform area, and that is gender inequality. Women have been particularly discriminated against, whether in terms of access to certain sectors of economic activity, formal jobs or higher education. They are also more likely than men to be affected by the problems Zambia is facing, such as informal employment. This is the case for maternity protection, for instance, as it is something that informal employment does not cover and that is particularly relevant to women. There is a wide literature on gender inequality and how it could be overcome (AfDB, 2015; Hudock, 2014; USAID, 2012; World Bank, 2012). While it is beyond the scope of this paper, it is a problem that cannot be considered separately while formulating policies that are pro-diversification, pro-formalization and pro-education.

Table 9.1. The Sixth National Development Plan (SNDP) (2013-16)

What are the targets of the plan?	What do they look like halfway through the plan (2014)						
To reduce the unemployment rate to 5%	<table> <tr> <td>Total</td> <td>7.4 %</td> </tr> <tr> <td>Male</td> <td>8.4 %</td> </tr> <tr> <td>Female:</td> <td>6.5 %</td> </tr> </table>	Total	7.4 %	Male	8.4 %	Female:	6.5 %
Total	7.4 %						
Male	8.4 %						
Female:	6.5 %						
To increase formal sector employment to 27% of total employment	<table> <tr> <td>Total</td> <td>37.2 %</td> </tr> <tr> <td>Male</td> <td>42.5 %</td> </tr> <tr> <td>Female</td> <td>32.5 %</td> </tr> </table>	Total	37.2 %	Male	42.5 %	Female	32.5 %
Total	37.2 %						
Male	42.5 %						
Female	32.5 %						
To increase the share of wage employees to 75%	46% (includes any worker who is in paid employment or business)						
To increase the share of the working population contributing to the national security scheme to 35%	15% (excludes workers who do not know if they are registered with a national security scheme – otherwise 20%)						

Sources: For the SNDP, Harasty et al., 2015; for the estimations, author's calculations based on 2014 LFS

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Appendix: Additional tables and figures

Table A1. Overview of labour force characteristics, by gender, 2008, 2012 and 2014

	2008			2012			2014		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Total population	12 298 000	6 149 000	6 149 000	14 375 601	7 087 171	7 288 430	14 983 315	7 351 247	7 632 068
Working age population, 15+	6 716 000	3 303 000	3 413 000	7 861 259	3 823 172	4 038 087	8 149 797	3 951 744	4 198 053
Aged 15-24	2 635 125	1 281 395	1 352 730	3 076 077	1 491 273	1 584 804	3 130 686	1 516 553	1 614 133
Aged 15-34	4 394 847	2 135 512	2 259 335	5 048 456	2 418 576	2 929 879	5 168 588	2 453 188	2 715 399
Labour force 15+	5 003 871	2 603 822	2 400 049	5 966 199	2 885 146	3 081 053	6 329 076	3 045 159	3 283 917
Employed	4 606 846	2 391 785	2 215 061	5 499 673	2 702 410	2 797 263	5 859 225	2 789 012	3 070 213
Unemployed	397 025	212 037	184 988	466 526	182 736	283 790	469 851	256 147	213 704
Inactive	1 712 160	699 000	1 013 000	1 895 060	938 027	957 033	1 820 721	906 585	874 725
Dependency ratio, actual, %	1.67	1.57	1.78	1.61	1.62	1.61	1.56	1.64	1.49
Dependency ratio, age-based, %	0.83			0.83			0.84		
Activity rate, %	74.5	78.8	70.3	75.9	75.5	76.3	77.7	77.1	78.2
Employment rate, %	68.6	72.4	64.9	70	70.7	69.3	71.9	70.5	73.1
Unemployment rate, %	7.9	8.1	7.7	7.8	6.3	9.2	7.4	8.4	6.5
Inactivity rate, %	25.5	21.1	29.7	24.1	24.5	23.7	22.3	22.9	20.8

Notes: Dependency ratio, actual: total non-employed population divided by total employed population

Dependency ratio, age-based: non-working age population (under 15 and 65+) divided by working-age population

Sources: CSO, 2011, 2013, 2015

Table A2. Overview of labour force characteristics, urban and rural, 2008, 2012 and 2014

	2008		2012		2014	
	Urban	Rural	Urban	Rural	Urban	Rural
Total population	4 182 813	8 115 492	5 721 155	8 654 446	6 235 786	8 747 529
Working-age population, 15+	2 441 539	4 274 492	3 434 686	4 426 573	3 732 089	4 417 708
Labour force, 15+	1 537 319	3 466 552	2 454 800	3 511 400	2 786 093	3 542 983
Employed	1 261 299	3 345 547	2 105 539	3 394 134	2 465 004	3 394 221
Unemployed	276 020	121 005	349 261	117 266	321 089	148 762
Inactive	904 220	807 940	979 887	915 173	945 996	874 725

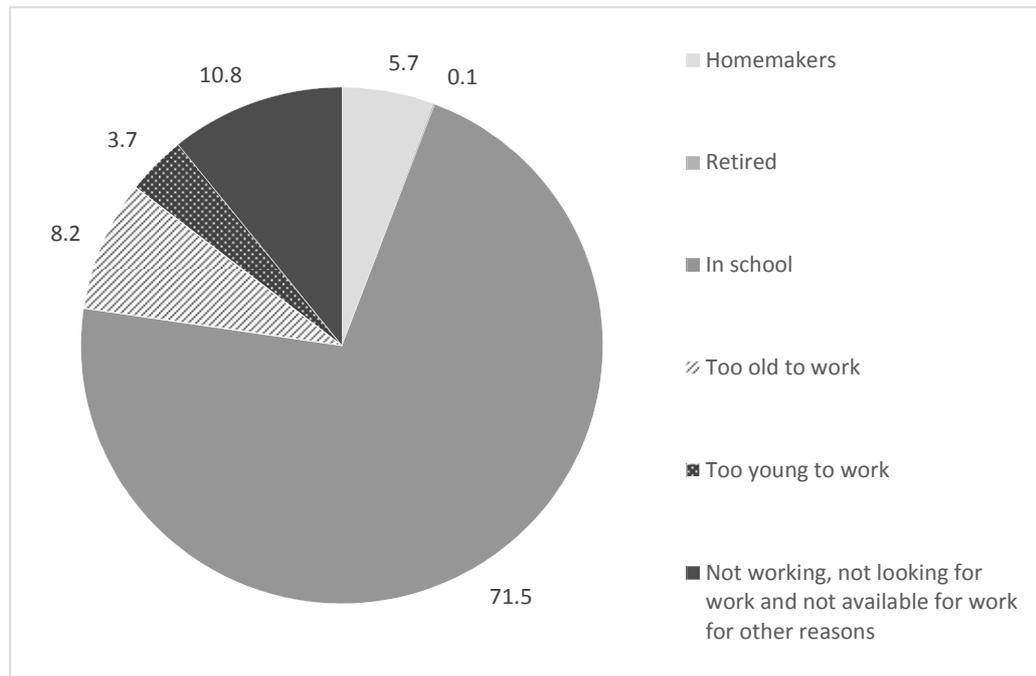
Sources: CSO, 2011, 2013, 2015

Table A3. Labour force characteristics: rates, 2008, 2012 and 2014 (%)

	2008		2012		2014	
	Urban	Rural	Urban	Rural	Urban	Rural
Working-age population, 15+	58.4	52.7	60.0	51.1	59.8	50.5
Labour force, 15+	63.0	81.1	71.5	79.3	74.7	80.2
Employed	82.0	96.5	85.8	96.7	88.5	95.8
Unemployed	18.0	3.5	14.2	3.3	11.5	4.2
Inactive	37.0	18.9	28.5	20.7	25.3	19.8

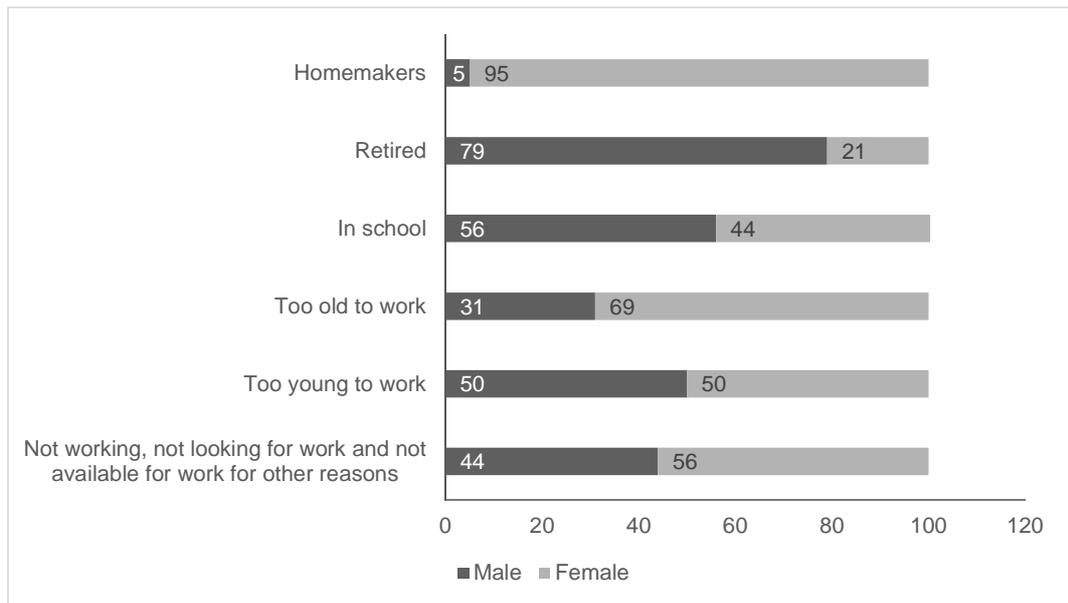
Sources: Author's calculations based on data from 2008, 2012 and 2014 LFS

Figure A1. Distribution of the economically inactive population by reason for inactivity, 2012 (%)



Source: CSO 2013, table 5.8

Figure A2. Distribution of the economically inactive by reason for inactivity and gender, 2012 (%)



Source: CSO, 2013, table 5.8

Table A4. Average number of working hours per week for the employed, 2012 and 2014

	Total	Male	Female
Total 2012	38.7	41.8	35.4
Total 2014	40.7	43.4	37.2
Rural 2012	32.6	34.6	30.5
Rural 2014	33.5	35.6	31.0
Urban 2012	48.0	52.3	43.3
Urban 2014	49.1	51.2	45.7

Sources: CSO, 2013, table 7.6; 2015

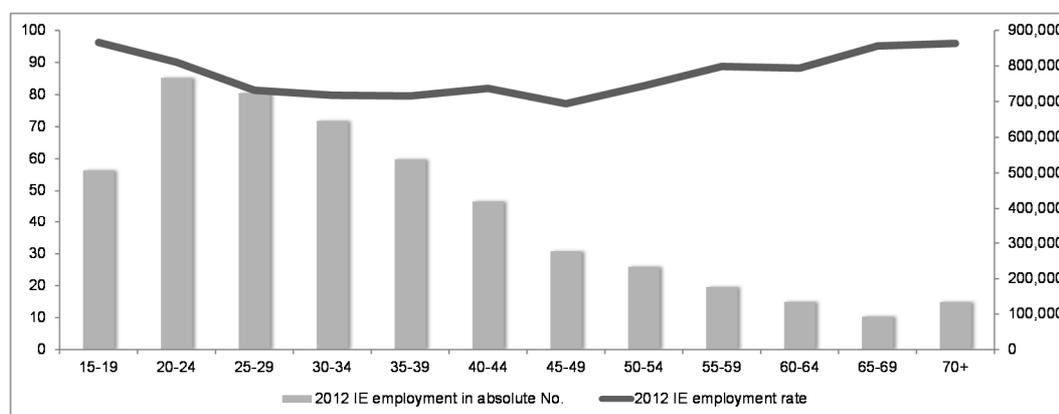
Table A5. Formal job creation by industry between 2008, 2012 and 2014

SECTOR	2008	2012	2014	Change 2008-2014 No of jobs created	% of total
Agriculture, forestry and fishing	71 888	87 420	106 943	35 055	8.1
Mining and quarrying	62 082	67 608	67 002	4 920	1.1
Manufacturing	36 923	73 814	76 470	39 547	9.1
Electricity, gas and water	10 683	17 403	25 705	15 022	3.5
Construction	13 889	36 676	59 085	45 196	10.4
Trade, wholesale and retail distribution	28 706	110 365	110 875	82 169	18.9
Hotels and restaurants	16 689	29 574	36 866	20 117	4.6
Transport and communications	29 484	77 692	72 297	42 813	9.9
Finance, insurance and real estate	12 935	14 655	16 638	3 703	0.9
Community, social and personal services	225 680	332 212	371 423	145 743	33.6
Total	508 959	847 419	943 304	434 345	100
Not stated	2 379	0	0		
Not classified elsewhere	0	0	950		

Note: The categorization of industry is done differently in the 2008 LFS (CSO, 2011) compared to the 2012 LFS (CSO, 2013) and 2014 LFD (CSO, 2015). For comparison purposes, some categories of industry in the 2012 LFS and in the 2014 LFS have been grouped the same way as they were in the 2008 LFS.

Sources: CSO, 2011, table 7.6; 2013, table 8.5; 2015, table 7.3

Figure A3. Employment in the informal economy by age, 2012 (% and absolute numbers)



Source: Author's calculations based on data from the 2012 LFS

Table A6. Informal employment of employees (aged 15 and over) by type of employment agreement, 2012 and 2014

	Total employment	Informal employment (1 + 2)	Informal employment in the informal sector (1)	Informal employment outside the informal sector (2)	Informal employment rate %
Permanent					
2012	539 552	119 545	68 319	51 226	22.2
2014	571 643	116 654	84 756	31 898	20.4
Fixed-period contract					
2012	322 199	162 076	100 563	61 513	50.3
2014	322 359	160 483	97 133	63 350	49.8
Temporary / casual					
2012	211 705	180 970	118 727	62 243	85.5
2014	297 529	297 529	211 166	86 363	100.0
Part-time					
2012	29 533	23 073	16 138	6 935	78.1
2014	58 301	45 972	38 236	7 736	78.9
Seasonal					
2012	16 909	13 670	11 625	2 045	80.8
2014	32 129	32 129	21 016	11 113	100.0
Total employees					
2012	1 119 898	499 334	315 372	504 661	44.6
2014	1 281 961	652 767	452 307	200 460	50.9

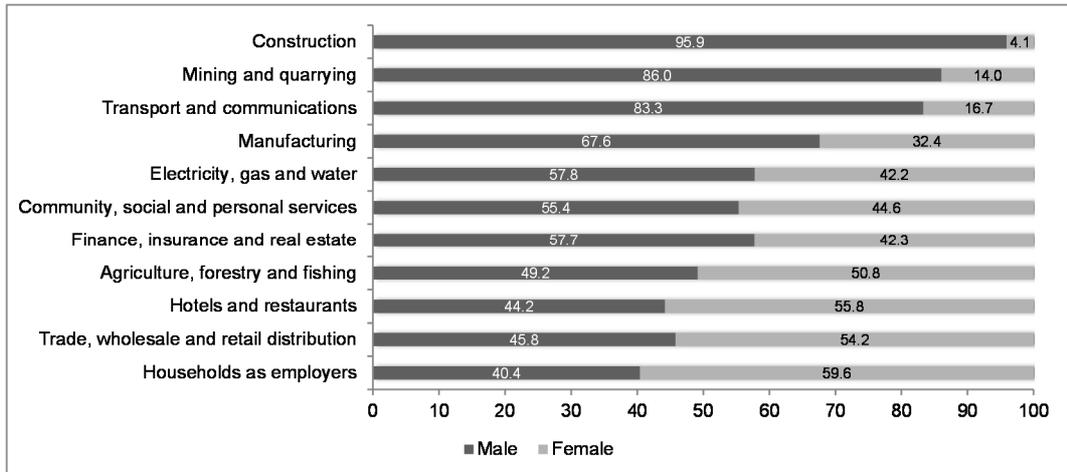
Table A7. Informal employment by broad industrial sectors, 2012 and 2014 (ISIC (Rev. 4) category)

		Total employment	Informal employment (1 + 2)	Informal employment in the informal sector (1)	Informal employment outside the informal sector (2)	Informal employment rate, %
Agriculture, forestry and fishing	2012	2 872 331	2 821 566	2 763 274	58 292	98.2
	2014	3 649 397	3 597 662	3 538 208	59 454	98.6
Activities of households as employers	2012	722 524	711 767	707 582	4 185	98.5
	2014	234 814	232 241	228 326	3 915	98.9
Trade, wholesale and retail distribution	2012	645 571	610 977	527 260	83 717	94.6
	2014	692 078	657 917	579 758	78 159	94.1
Manufacturing	2012	216 660	161 285	136 394	24 891	74.4
	2014	223 681	179 142	144 968	34 174	80.1
Construction	2012	187 907	168 646	145 620	23 026	89.7
	2014	182 806	151 805	119 588	32 217	83.0
Transportation and storage	2012	137 301	103 058	69 145	33 913	75.1
	2014	152 052	123 276	92 782	30 494	81.1
Other service activities	2012	110 550	100 780	88 576	12 204	91.2
	2014	107 310	96 137	84 277	11 860	89.6
Accommodation and food service activities	2012	62 671	40 837	25 381	15 456	65.2
	2014	72 078	44 842	32 825	12 017	62.2
Mining and quarrying	2012	88 251	23 215	13 343	9 872	26.3
	2014	82 725	25 403	13 726	11 677	30.7
Education	2012	150 215	21 783	10 947	10 836	14.5
	2014	158 618	26 613	7 296	19 317	16.8

		Total employment	Informal employment (1 + 2)	Informal employment in the informal sector (1)	Informal employment outside the informal sector (2)	Informal employe nt rate, %
Administrative and support services	2012	57 801	16 044	9 458	6 586	27.8
	2014	52 631	16 365	9 347	7 018	31.1
Information and communications	2012	42 104	30 411	25 538	4 873	72.2
	2014	20 322	9 655	6 071	3 584	47.5
Human health and social work	2012	26 180	16 260	8 124	8 136	26.1
	2014	63 255	15 772	3 879	11 893	24.9
Public administration and defence, compulsory social security	2012	60 750	9 440	2 982	6 458	15.5
	2014	72 767	5 064	2 475	2 589	7.0
Water supply, sewerage, waste management and remediation activities	2012	14 790	9 805	8 474	1 331	66.3
	2014	11 283	4 377	220	4 157	38.8
Professional, scientific and technical activities	2012	19 378	9 030	7 817	1 213	46.6
	2014	13 856	2 961	1 918	1 043	21.4
Arts, entertainment and recreation	2012	10 267	6 798	4 827	1 971	66.2
	2014	10 164	6 746	3 216	3 530	66.4
Electricity, gas, steam and air-conditioning supply	2012	12 211	1 448	379	1 069	11.9
	2014	16 175	6 023	1 065	4 958	37.2
Financial and insurance activities	2012	14 941	4 013	1 680	2 333	26.9
	2014	17 342	4 603	1 947	2 656	26.5
Real estate activities	2012	7 257	6 878	5 217	1 661	94.8
	2014	5 154	5 066	3 538	1 528	98.3
Activities of extraterritorial organization and bodies	2012	4 016	330	0	330	8.2
	2014	3 790	1 217	0	1 217	32.1

Source: Author's calculations using the 2012 and 2014 FLS

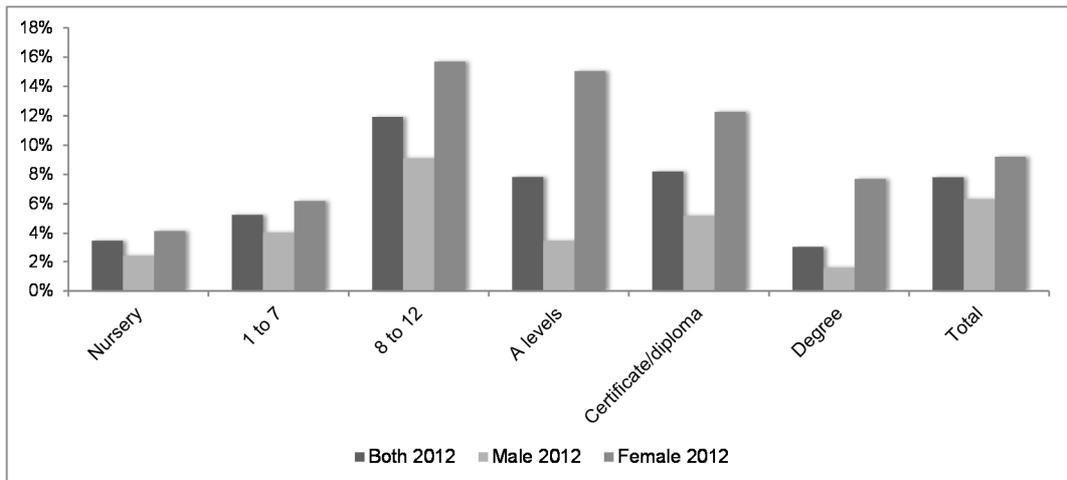
Figure A4. Sectoral distribution of employment by gender, 2012 (%)



Note: The category "Community, social and personal services" includes "Professional, scientific and technical activities", "Administrative and support service activities", "Public administration and defence; compulsory social security", "Education", "Human health and social work activities", "Art, entertainment and recreation", "Other service activities" and "Activities of extraterritorial organizations and bodies". (Here the category "Activities of households as employers" is treated separately.)

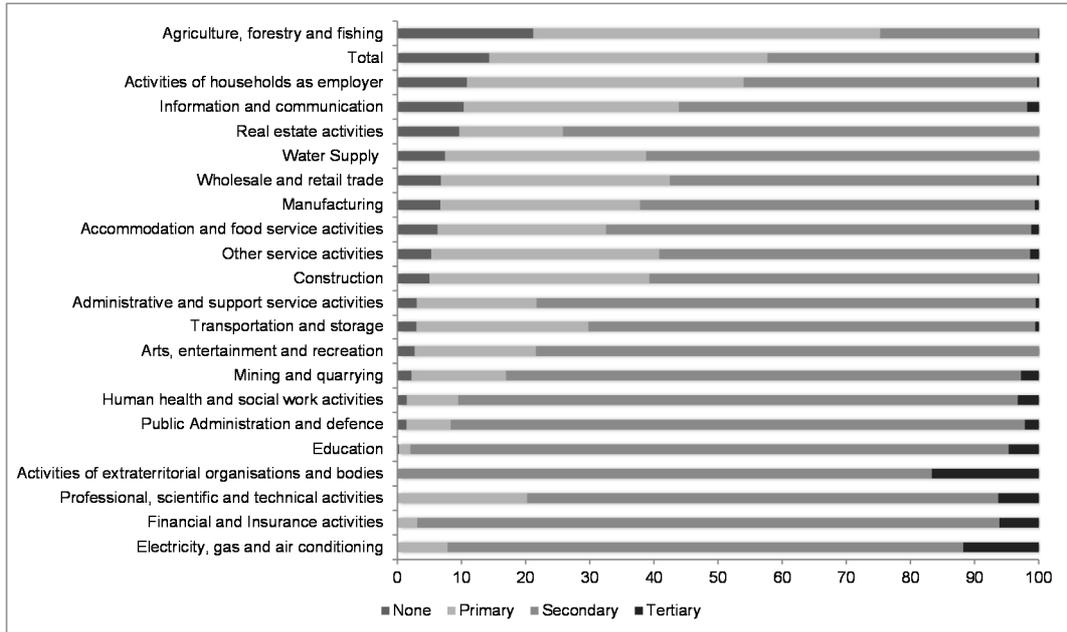
Source: Author's calculations based on 2012 LFS

Figure A 5. Unemployment rates by education level and gender, 2012 (%)



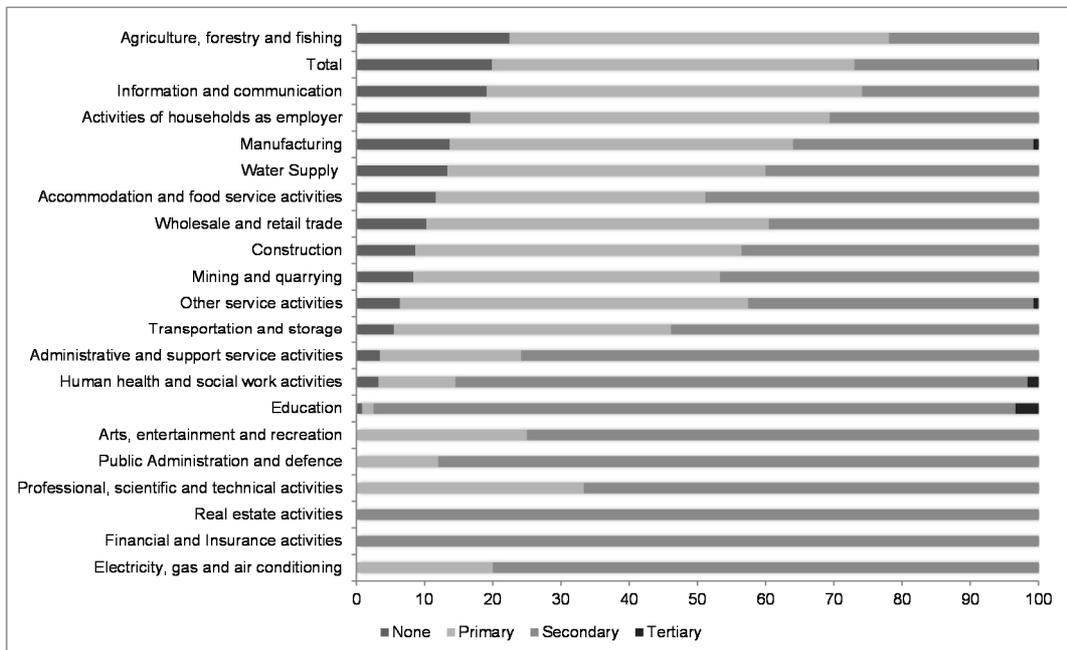
Source: IPGE Zambia, 2015, figure 5.18

Figure A 6. Educational structure of employment, by sector, 2012



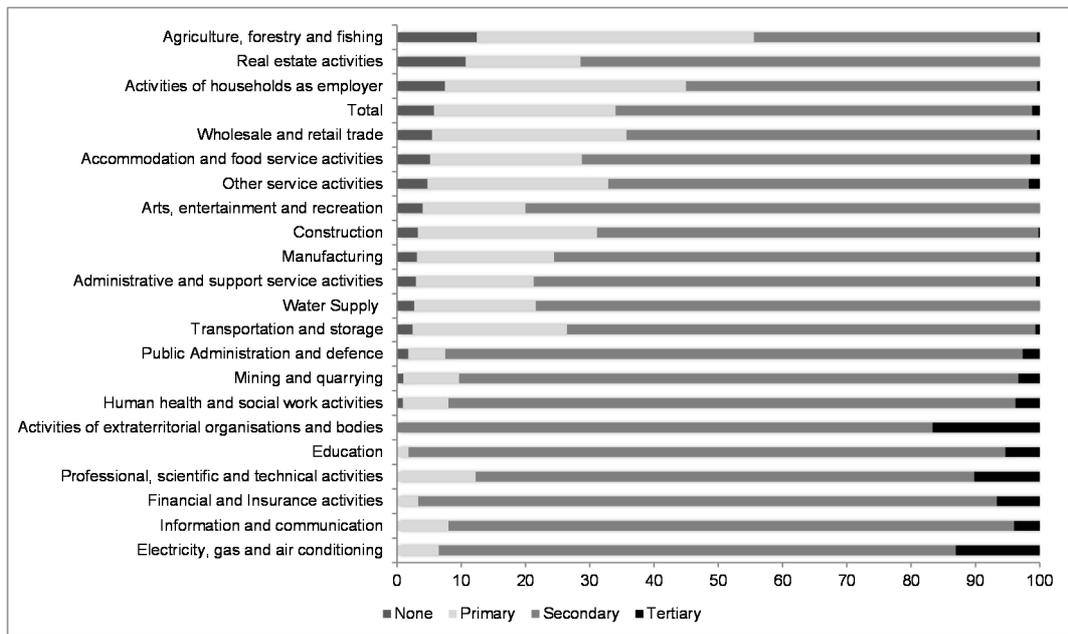
Source: Author's calculations from LFS 2012

Figure A 7. Educational structure of employment in the rural area, by sector, 2012



Source: Author's calculations from LFS 2012

Figure A 8. Educational structure of employment in the urban area, by sector, 2012



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