

Zimbabwe's labour market dynamics: prospects for recovery

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Structure

- Introduction – the paradox of Africa
- Economic background
- Which way Zimbabwe?
- Conclusion

The paradox of Africa

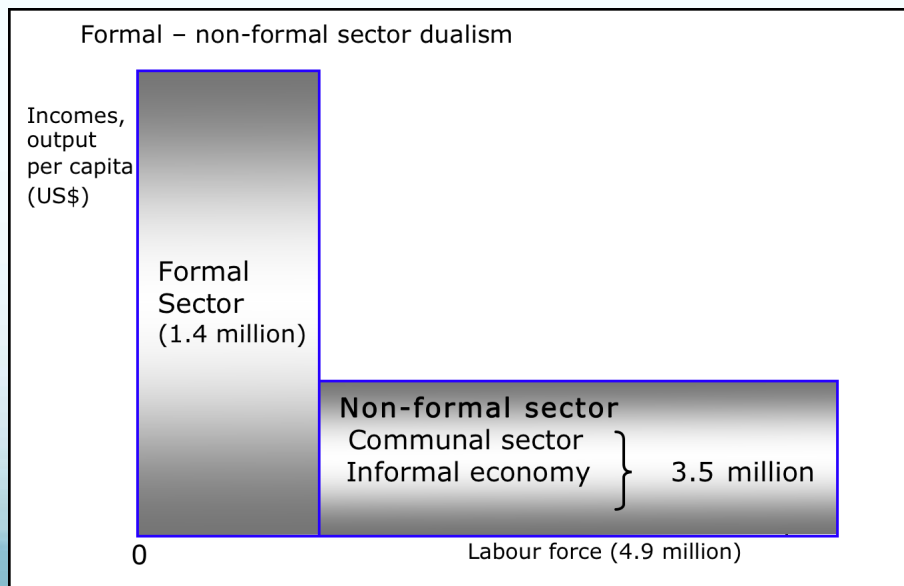
- In the beginning, God created heaven and earth.....
- The end of the crisis is near, given the political developments to date. Its therefore important to prepare for possible recovery
- Why the labour market?
 - Link between production and consumption

Economic background

- Four phases:
 - Interventionist phase (1980-1990)
 - Reform phase (1991-1996)
 - Crisis phase (1997-2008)
 - Current (stabilisation) phase (2009+) - uncharted
- Segmentation and enclavity (Mhone, 2000) has been enduring
 - Post independence policies partly corrected labour market dualism, but not in the education sector

Labour market remains dualistic (formal-informal [non-formal?]) and interlinked

- Formal sector - capital intensive, low labour absorptive capacity; high value-added
- Non-formal sector – informal economy and the rural sector with qualitatively inferior jobs



- 1980-90: High employment protection
 - Reduced employment growth and capacity utilisation
 - Unemployment generally long term; firms shouldered high employment costs during downturns
 - Advantages and disadvantages of employment protection (also after 2000)

	1997	1998	1999	2000	2001	2002	2003	2004
Overall employment growth	3.9	1.9	-2.4	-6	-4.3	-5.8	-9.1	-1.4
Agriculture & Fishing	2.3	-2.8	-2.1	-3.9	-10.8	-23.8	-28.5	-2.3
Mining and Quarrying	-1.2	3.2	-2.5	-25	-4.3	0.2	-2.1	19
Manufacturing	7.8	5.0	-3.3	-9.6	-1.5	-4	-17.7	-3.5
Construction	0.8	1.3	-12.5	-22.3	0	0	-37.6	-6.5

Structure of formal employment

- tradable sectors employment declined from 1995;
- there was growth in the non-tradable sectors

Table 2: Percentage sectoral formal employment, 1980-2005

Sector	1980	1990	2000	2005
Agriculture	32.4	24.3	26.3	14.2
Mining and quarrying	6.6	4.3	3.6	5.4
Manufacturing	15.8	16.5	14.7	12.5
Electricity and water	0.7	0.7	0.9	1.1
Construction	4.2	6.4	4.4	2.3
Finance and insurance	1.2	1.5	2.8	3.8
Distribution and restaurants	7	8.1	8.4	10.4
Transport and communication	4.5	4.5	3.6	3.5
Public Administration	7	7.8	4.7	7.3
Education	4.1	9.1	11.3	16.3
Health	1.5	2.1	2.3	2.6
Private domestics	10.7	8.6	8.3	10.2
Other Services	4.3	6.2	8.6	8.9

- Crisis caused outflow of investible capital – Collier thesis
- Education employment grew, but (secondary) enrolment declined from 47.8% (1991) to 36% (2002)
- Public sector employment used to reward political patronage – grew by 21% 1995-2005
- Informal economy grew from 10% (1985, ILO) to 62% of labour force in 1998

Employment legal framework and wage formation

- Institutionalised employment security; govt. wage setting hence low wage differentials
- Liberalisation – retrenchment and flexibility, collective bargaining at NEC level
 - Rising wage differential between occupations (PwC, 2000); private-public sector differentials
- Urban wages higher than rural earnings – annual average textiles sector income of USD1922.52 (2006) was 73 times higher than rural average income
- Biggest losers to present are low skill sectors – agriculture, construction, domestics

Table 4: Sectoral wage differentials, 1997-2002

	1997	1998	1999	2000	2001	2002
Manufacturing/agriculture	5.60	5.15	5.17	5.65	3.42	6.23
Mining/agriculture	5.32	5.62	5.62	5.51	3.36	7.19
Manufacturing/domestic	18.95	23.76	34.08	53.16	90.05	181.3
Mining/domestic	18.01	25.94	37.07	51.80	88.46	209.20
Agriculture/domestic	3.39	4.62	6.60	9.41	26.33	29.08

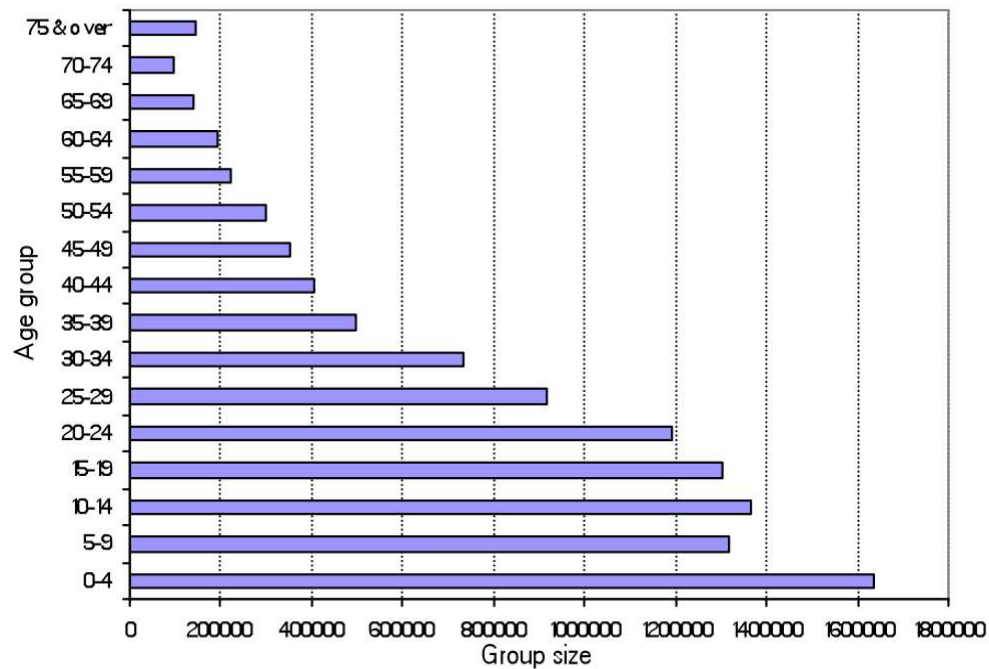
Source: own calculations from Quarterly Digest of Statistics 2003

- Outcomes include...
 - Rising urban poverty; lower aggregate demand and productivity
 - By 2008, majority of formal sector workers earnings were less than poverty line
 - Frequency of collective bargaining increased
 - Efficiency wages for critical skills to discourage them from leaving e.g. in manufacturing, health
- Other changes.....
 - Labour Act of 2002
 - 1998 S.I. 202 against discrimination on the basis of HIV status

Demographic and labour force structural dynamics

- Population – 7.3m(1980) 10.4m(1992) 11.6% (2002) 10.8m(2004)
- Dominance of young persons and development challenges ...

Figure 3: Population structure, 2004



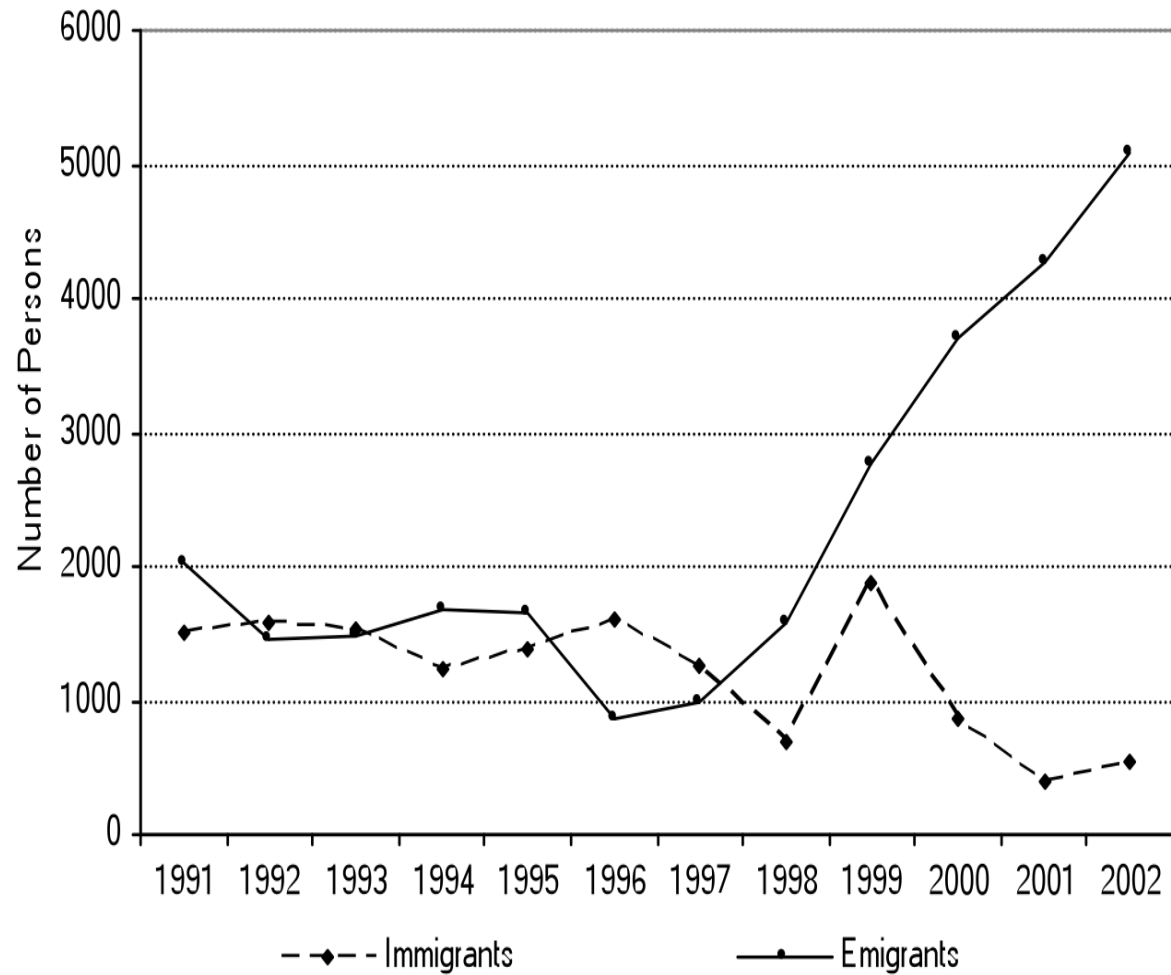
Source: Statistics from the CSO 2004 Labour Force Survey

- In 2004 – 40% ≤ 15 years, compared to 48% in 1982
- 1985-94 population growth 2.8% (WB, 2008)
- 1995-2006, it fell to 1.1% vs region's 2.5%
- Rural population 1980 \rightarrow 78%; 2004 \rightarrow 64%
 - Decline translated into urban population growth, with the attendant problems of urbanisation
- Labour force: 1982 \rightarrow 3.97m, 26% formal sector 1999 \rightarrow 4.96m, 37% in paid employment 2004 \rightarrow 5.6m; participation rate increased from 64% in 1982 to 87% in 2004 [crisis; unemployment?]

Occupational and skills dynamics

- 1986: 6% professional; 15% skilled; 50% unskilled
- 1999: 14% professional; 9.5% skilled; 10.6% semi-skilled; 62% unskilled
- 2004: 5% professional; 8.3% skilled; 7.5% semi-skilled; 78.7% unskilled
- Non-formal sector dominated by unskilled labour, though skill level increased during crisis
- Migration (especially of skilled labour), and official stats miss border jumpers

Figure 4: Migration of economically active persons, 1990-2002



Source: Statistics from CSO Labour Statistics, 2004

Why unskilled labour growth?

- Cost recovery measures in education (1990s)
- Poverty / HIV/AIDS impact
- Unskilled labour is non-tradable
- High and unaffordable school fees for the median household, especially from 2004
- Poor morale among teachers; also persecution from 2000 onwards

Unemployment – contestable data

- 1980s->11.6%; 1992->21.8% (CSO), 2004) 1999->6%; 2004->9%(CSO, 2006)
- Generally higher in urban areas
- Its clear that these statistics are misleading...
 - Youth unemployment increased dramatically from 1990s to present (as is during current financial crisis)
 - Economy contracted by over 40% to 2005,
 - NB: employment statistics are correct

Table 5: Unemployment estimates

Year	Source	Unemployment estimates	Definition used and reference period
1986	Central Statistical Office	11.6%	Strict, 7 days
1990	Ministry of Public Service, Labour and Social Welfare	37.2%	
1991	Government of Zimbabwe, Framework for economic reform	26-37%	Strict
1993	Rakodi (1994)	40%	
1993	Ministry of Public Service, Labour and Social Welfare	44%	
1993	Central Statistical Office (1994)	7.9% national; 2.4% rural; 15.9% urban	Strict, 7 days
1996	Economic Intelligence Unit (1996)	50%	
1996	US Department of State	>45%	
1996	Ministry of Public Service, Labour and Social Welfare annual report	22.4% in 1994 including unpaid family workers	
1997	Kanyenze (1997)	35-50% total, of which 62% were youths	
1999	Central Statistical Office (2000)	6% national 1.4% rural; 15.5% urban	Strict, 7 days
2004	Central statistical Office (2006)	9% national	Strict, 7 days
2005	US Department of State	80%	
2006	Kanyenze (2006)	Over 70%	
2008	Bird and Prowse (2008)	Over 80%	

Source: Adapted from Potts (2000) and modified using Indicator Monitoring - Labour Force Surveys for 1999 and 2004 and other sources.

- Main problem is use of the strict definition of unemployment which is of little/no relevance in the Zim (African?) context
- Stats not useful for policy
- Many people disguised as employed in the informal sector (UNECA, 2005)
- High under-employment
- Problem of high youth unemployment (as in most countries) – shows problems with the school-to-work transition process
 - Small formal sector; rural-urban migration; lack of appropriate skills

What next for Zimbabwe? Policy options

(a) Rehabilitation of national statistics system

- To provide important macroeconomic and labour market statistics
- Need to establish actual skills structure
- Need to eliminate govt interference in stats collection and dissemination
- Need (apolitical) professional staff, not political appointees, to lead CSO

(b) Revitalisation of education and training

- Increased allocation of funds for infrastructure development (in new settlements) and rehabilitation
- Need a dynamic curriculum that serves people of different abilities, not only the academically-gifted
- Adequate remuneration for lecturers and teachers
- Equip graduates with skills for employment and self-employment - ZIMFEP initiative
- Need proper signalling of skills shortages/surpluses in the economy. Also career guidance

(c) Infrastructure development and rehabilitation

- Construction of schools, railways and roads, telecomms, and access to ICT, especially in rural areas
- Build and upgrade libraries; modernisation of training colleges equipment and machinery

(d) Managed return of the diasporans

- Skilled labour is tradable, so it flows to areas offering higher returns
- Need provision of schools, housing and hospitals
- Must avoid crowding out of incumbent workers
- Reduce rate of re-emigration

(e) Exploiting the nation's comparative advantages for national development

- Minerals, especially diamonds, gold and platinum
- Effective utilisation of semi- and unskilled labour in low skills sectors (agric, construction, tourism)
- Need for proper/equitable and poverty-reducing land redistribution (farming is an occupation, not a hobby)

(f) Incomes stabilisation policy

- Institutionalisation of a proper remuneration structure in both private and public sectors
- Paying living wages
- Removal of price controls (especially of agricultural products); firms need to retool
- Govt assistance with marketing of produce

(g) Promotion of the informal economy

- Currently larger than the formal sector
- As an intermediate step towards recovery – to guarantee incomes for households

(h) HIV/AIDS challenge

- Need adequate and timely provision of ARVs
- Proactive rather than reactive firm responses – internalise costs
- Rehabilitation of the health delivery system – treatment of opportunistic infections
- Welfare system to alleviate household misery and assist AIDS orphans

(i) Institution building and role of trade unions

- Important for social and economic justice; also good governance
- Ownership of development process to reduce disruption
- Help with health and safety monitoring Including the Chinese

Conclusion

- The local labour market characterised by high unemployment and under-employment
- Suggestions made here need to be implemented as part of a package of reform policies to exploit and enhance linkages between the labour market and other markets

I thank you