ZIMBABWE ECONOMIC POLICY ANALYSIS AND RESEARCH UNIT

THE NEXUS BETWEEN GROWTH, EMPLOYMENT AND POVERTY IN ZIMBABWE: THE ECONOMICS OF EMPLOYMENT CREATION

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EXECUTIVE SUMMARY

Even before the decade-long economic crisis (1997-2008), the economy of Zimbabwe was already failing to absorb the high numbers of people, mainly youth joining the labour market, with increasingly high levels of education. Though the level of unemployment at 10.7 percent of the labour force looks comparatively modest, the challenge is that the bulk of the employed are locked in low productivity sectors of the economy, in communal agriculture and the informal sector, implying under-employment. Yet international conventions treat decent employment as a universal right.[1]

Part of the explanation is that Zimbabwe has not been able to resolve the dual and enclave nature of the economy inherited at independence, where the burden of creating employment lay with the formal sector, which at independence accounted for only 20 percent of the labour force (1 million persons). Data for 2010 suggests an employment level of 1.2 million, barely above that of 1980, yet the population has almost doubled. Moreover, a precondition for employment creation, sustained economic growth has been elusive, declining persistently during the decade-long crisis.

The recovery associated with the advent of the multi-currency regime and Inclusive Government (2009-13) was resource-based, driven in the main by mining and agriculture. Yet the experiences of emerging economies such as Brazil, China, India among others, that were more successful in reducing poverty over relatively short periods of time is that they underwent a more rapid *structural transformation* - the process by which new, more productive activities emerge and resources move from low productivity traditional activities to newer high-productivity ones. In the case of Zimbabwe, structural regression has been experienced as de-industrialization and informalization of the economy accelerated. Thus, not only did the quantum of employment decline, but also its quality.

In the absence of an explicit employment policy where social and economic goals are integrated consciously into the macroeconomic framework, strategies and programmes adopted to deal with un- and under-employment, and indeed poverty reduction (and its eradication) have largely failed to stem and reverse the scourge. This has been worsened by the deteriorating macroeconomic framework as a result of the crisis of 1997-2008, the mismatch between supply of labour and its demand, in both quantity and quality, emanating in part from the supply-driven education system, which has failed to meet the specific requirements of the economy. Other factors such as the brain-drain have accentuated skill shortages, undermining recovery of the high productivity sectors such as the manufacturing sector. The HIV and AIDS pandemic, limited coverage of social protection, endemic poverty and low human development, have affected the quality of labour supply.

Going forward, there is need for a paradigm shift in the manner in which employment and social goals are treated, often as residuals of growth. In the aftermath of the Ouagadougou Declaration of September 2004, where African Heads of State and Government committed to mainstream social and economic goals, employment should be seen as a cross-cutting objective to be integrated in all policy domains (macro and sectoral) to achieve broad-based,

[1] Decent work implies productive work undertaken in conditions of freedom, equity, human dignity and security and encapsulates four strategic objectives, namely, fundamental principles and rights at work; employment; social protection; and social dialogue.

inclusive pro-poor and job-rich growth. It is also a fulfillment of the commitments Zimbabwe has acceded to as part of the UN Millennium Declaration of September 2000, where global leaders agreed, among other things, to half poverty by 2015. Thus, the global framework of development assistance is now driven by a renewed commitment to poverty reduction, where employment is seen as the link (nexus) between growth and poverty reduction.

Borrowing from the concept of gender audits which seeks to promote gender mainstreaming and gender equality in all policies, a starting point is carrying out employment audits of all policies to assess the extent to which they integrate employment objectives. The second step is to generate national and sectoral employment targets to be integrated in the relevant policy documents, and especially the macroeconomic framework. By so doing, Government therefore fully recognises that productive employment and decent work, especially for the youth, is to be achieved through the sustained, determined and concerted efforts of all stakeholders, including those most affected, mainly youth, women and those living with disabilities, with Government providing leadership. To clear the backlog of unemployment, this paper projects that 138,395 jobs will have to be created annually until 2018. It also provides a sectoral breakdown of these targets.

A critical aspect of the strategy is to promote a process of sustained structural transformation, moving labour from low productivity communal and informal sectors to high productivity sectors. This process can build on the land reform programme by addressing existing anomalies through the proposed Land Audit to allow the decongestion of communal agriculture, thereby raising its productivity. Furthermore, the rebuilding of linkages between agriculture and the rest of the economy can facilitate re-industrialization, especially based on agro-industries. Facilitating the transition from informality to formality, from micro to small, small to medium and medium to large can also help sustain structural transformation and graduation from low productivity to high productivity activities.

Active labour market policy measures, designed to influence the quality of labour supply by enhancing the employability of jobseekers, and labour demand are proposed as part of this comprehensive employment agenda. Effectively, the mind-sets of jobseekers also have to be changed towards (self) employment creation, implying the importance of Business Development Services (BDS) in the overall pro-poor strategy. Linkages across sectors and firms become a critical instrument for networking firms and sectors to leverage employment-intensity. While the heavy reliance on resources is regressive, it is also a comparative advantage to underpin structural transformation.

The potential of the capital-intensive sectors such as mining can be maximized through building resource linkages with the rest of the economy comprising revenue linkages, backward linkages (supply chains), forward linkages (value addition / beneficiation), knowledge and spatial linkages to spawn new industries associated with mining. Like other resource-based economies, Zimbabwe should take advantage of the high level of prices for natural resources to unlock resource-based structural transformation. In this respect, the dilapidated state of infrastructure offers vast opportunities for labour-intensive rehabilitation and employment-intensive recovery and growth; implying labour-intensive construction has immense potential right from the beginning.

This therefore represents nothing short of a holistic, integrated and coordinated approach to development, where employment and poverty reduction, and its eventual eradication, are at the heart of the macroeconomic framework. This inclusive approach ensures that the majority of Zimbabweans are empowered to actively participate in growing the economy, and to also enjoy the benefits of such growth; pro-poor growth.

To facilitate broad-based participation and ownership, monitoring and evaluation, the National Employment Forum launched in May 2011 should be activated under the statutorized Tripartite Negotiating Forum (TNF). Such a Forum will coordinate policies across the various stakeholders and levels (macro, meso and micro) and ensure that key stakeholders are involved at all stages of the policy cycle (formulation, implementation, monitoring and evaluation).

1.0 INTRODUCTION

This study on the "Economics of Employment Creation," was commissioned by the Zimbabwe Economic Policy Analysis and Research Unit (ZEPARU). The specific terms of reference of the study included the following:

- Examine the binding constraints against employment growth in Zimbabwe in the post 2000 period, with particular emphasis on the post 2009 multi-currency regime.
- Review the changing structure of the economy especially the impact of the decline of commercial agriculture and subsequent impact on agro-processing industries and support infrastructure on employment creation.
- Review Zimbabwe's possibilities of employment creation for both men and women in the context of the resurgence of heavy dependence on mineral resources (low employment creation), low natural openness (land-locked) and hence low opportunities for trade and export drive, gravitation towards primary commodity dependence, with less and less value addition and diversification of production.
- Review the role of key economic sectors (agriculture, mining, tourism, financial services, etc.) through consultations with sector leaders on factors hindering employment creation in the country and the possible solutions.
- Assess existing policies and initiatives towards employment creation in various sectors, including where possible their impact on gender dimension.
- Review the case studies from other countries and proffer possible recommendations, including addressing of the gender issues on what the government should do to improve the employment generation capacity of the economy.
- Proffer strategies for employment-intensive growth at the level of economic sectors, with strong emphasis on productivity linked growth, based on a sound understanding of the economics of job creation, conditions in Zimbabwe, and lessons from international experience.

The study relied on a triangulation of methods, including primary and secondary sources of data and interviews with key stakeholders [Government, Business, Labour and the International Labour Office (ILO)]. The study also drew on the experiences of other countries in the sub-region and beyond that are seized with leveraging employment-intensive growth.

The rest of the paper is organized as follows. Section 2 provides the background information relating to employment/unemployment dynamics in the economy, including the definitions and the extent of the scourge of unemployment in historical perspective. This is followed by Section 3 which discusses the economics of employment creation and poverty reduction, highlighting the role of decent employment as the link/nexus between growth and poverty reduction. The argument is that it is only growth that is associated with jobs that sustainably reduces poverty.

The factors affecting the quantity and quality of employment are the subject of Section 4. These are divided into two, namely, those relating to labour demand (job creation), and those associated with labour supply (employability). Section 5 reviews the existing policies and programmes affecting employment creation, highlighting their fragmentation, lack of proper co-ordination and financing, and hence their limited employment impact.. The last section (6) provides the conclusion, logically deriving recommendations on how to leverage decent work-rich growth that impacts poverty. The gist of this section is on how Governments and other stakeholders can deliberately promote a job-rich growth path through active labour market policy programmes and employment targeting. The essence of the strategy is to rely on the private sector, as not only the engine of growth, but also job creation.

2.0 BACKGROUND

The August 2012 Population Census put the national population at almost 13 million, 6.7 million of whom are females (51.9 percent), and 6.2 million (48.1 percent) are males, giving an overall sex ratio of 93 males per every 100 females. Compared to the 11.6 million in the 2002 Population Census, this indicates an inter-censal growth rate of 1.1 percent, almost equal to that for the inter-censal period 1992-2002 of 1.2 percent, but lower that the annual average rate of population growth of 3.9 per cent recorded during the inter-censal period 1982-92. This slow-down in population growth mainly reflects the impact of the HIV and AIDS pandemic during the latter period (1992-2002), lower fertility rates and out-migration. In the 2002 census, 48.3 percent of the populations were males and 51.7 percent were females.

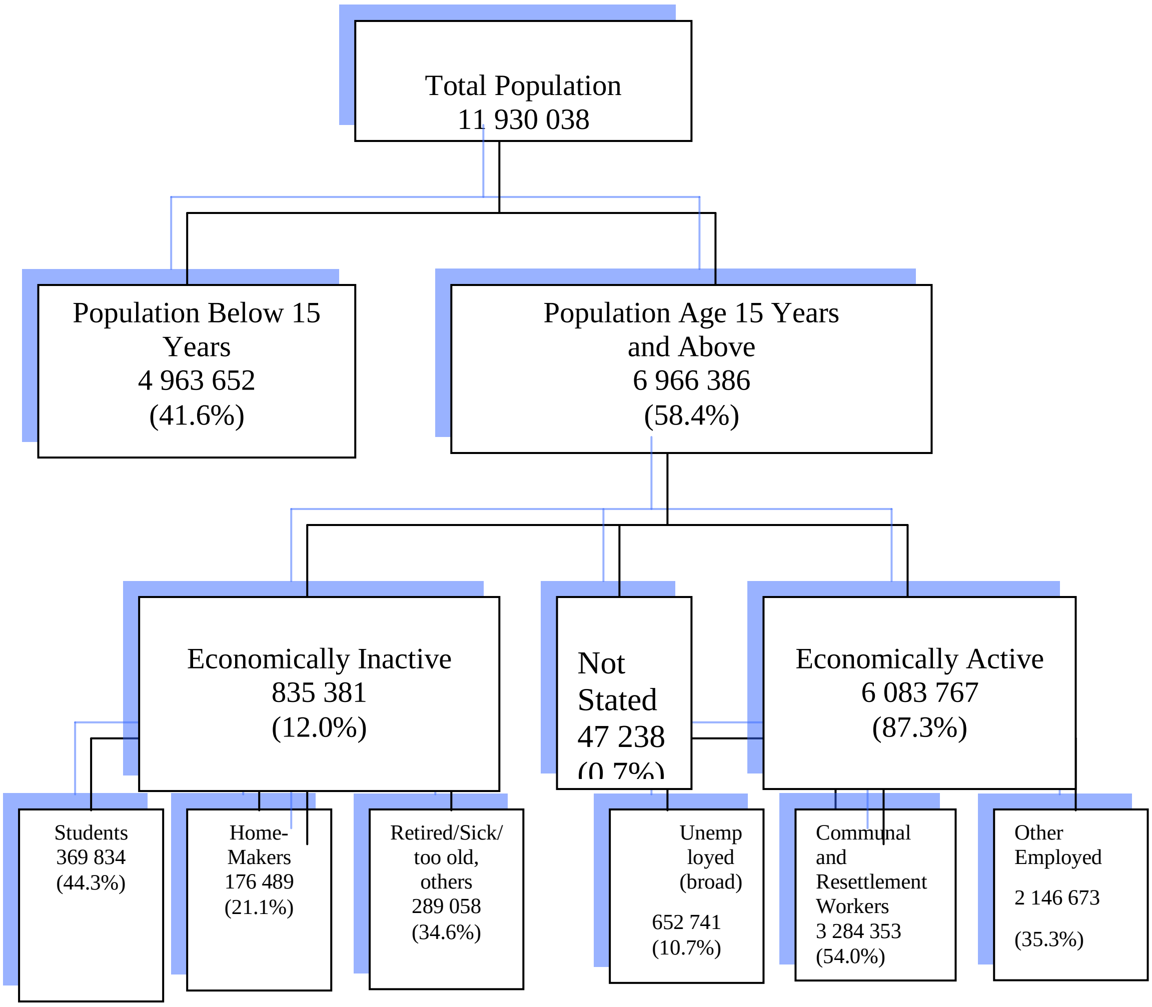
The 2011 Labour Force Survey (LFS) shows that 68.6 percent of the population resided in rural areas, compared to 65 percent in the 2002 Population Census, and the 2004 LFS. While the detailed breakdown of the 2012 Population Census by age group is not yet published, the LFS of 2011 reports that the population below the age of 15 years was 41.6 percent and that above 65 years was 4.4 percent, compared to 39.9 percent and 3.5 percent in the 2004, and about 41 percent and 4 percent in the 2002 Census respectively. The child dependency ratio, the proportion of children under age 15 years to the population of age 15 to 64 years was 77 percent, while the age dependency ratio, the proportion of children under age 15 years and the population age 65 years and above to the population of age 15 to 64 years was 85 percent. The age dependence ratio from the 2011 LFS was 8.2 percentage points higher than the 76.8 percent from the 2004 LFS. The population is youthful, as reflected in the median age of 18.6 years in the 2011 LFS.

The Labour Force Participation Rate (LFPR) (or the Economic Activity Rate) is a key labour market indicator which measures the proportion of the working-age population (15 years and above) that engages in the labour market either by working or looking for work. It indicates the relative size of the supply of labour available for the production of goods and services. The overall LFPR in 2011 was 87.3 percent, that for males at 90 percent and for women at 85 percent. For all age groups, the LFPR for males exceeded that for females, with the LFPR for both ranging from 69 percent in the age group 65 years and above to 96 percent in the age group 35 to 39 years. For all age groups, the LFPRs are higher in rural areas than in urban areas at 91 percent and 80 percent respectively, reflecting the importance of the agriculture sector in the former, which offers the highest employment in Zimbabwe.

According to the international definition used by ZIMSTAT, it is sufficient for a person to be engaged in an economic activity for at least one hour during the reference period to be classified as employed. If one was actively seeking for employment but has provided goods and services, then the person is considered employed during the reference period. As ZIMSTAT observed, “In the labour force framework, unemployment is considered to be an extreme situation of total lack of work. In many developing countries there is either none or a very limited number of workers covered by unemployment insurance or other public relief schemes. Under these conditions, very few people can afford to be unemployed for any period of time. As such most people would be engaged in some economic activity, i.e. they get employed although it may be inadequate. Therefore the employment status cannot be fully described by unemployment data alone; underemployment data also plays a role," (2006: 70 – 2004 LFS). Out of the 6.1 million economically active persons (the labour force) in the 2011 LFS, 89 percent were employed, of whom 54 percent were own account workers (communal and resettlement farmers), 13.8 percent permanent paid employees, 11.8 percent own account workers (other), 8.4 percent casual paid employees, 0.8 percent contributing family workers, and only 0.4 percent employers.

Figure 1 below summarizes the Labour Force Framework derived from the 2011 LFS.

Figure 1: Labour Force Framework based on the 2011 Labour Force Survey (LFS)



Source: 2011 Labour Force Survey, ZimStat, May 2012, page 35.

Defined as the number of unemployed persons expressed as a percentage of the aggregate number of persons employed and unemployed (the economically active population), the unemployment rate is measured using both its broad (passive) and strict (active) dimensions.[2]

[2] The use of the broader definition started with the 2004 labour force survey following recommendations of the

According to the broad definition, unemployment "…refers to the population age 15 years and above who during the seven day reference period, did not work and had no job or business to go back to, but who were available for work."[3] The strict (active) definition requires that those without a job and are available for work actively look for work. In developing countries such as Zimbabwe, the broad definition is more appropriate because of the limited methods of job search available, especially in the rural areas, and the reality that with limited job opportunities, most job seekers are already discouraged to look for work. The 2011 LFS estimated active unemployment at only 5.4 percent during the reference period of seven days, up from 4.4 percent in the 2004 LFS, which is way below the comparable level of 6 percent in 1999, 7.9 percent in 1993 and 10.8 percent in 1982. Of the 308,078 unemployed who were seeking for a job, 45.7 percent asked friends or relatives, 21.3 percent applied directly to employers, 19.3 percent enquired at either farms or factories, 7.5 percent registered or checked at an employment agency, and 5.4 percent sought self-employment, a pattern similar to that found in the 2004 LFS. Almost 85 percent of job-seekers were in urban areas given the perception that the likelihood of getting a job is higher there compared to rural areas.

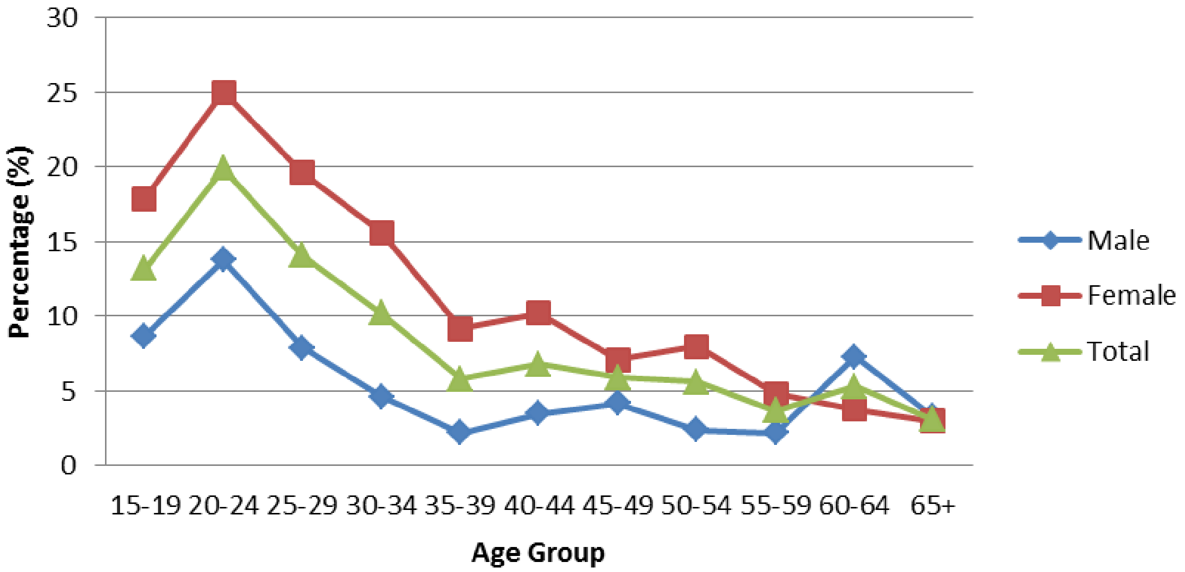
Using the broader definition in the 2011 LFS puts the level of unemployment at a higher level of 10.7 percent during the reference period of 7 days and 12.3 percent based on the reference period of 12 months, compared to the levels of 9.3 percent and 11.4 percent respectively in the 2004 LFS. Using the broad definition, the unemployment rates for males and females in 2011 were 6.6 percent and 14.5 percent respectively in the last 7 days. Unemployment is an urban phenomenon, at 26.1 percent compared to 3.4 percent in rural areas (broadly defined) in 2011.[4] Fifty-three percent of the broadly unemployed were previously employed. Figure 2 reports the unemployment rates by age group and sex for 2011.

1998 User-Producer of Statistics symposium attended by stakeholders.

[3] CSO, 2006: 2004 Labour Force Survey, CSO, Harare, p 27.

[4] The Poverty, Income, Consumption and Expenditure Survey (PICES) (2011/12) Report found that 7.7 percent of the economically active population is unemployed. Unemployment is higher among males (8.4 percent) compared to 6.9 percent for females. The rate of unemployment is also higher in urban areas at 21.9 percent compared to rural areas at 1.6 percent.

Figure 2: Broad Unemployment Rate by Age Group and Sex 2011



Source: LFS (2011), Table 6.3, page 75.

Table 1 shows the unemployment rates using the strict and broad definitions during the period 1982 to 2011.

Table 1: Unemployment Rates, Type of Definition and Reference Period Used for Calculating Unemployment Rates, 1982 – 2011

	Labour force			Unemployed			Unemployment Rate				
Year	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Definition**	**Reference Period**
1982	1 510 740	973 330	2 484 070	163 780	104 320	268 100	10.9	10.7	10.8	Strict	7 days
1986/87	1 701 000	1 559 000	3 260 000	111 000	123 000	234 000	6.5	7.9	7.2	Strict	7 days
1987	1 593 000	1 534 000	3 027 000	137 000	97 000	234 000	8.7	6.9	7.8	Strict	12 months
1990/91							13	9	11	Strict	12 months
1992	2 123 858	1 377 940	3 501 798	468 712	295 487	764 199	22.1	21.4	21.8	Without a job or available for work or looking for work	12 months
1993	2 324 395	2 079 301	4 403 696	237 952	109 209	347 161	10.2	5.3	7.9	Strict	7 days
1994							6.8	3	5	Strict	7 days
1997	2 513 959	2 407 072	4 921 031	219 386	121 758	341 144	8.7	0.1	6.9	Strict	12 months
1999	2 572 889	2 390 373	4 963 262	187 142	110 669	297 811	7.3	4.6	6	Strict	7 days
2002	2 568 171	2 271 340	4 839 511	_	_	560 288	13.2	9.8	11.6	Without a job or available for work or looking for work	12 months
2004-1	2 759 547	2 615 770	5 375 318	118 506	117 550	236 056	4.3	0	4.4	Strict	7 days
2004-2	2 827 946	2 836 978	5 664 924	188 696	340 141	528 837	6.8	12	9.3	Broad	7 days
2004-3	2 639 146	2 698	5 337	223 938	385 654	609 637	8.5	14.3	11.4	Broad	12 months

		654	800								
2011-1	2 838 271	2 900 834	5 739 104	134 211	173 867	308 078	4.7	6	5.4	Strict	7 days
2011-2	2 895 666	3 188 101	6 038 767	191 606	461 135	652 541	6.6	14.5	10.7	Broad	7 days
2011-3	2 765 587	3 049 922	5 815 509	223 108	492 335	715 443	8.1	16.1	12.3	Broad	12 months

Source: 2004 LFS, Table 6.1, page 60; and 2011 LFS, Table 6.1, page 73.

Broad unemployment rates for females were higher than those for males for all age groups except for those aged 60 years and above. For both sexes, unemployment rates were highest in the age group 20-24 years at about 20 percent, after which rates decreased with age, only rising for those in the 60-64 years age group.

Using the United Nations (UN) definition, youth aged 15-24 years constituted the bulk of the unemployed, accounting for 62.1 percent in 1994, 65 percent in 1999, 67.5 percent in 2002, 59.6 percent in 2004 and 48 percent in 2011. However, based on the African Union (AU) definition, youth aged 15-34 comprised 79.6 percent of the unemployed in 2011, implying four out of five unemployed persons were youth. Youth (15-24 years) unemployment rate was higher in urban areas at 47 percent compared to 6 percent in rural areas in 2011. The broad youth unemployment rate for the 15-24 age group was slightly above 11 percent for males, and almost 22 percent for females, averaging 17 percent for both sexes.

The education profile of the unemployed has undergone radical changes over time. Whereas 34 percent of the unemployed had O' level qualifications in 1986/87, the proportion with such qualifications rose to 73.4 percent in 1994, 70.4 percent in 1999, 74.6 percent in 2004 and 70.1 percent in 2011, reflecting the rapid and massive improvements in education provision since independence. This trend towards higher education has implications for the types of interventions required. Paradoxically, the broad unemployment rates are higher for the better educated at 17.1 percent for those who completed secondary education, 11.1 percent for those with some secondary education, 9.9 percent for those with tertiary education, 7.7 percent for those who completed primary education, 4.3 percent for those with some primary education, and 1.8 percent for those with no primary education in 2011.

Given that the current international definition of employment stipulates that it is sufficient for a person to be engaged in an economic activity for at least one hour during the reference period (one week or one day) to be classified as employed, this therefore implies very few people can afford to be unemployed for any period of time even though their employment may be inadequate. In this case, the employment status cannot be fully described by unemployment data alone requiring measurement of underemployment. ZIMSTAT defines time-related underemployment as all employed persons of 15 years and above involuntarily working for less than 40 hours a week, who wanted to work additional hours during the 7 days reference period. The 2011 LFS found that 18 percent of the 5.4 million employed population (954,000) had worked for less than 40 hours during the reference week, and had indicated that they wanted to work more hours, an increase from the level of 6.6 percent in 2004. Furthermore, 701,000 people (12.9 percent) were in time-related underemployment in 2011, compared to 196,400 (3.9 percent) in 2004, reporting involuntary reasons for not working more hours, with the main reason being lack of more work or business accounting for 47 percent.

Strategies and programmes adopted to deal with un- and under-employment, and indeed poverty reduction (and its eradication) have therefore largely failed to stem and reverse the scourge. This was worsened by the deteriorating macroeconomic framework as a result of the crisis that emerged since 1997, the mismatch between supply of labour and its demand, in both quantity and quality, emanating in part from the supply-driven education system, which has failed to meet the specific requirements of the economy. More fundamentally, the low labour absorptive capacity of the economy is linked to the failure to transform the inherited dual and enclave structure of the economy at independence, where the burden of employment creation lay with the formal sector, which in 1980 accounted for only a fifth of the labour force (1 million employees or 14 percent of the population). By 2004, the share of the formal sector had declined to around 13 percent of the labour force (10 percent of the population), with an employment level below that at independence. Thus, the anticipated formalization of the economy has not occurred; it is in fact the informalisation of the economy that has accelerated. Recovery during the tenure of the Inclusive Government (2009-13) moderated after 2011, and has been anchored on the capital-intensive mining sector and primary commodities. In addition, the interventions by the various stakeholders, both public and private, have had little effect on both sustainable employment creation and poverty reduction as they have not been properly coordinated; being fragmented, isolated, overly supply-driven, duplicative and without adequate funding.

3.0 THE ECONOMICS OF EMPLOYMENT CREATION AND POVERTY REDUCTION

The New Millennium has witnessed the re-emergence of employment and poverty reduction (eradication) as priority areas of development policy. This follows general disenchantment with the outcomes of conventional approaches to development (such as Structural Adjustment Programmes - SAPs), that were preoccupied with achieving macroeconomic stability through fiscal and inflation targets. Lessons from experience suggest that macroeconomic stabilization was often achieved, but at the expense of sustained levels of economic growth, employment and poverty reduction - the stabilization trap (see Islam, 2003; UN Economic and Social Council, 2012). The emphasis on fiscal and monetary variables marginalized social goals that were largely treated as a residual, expected to benefit from 'trickle down' (World Bank, 2005a).

Low and inadequate economic growth was often associated with widespread unemployment and poverty. In his appropriately titled paper '*The lost decades: Developing countries' stagnation in spite of policy reforms1980-1998*,' Easterly (2001) found that actual growth declined in spite of the improved policy environment, and fell way below what was predicted (see also Easterly, 2002).

Muqtada (2010) reports on the relationship between the stability variables and GDP growth based on panel data for 80 developing countries and reveals that:

- "nearly two decades of stabilization reforms have in fact reduced the inflation levels in most countries of the world;
- with the exception of a few countries, growth of GDP is observed to be low or inadequate during the 1980s and much of the 1990s;
- despite substantial declines in inflation rate and budget deficit, hence arguably better macroeconomic stability, investment-to-GDP ratio (I/GDP) has failed to gain momentum;
- I/GDP as a single variable tends to explain growth better than "stability" variables; and
- Current account deficit is negatively related to growth but not robustly," (page 3).

Krugman (1995) refers to this poor growth performance by countries that had adopted conventional policies as 'distinctly disappointing,' citing the major weakness of the orthodox macroeconomic framework as its lack of understanding of "failures on the demand side of the economy."

However, it is now widely acknowledged that the labour market and decent employment in particular, play an intermediating role (the nexus) between growth and poverty reduction. As the Poverty, Income, Consumption and Expenditure Survey (PICES) 2011/12 Report by ZIMSTAT found, primary income (wages and salaries) contribute 67.7 percent to average annual household gross income. In addition, access to formal employment by the head of the household reduces the likelihood of poverty. In this regard, a development strategy that fully employs a country's human resources and raises the returns to labour is considered a powerful tool for poverty reduction and its eventual eradication.

Growth is seen as a necessary but insufficient condition to generate significant improvements in employment and poverty reduction. This therefore implies that stability in the macro-economy (low levels of inflation, budget deficits) and growth are merely a means to achieve stated ends, yet conventional approaches have tended to see these as ends in themselves. Thus, in the apt words of the UNDP, *"The economics of growth and its relationship with development, in particular, require radical rethinking. A vast theoretical and empirical literature almost uniformly equates economic growth with development ... The central contention of the human development approach, by contrast, is that well-being is about much more than money: it is about the possibilities that people have to fulfill the life plans they have reason to choose and pursue. Thus, our call for a new economics – an economics of human development – in which the objective is to further human well-being and in which growth and other policies are evaluated and pursued vigorously insofar as they advance human development in the short and long term," (2010:12).*

It is therefore necessary to clarify the ends-means relationship. For growth to be equitable (shared, inclusive), and contribute towards sustainable poverty reduction, it must be mediated through policies that strengthen the capabilities and create opportunities for poor people so that they too can contribute towards, and benefit from the growth process (Islam, 2003; UNDP, 2010).

The importance of employment in poverty reduction lies in that quite often, the abundant resource the poor have is their labour, which they can use to earn a livelihood. The extent to which the poor can use their labour power determines their incomes. Complementing their labour power is the return to labour, which itself is dependent on the assets they possess. If therefore the quantity of employment and the returns on labour are low, poverty is often the outcome. Under-employment of labour and low returns to it are proximate causes of poverty. For growth to reduce poverty quickly enough, the forces behind underemployment and low returns to labour should be addressed, in which case three factors, **the growth factor, the elasticity factor and the integrability factor** are critical (Osmani, 2004).

The growth factor relates to the rate at which an economy grows, while the elasticity factor indicates the extent to which growth improves the quantity and quality of employment. The integrability factor refers to the extent to which the poor are able to integrate and benefit from the income and employment opportunities offered by the first two factors. For any given expansion in growth, the employment response depends on three key factors, namely, the sectoral composition of output, choice of technique and the terms of trade (relative price of output and input). The growth process associated with a bigger shift – the one that is more employment elastic – is most helpful to the poor. The employment response is greater where growth is concentrated in the more labour-intensive sectors.

The growth / output elasticity of employment is therefore an important intermediary in determining the extent to which growth translates into sustainable poverty reduction. Note that a high elasticity of employment does not necessarily entail higher incomes for the poor; it simply expands the opportunities. It is the attributes of the poor (their capabilities) that will enable them to integrate fully into an expanding economy, determining the extent to which they benefit (the integrability factor). For the poor to participate in, and benefit from economic growth, they need access to what Amartya Sen referred to as asset and exchange (or market income) entitlements that address their capability deprivation (see Sen, 2000). Asset entitlements refer to the relative distribution of capital assets so essential for present and future production (land, credit, human capital, and social capital such as health, amenities and social security, and physical and economic infrastructure).

The complementary access to education and capital, and infrastructure such as rural feeder roads, electricity, and irrigation, make land assets productive (Lucas and Timmer, 2005). Exchange entitlements are non-existent for those unable to find decent formal sector jobs. Related to these issues is the overriding need for a country to have the political will to connect the poor to economic growth. To reinforce the poverty reduction impact of employment creation requires that this be complemented by a strong social policy, especially with respect to basic services such as health, education, income grants among others. Together with policies that promote equity, they help unlock a virtuous cycle of links between growth, employment and poverty reduction. Mechanisms to help reduce the costs for the poor to access the sectors where growth is occurring, and to foster growth in the sectors where the poor are located; and public investment in the capacity of the poor to participate in, and benefit from economic growth are therefore critical elements of an inclusive and pro-poor growth dynamic (Lucas and Timmer, 2005). Thus, the elasticity factor and the integrability factor constitute the core of the employment nexus between growth and poverty reduction.

After close to two decades of implementing such reforms, the World Bank sought to understand the underlying factors behind the weak relationship between macroeconomic stability and growth, and between growth and poverty reduction. Its detailed assessment of the lessons from reforms are contained in two seminal reports 'Economic Growth in the 1990s: Learning from a Decade of Reform' of 2005; and 'The Growth Report: Strategies for Sustained Growth and Inclusive Development' of 2008. World Bank (2005) observes that despite having implemented significant policy reforms, economies of SSA failed to take off, with the success stories few, and even these were considered fragile more than a decade later. It was argued that realizing macroeconomic stability by, for instance, cutting back on public investment may result in a lower fiscal deficit today, but this would inevitably reduce long-run growth and the future tax base and may imply a higher fiscal deficit in the future. Critically, it is observed that growth strategies cannot succeed in the absence of a commitment to equality of opportunity to participate in, and benefit from the fruits of growth (see World Bank, 2008). The Commission on Growth and Development conceded that the economic and social forces behind rapid and sustained growth are not well understood, hence economic advice to developing countries had been given with more confidence than is justified (World Bank, 2008).

In an appropriately titled paper, "Rethinking Macroeconomic Policy," the IMF laments that "…we thought of monetary policy as having one target, inflation, and one instrument, the policy rate. So long as inflation was stable, the output gap was likely to be small and stable and monetary policy did its job. We thought of fiscal policy as playing a secondary role, with political constraints sharply limiting its de facto usefulness. And we thought of financial regulation as mostly outside the macroeconomic framework," (see Blanchard *et.al*, 2010: 3).

The paper acknowledges that there can be multiple targets in a macroeconomic strategy, and that these can be achieved through multiple instruments, a development that is critical for the design of employment-friendly macroeconomic frameworks, especially in developing countries. In particular, the recognition of fiscal policy as a significant policy tool, particularly in times of crisis when counter-cyclical measures are warranted, and when monetary policy often reaches its limits, is a worthwhile development. The IMF paper calls for a review of the inflation target from 2 percent to 4 percent, an adjustment which may be sensitive to the developed countries while remaining insensitive to the conditions prevailing in developing countries where an inflation threshold of 11-12 percent beyond which growth will be hampered has been suggested (see Muqtada, 2010).

More recently, the prolonged recovery in spite of austerity in Greece has sparked debate on the efficacy of austerity measures. IMF forecasts as part of Greece's first bailout programme in 2010, predicted that the nation could cut deeply into government spending and quickly bounce back to economic growth and rising employment. An IMF Working Paper published on 3 January 2013 argues that the IMF recommended slashing budgets too fast early in the euro crisis, starving many economies of much-needed growth. It observes that: "Forecasters significantly underestimated the increase in unemployment and the decline in domestic demand associated with fiscal consolidation," (page 18).

The Report indicates that IMF and European economists underestimated the euro-for-euro effect of cutting government budgets. While economists expected that cutting a euro from the budget would cost around 50 cents in lost growth, the actual impact was likely 1.50 per euro. The IMF is therefore revising its metrics on how fast governments should cut their budgets, with the IMF's chief economist making the case that Europe's fiscal diets were too severe. There is thus an increasing focus on employment in the aftermath of the global financial crisis of 2008/09.

To reflect the growing importance of employment, the ILO's World of Work Report 2012 is on 'Better jobs for a better economy,' and the World Bank's World Development Report 2013 focuses on 'Jobs…Development Happens Through Jobs.' The theme of the 2012 edition of the African Economic Outlook of AfDB was on promoting youth employment.

This re-emergence of employment as a central development goal was highlighted through the adoption of several international instruments as follows:

- The Declaration on Fundamental Principles and Rights at Work at the International Labour Conference in June 1998;
- The Decent Work Agenda by the ILO in 1999;
- The UN Millennium Declaration of September 2000;
- UN resolution on promoting youth employment of December 2002;
- UN resolution concerning policies and programmes involving youth of January 2004;
- Ouagadougou Declaration of the Heads of State and Government of Africa of September 2004;
- Resolutions of the 93rd International Labour Conference of June 2005 concerning youth employment;
- The Conclusions of the Southern Africa Sub-Regional Conference on Youth Employment;
- The implementation of the Global Employment Agenda (GEA) and its operationalization through the 'Vision Document' prepared by the ILO in March 2006. The vision document presented a number of strategic orientations to make the GEA more operational and useful at country-level work, and to make the work of the Office more effective in terms of policy advices, utilization of tools, research and capacity building;
- The Decent Work Agenda in Africa 2007-2015, a Report of the ILO Director General to the 11th African regional meeting, Addis Ababa, April 2007;
- The Declaration on Social Justice for a Fair Globalization by the ILO in June 2008 which institutionalizes the Decent Work Agenda as the key policy and operational concept of the ILO. The Declaration places full and productive employment and decent work at the centre of economic and social policies. It emphasizes the need for a holistic, integrated and balanced approach in support of decent work: places employment at the heart of economic policies and calls for new partnerships with non-state actors; and
- The Global Jobs Pact by the ILO in June 2009 as a relevant framework for recovery.

Note that the global framework of development assistance is driven by a renewed commitment to poverty reduction (eradication). This is borne by the adoption of the Millennium Development Goals (MDGs) at the UN Summit in September 2000 where the international community formally declared its resolve to reduce poverty by half by 2015, using 1990 as the benchmark (Goal 1).[5] In line with the growing conviction that decent employment is the only sustainable route out of poverty, the UN introduced full and productive employment and decent work for all as a new target under MDG 1 on the need to halve the share of people living in extreme poverty by 2015.

Millennium Development Goal (MDG) 8 on global partnerships makes reference to the need to "develop and implement strategies that give young people everywhere a real chance to find decent and productive work." To facilitate this, the UN adopted the Youth Employment Network (YEN) in 2001, domesticated into the Zimbabwe Youth Employment Network (ZIYEN) formally approved by Cabinet in 2006.

[5] MDG Goal I is to 'Eradicate Extreme Poverty and Hunger.' The MDG framework is a poverty reduction and human development agenda.

4.0 FACTORS AFFECTING THE QUANTITY AND QUALITY OF EMPLOYMENT

4.1 Labour Demand (Employment creation)

4.1.1 Overall Macroeconomic Performance

Considering that employment is dependent on growth, all factors that influence growth ultimately impact employment creation. This is particularly important given that the demand for labour is derived. Thus, macro-economic performance, in as much as it affects growth, is critical for employment creation. To assess the overall performance of the economy in Zimbabwe, four distinct phases can be identified, reflecting the periods of structural break in policy. The first phase covering the period 1980 to 1990 was characterized by Government intervention in the economy and continued pursuit of import substitution. The key aspect of this period is the strong focus on social provisioning, especially education and health.

As the budget deficits became unsustainable at over 10 percent of GDP, coupled with depressed investment and employment creation, and shortages of foreign currency, the Government adopted economic reforms (the Economic Structural Adjustment Programme - ESAP) at the behest of the IMF and World Bank in 1991. The period 1991-1996 is taken as the reform (ESAP) period. The third phase is associated with the onset and deepening of the economic crisis following the events of 14 November 1997 ('Black Friday') when the Zimbabwe dollar lost 71.5 percent of its value against the US dollar and the stock market crashed, wiping off 46 per cent from the value of shares as external investors lost confidence in the currency as a result of the announcement by Government that they were going to pay unbudgeted for gratuities and pensions to war veterans. This phase is characterized by the re-introduction of controls with respect to pricing (including the exchange rate), within a difficult context of the withdrawal of donor funding since 1999, culminating in hyperinflation (since August 2007) and paralysis (2007-08). The fourth phase (2009-2013) coincides with the period of the Government of National Unity (GNU) and the implementation of the multicurrency regime, which killed off hyperinflation and stabilized the macro-economy.

Table 2 summarizes the performance of the economy using selected key economic indicators during these four phases or epochs. Real economic growth deteriorated from an average annual rate of 4.6 percent during the period 1986-90 to 2.8 percent (1991-96), and -4.3 percent (1997-2008). During the period of persistent negative growth rates (1998-2008), the economy lost a cumulative 53 percent of real output. The year 2008 recorded the largest decline in output since the onset of the crisis of -14.3 percent. However, economic growth rebound following the inauguration of the Inclusive Government in February 2009 under the Global Political Agreement (GPA) of 15 September 2008, the introduction of the multi-currency regime and the implementation of a stabilization and recovery programme, the Short-Term Emergency Recovery Programme (STERP I) between March and December 2009, followed by STERP II (2010-12), and the Medium Term Plan (MTP) (2012-15).

Table 2: Performance of the Zimbabwe Economy, Selected Economic Indicators, 1986-2012 (Periodical Annual Averages)

Indicator	1986-90	1991-96	1997-08	2009-12
Real GDP Growth (percent)	4.6	2.8	-4.3	7.5
Real GDP Per Capita (percent)	1.4	-0.6	-3.6	15.7**
Manufacturing/GDP (percent)	20.6	21.1	13.5	15.7
Savings/GDP	16.5	17.8	6.3	-5.0
Investment/GDP (current prices)	16	21.7	10.6	15.8
Budget Deficit (percent of GDP)	-2.1	-5.8	-6.1	-3.9**
Inflation (percent)	11.8	26.6	19,255,755.00	0.8
BOP (US$m)	-	73.5	-254.6	-1209.1
Trade balance (US$m)	267.7	75.2	25.8	-3799.2
Export Growth (%)	0.1	0.1	-4.7	26.5
Import cover (Months) 100%	-	3.1	0.9	0.9
Real Wage Index –1990=100	93.5	73.5	59.7*	-
Formal Sector Employment	1,118,133	1,249,200	1,213,200*	1,192,900***
Employment Index – 1990=100	94.9	104.8	101.8*	100.1***

Source: ZIMSTAT, Ministry of Finance and RBZ

N.B: ** Data available up to 2004.*
*** Data available up to 2011.*
**** Data for 2010 only.*

Real growth recovered to positive rates of 5.4 percent in 2009, 9.6 percent in 2010, 10.6 percent in 2011, 4.4 percent in 2012 and a projected 3.4 percent in 2013. Real GDP growth averaged 7.5 percent between 2009 and 2012, above the targeted 7.1 percent under MTP. Recovery was anchored by mining and agriculture, which recorded cumulative growth rates of 57.2 percent and 49.8 percent, respectively during the period 2009–11. Notably, the economic rebound has moderated since 2012 and is projected to remain below 5 percent in the medium term (until 2018) in the baseline scenario of no policy reforms. Recovery was based on rebound effects and in the absence of strong policies to promote growth, it is therefore fragile.

Per capita GDP declined from US$720 during 1997-2002 to US$265 by 2008, rising to US$370 by 2012. This suggests that Zimbabwe still has a long way to go to recover lost ground. Zimbabwe's regression is atypical considering that during its 'lost decade,' the rest of Sub-Saharan Africa experienced accelerating growth rates on the back of robust commodity prices (since 2003 – the super commodity cycle) and the implementation of policy reforms.

The savings ratio initially increased from an annual average rate of 16.5 percent (1986-90) to 17.8 percent (1991-96) before declining to a level of 6.3 percent (1997-2008) and -5 percent during 2009-12. The savings ratio fell from an average of 15 percent (1995-2000) to 4 percent by 2008. This trend is particularly worrying given the importance of savings in driving investment. Instead, private final consumption recovered quickly such that it absorbs double the level of GDP compared to the pre-crisis period (112 percent), and the rebound is accompanied by a surge in imports of goods and services that has reached 80 percent of GDP.

Consequently, the investment ratio followed a similar trend, initially rising from an annual average rate of 16 percent (1986-90) to 21.7 percent (1991-96) before falling to 10.6 percent (1997-2008) and strengthening to 15.8 percent during 2009-12. While domestic investment was mainly limited by the liquidity crunch affecting the economy, foreign direct investment was constrained by perceived risks associated with elections and uncertainties around the Indigenization and Economic Empowerment Regulations. As a result, private investment is projected at 6.3 percent of GDP in 2013, while the original target for public investment of 4.4 percent is low and unachievable owing to over-crowding from unsustainably high recurrent expenditures of 32.6 percent of GDP (Mid-Term Fiscal Policy Statement July 2013).

Investment remains trapped at lower levels, with only one-third of firms reporting any investment in 2010, with an average investment of only 1 percent of sales. Companies have relied heavily on equity financing, with very low recourse to debt financing as reflected in the very short debt maturity levels of 1.3 years to 2.3 years (World Bank, 2012).[6] Hence medium-term growth potential may remain locked unless expectations of profitability improve for the majority of small firms. Such a trend has far-reaching implications for growth, employment creation and poverty reduction. In both cases (savings and investment ratios), a level of 25 percent of GDP is considered optimal. With the current structure of the national budget, which is predominantly consumption-oriented, as exemplified by employment costs alone taking up over 70 percent of revenues, this crowds-out critical investment expenditure. The budget focus is therefore short-term. Given the preponderance of recurrent expenditures in the national budget, little fiscal or monetary incentives are directed at employment creation. There is therefore room for improved intermediation of domestic savings and expanding FDI if structural bottlenecks are addressed.

During 1991-96 and 1997-2008, the budget deficit was above the target of 5 percent. Owing to a series of unbudgeted expenditures and drought, the outturn for 2006 of 43 percent (including quasi-fiscal operations) was above the projected level of 4.6 percent of GDP. By end of 2007, the budget deficit was estimated at above 60 percent. To finance a growing budget deficit, government resorted to domestic borrowing, resulting in the stock of domestic debt rising persistently to unmanageable levels. Whereas 87.5 percent of Government domestic debt was in long-term Government stocks in 1990, the situation as at August 2008 was such that 97.5 percent of the domestic debt was in short-term Treasury Bills of less than one year owing mainly to the absence of external funding and hence resort to domestic borrowing. As a result, broad money supply (M3) rose sharply (and persistently) from an average rate of 19.2 percent during 1986-90 to 278.3 percent by 2000-05, to 18,933.3 percent by 2007 and to 29 quintillion percent by 2008.

Consequently, inflation was fuelled; rising substantially from an average rate of 11.8 percent

[6] See Paper presented by Nadia F. Piffaretti, Senior Country Economist for Zimbabwe on 'From Economic Rebound to Sustained Broad-Based Growth,' at the High Level Economic Forum in Victoria Falls, August 29-30 2012.

during 1986-90 to 245.2 percent by 2000-07. At the last official count, it stood at 231 million percent in July 2008. While real interest rates were positive during the periods 1991-96 and 1997-1999, they were negative during the period of chronic inflation (2000-2008). Negative real interest rates discourage savings which are critical for investment. Furthermore, negative interest rates, coupled with an overvalued exchange rate, discourage use of labour intensive techniques as capital becomes cheaper relative to labour. Real exchange rate depreciation is expected to shift the terms of trade in favour of tradable goods sectors (agriculture, manufacturing and mining) relative to the non-tradable goods sectors (mainly services). This appears not to have occurred over time, mainly because of the lack of consistent policy with respect to the exchange rate. Moreover, the obsolete state of technologies in application, characterized by regular breakdowns implies a shift towards capital intensity may occur in spite of real exchange rate depreciation.

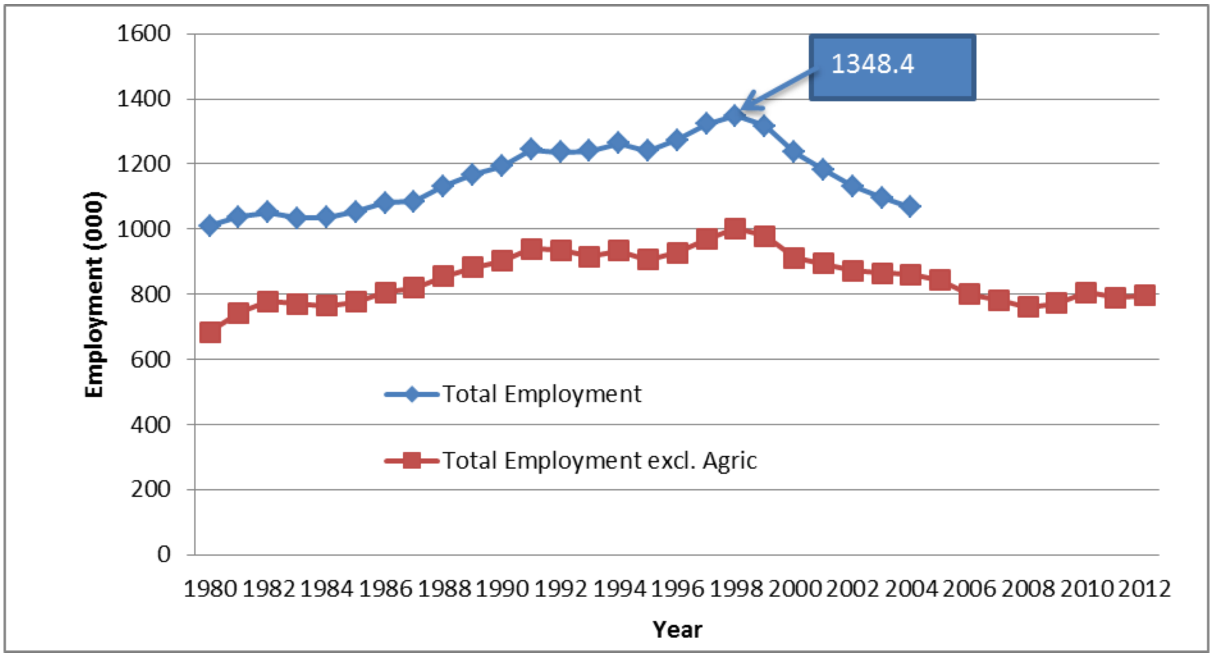
The adoption of a multi-currency regime and cash budgeting, and discontinuation of the quasi-fiscal operations of the RBZ killed off hyperinflation and helped restore price stability since 2009. In fact, Zimbabwe experienced a deflation of 7.7 percent in 2009, with inflation rising to 3.1 percent in 2010, 3.5 percent in 2011, 3.7 percent in 2012, and is projected at below 3.9 percent in 2013. The performance of the external sector (trade balance and balance of payments) suggests a progressive deterioration over time. As the era of the Inclusive Government comes to an end with elections held on 31 July 2013, the balance of payments position is expected to worsen from a deficit of US$380.1 million in 2012 to US$731.6 million in 2013. Coupled with lack of balance of payments support, the deteriorating balance of payments position will worsen the liquidity situation, further constraining credit creation to the productive sectors of the economy, holding back growth in 2013. Given this unfolding situation, the country will continue accumulating external payments arrears that emerged in 1999. As a result, Zimbabwe is now in debt distress, with a debt stock of US$10.7 billion, 77 percent of which are arrears. The debt-to-GDP ratio of 91.8 percent in 2012 is above the sustainable threshold of 60 percent. The signing of the letter of Intent on the ascension to an IMF Staff Monitored Programme in June 2013 as a basis for debt resolution and resumption of relations with the International Financial Institutions (IFIs) implies going forward; debt repayment will have first priority over other domestic expenditures which may continue the crowding out of the capital budget.

Following the macroeconomic stabilization and liberalization since 2009, exports rose from US$1.613 billion in 2009 to US$3.317 billion in 2010, US$4.496 billion in 2011 and US$4.328 billion in 2012. On a sectoral basis, mineral exports accounted for 62.9 percent of exports in 2012, followed by tobacco (20.7 percent), agriculture (9.2 percent), manufacturing (6.7 percent), horticulture (0.3 percent) and hunting (0.2 percent). Of the US$2.41 billion mineral export revenues in 2012, platinum accounted for 31.5 percent, diamonds for 29.5 percent, gold for 27.3 percent, ferrochrome for 5.1 percent, and other for 6.6 percent. The external position is under severe pressure from the high import bill, which has overshadowed the rebound in exports, mainly reflecting sluggish growth of the manufacturing sector, with the internal demand for consumption goods covered mostly through imports. For instance, in 2012, exports of US$4.328 billion amounted to 56.8 percent of imports of US$7.456 billion. Essentially therefore, Zimbabwe is a net exporter of jobs, at a time youth unemployment is high. There is therefore scope for import substitution as local production recovers to retain jobs locally.

Real average earnings declined sharply from an average index of 94 in 1986-90 to 59.7 by 1997-

2004, and 10 by 2004 (see Figure 5 below), while employment levels dropped from a peak of almost 1.4 million in 1998 to 1,067,900 by 2004 (see Figure 3 below), rising to 1,192,900 by 2010.

Figure 3: Employment Levels, 1980 to 2012.



Source: Derived from ZIMSTAT data.

Table 3 illustrates the changing structure of the economy by tracing the sectoral breakdown of GDP for the period 1980-2012.

Table 3: Distribution of GDP by Industry - % (Periodical Averages: 1980-2012) (current prices)

Industry	***1980-90***	***1991-96***	***1997-2008***	***2009***	***2010***	***2011***	***2012***
Agriculture, Hunting and Fishing and Forestry	14.0	14.1	20.6	16.9	15.6	13.8	14.0
Mining and Quarrying	4.8	3.4	5.8	7.7	9.6	10.4	10.7
Manufacturing	21.4	21.1	13.5	15.5	15.7	15.9	15.6
Electricity and Water	2.2	2.8	3.4	4.5	4.8	4.9	4.7
Construction	3.1	2.5	1.6	0.5	0.8	0.8	0.8
Finance and Insurance	5.7	7.4	8.0	3.6	3.2	5.4	5.4
Real Estate	1.7	2.1	1.3	1.8	1.7	2.2	2.2
Distribution, Hotels, and Restaurants	14.2	16.6	16.6	10.0	9.9	8.5	8.4
Transport and Communication	6.1	5.4	6.7	13.9	12.2	12.2	12.4
Public Administration	6.3	4.6	4.3	3.0	3.9	3.6	3.6

Education	5.8	5.7	5.0	3.4	4.1	4.8	4.6
Health	1.6	1.4	2.0	1.4	1.4	1.5	1.5
Domestic Services	1.5	1.1	1.3	0.6	0.5	0.4	0.4
Other Services	4.6	3.7	4.6	4.8	4.7	4.4	4.4

Source: ZIMSTAT *(National Accounts), various years.*

The share of the manufacturing sector in national output (current prices), declined from an average of 20.6 percent during 1986-90 to 21.1 percent during 1991-96, to 13.5 percent (1997-2008), before improving marginally to 15.7 percent (2009-12), reflecting the de-industrialization of the economy owing to the opening up of the economy to competing imports during ESAP, and the crisis. The liberalization of imports increased stress among firms created through the import-substitution policies, while the export-oriented firms may not have been mature enough to benefit from liberalization. However, it is important to point out that the 1997-2008 crisis did not wipe out the strength of the economy, which retains its diversified base, in spite of the structural change. While backward 'remanufacturing' is neither possible nor advisable, going forward, re-industrialization is the viable option, especially with respect to agro-industries.

On an annual basis, the share of the manufacturing sector in GDP peaked at 26.9 percent in 1992 before collapsing to 7.2 percent by 2002 and 10.8 percent by 2003, 15.5 percent by 2009, 15.9 percent (2011) and 15.6 percent by 2012. The various Confederation of Zimbabwe Industries (CZI) Manufacturing Sector Surveys suggest that industrial capacity utilization declined sharply from 35.8 percent in 2005 to only 18.9 percent by 2007, and below 10 percent by 2008, before improving to 33 percent in 2009, 43.7 percent in 2010, 57.2 percent in 2011, and climbing down to 44 percent in 2012. During the crisis period, this decline in capacity utilization was attributed to an acute shortage of foreign exchange to import raw materials, declining domestic demand due to low disposable incomes, failure to finance working capital, a dysfunctional pricing policy, a demoralized workforce, and rising costs. In recent years, it is due to low throughput of agriculture, liquidity challenges resulting in high borrowing costs, lack of competitiveness due to antiquated machinery, high utility charges, and competition from cheap imports.

The Zimbabwean economy has therefore undergone structural regression following massive de-industrialization and informalization such that it is more resources-based as the rebound since 2009 has been characterized by stronger growth in mining than manufactured tradables, and the export recovery is driven by primary commodities. This implies that the economy is more exposed to commodity cycles and is increasingly in a more capital-intensive mode. The incentives shifted towards short-term rent-appropriation and an anti-investment bias. Institutions are seized with management of rents, permeated by a deep tension between long-term rent management and short-term rent-extraction. The growth dynamics since 1980 are significantly explained by changes in total factor productivity, albeit negatively, and positively by accumulation (labour and human capital) even though it was offset by losses of total factor productivity. The contribution of physical capital has been very low, reflecting persistently subdued investment. However, the 'lost decade' witnessed a protracted decline in human capital, and a strong decline in total factor productivity. The rebound that started in 2009 is associated with rising total factor productivity and accumulation of human capital. The increase in total factor productivity post-2009 is linked to improved incentives (World Bank, 2012).

4.1.2 Weak Link between Growth and Employment

The extent to which growth reduces poverty partly depends on the elasticity factor, hence the need to examine the employment-intensity of growth (the output elasticity of employment). Table 4 reports the annual average rates of real GDP and employment growth for the periods 1986-90, 1991-96, 1997-2008 and 2009-2012. Overally, real GDP and employment growth levels declined over the periods 1986-2008, only recovering with the onset of the GNU and introduction of the multicurrency regime since 2009. The average rate of real GDP growth declined from 4.6 percent during 1986-90 to 2.8 percent during the reform period 1991-96 and -4.3 percent during the crisis period 1997-2008, before recovering to an average annual rate of 7.5 percent during the period 2009-12. Thus, even before the onset of the crisis, growth had already declined to a very low level, implying a critical aspect of employment creation and poverty reduction, the attainment of sustained high levels of growth has not been achieved. Considering that growth is a precondition for employment creation, it is worrying that for a decade (1999-2008), it was negative. While the average growth rate between 2009 and 2012 at 7.5 percent was above the Medium Term Plan (MTP) target of 7.1 percent, however, it moderated from 10.6 percent in 2011 to 4.4 percent in 2012, and a projected 3.4 percent in 2013. Projections suggest that in the absence of active policy measures, the moderation will continue until 2018.

Table 4: Real GDP and Employment Growth: 1986-1990, 1991-1996, 1997-2008 and 2009-2012

SECTOR	Growth				Employment			
	1986-1990	**1991-1996**	**1997-2008**	**2009-2012**	**1986-1990**	**1991-1996**	**1997-2008**	**2009-2012**
Agric	1.3	4.0	-6.2	16.4	1.0	3.1	-4.1*	-
Mining	0.8	2.0	-5.5	32.2	-1.0	2.8	-3.4	3.2
Manuf.	4.4	2.2	-7.0	5.8	3.1	-1.1	-2.0	-3.6
Electricity	11.1	-2.2	0.9	7.3	2.5	6.8	-0.6	7.0
Construction	10.7	-1.5	-9.2	4.7	11.2	0.8	-4.8	-2.6
Finance	7.4	4.8	-2.3	4.1	0.9	4.0	13.6	-2.1
Distribution	6.3	3.3	-7.4	5.9	4.2	1.0	-1.1	-1.4
Transport	3.2	9.9	-3.4	11.8	1.3	-0.8	-4.6	5.4
Public admin	0.8	-4.4	-0.7	2.5	0.6	-4.3	1.6	4.9
Education	4.0	2.8	0.8	1.3	3.9	2.8	-0.4	4.2
Health	3.4	5.1	-1.6	7.9	4.7	1.1	4.2	2.3
Domestic Serv	0.1	0.1	-1.0	2.7	0.7	0	-0.4	-3.6
Other Serv	5.1	5.9	-1.7	8.2	5.1	4.1	-4.5	3.8
TOTAL	**4.6**	**2.8**	**-4.3**	**7.5**	**2.5**	**1.1**	**-2.1****	**-**
TOTAL***					**3.1**	**0.5**	**-1.5**	**0.5**

Source: *ZIMSTAT data.*

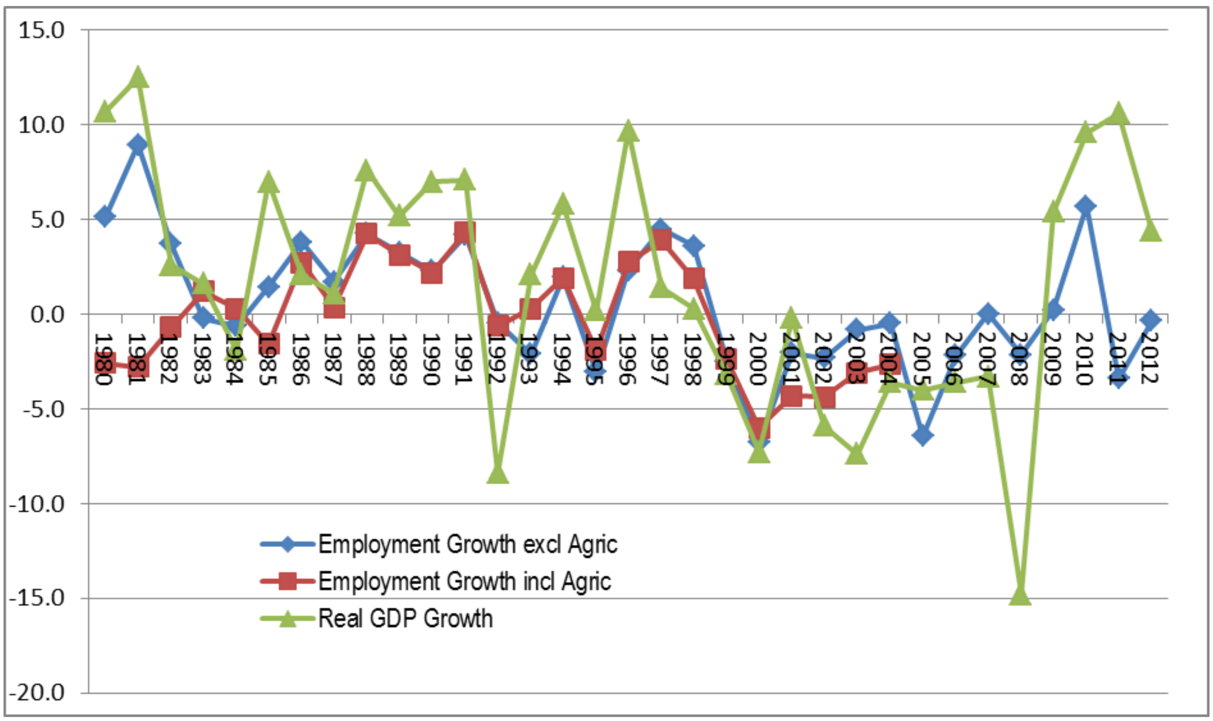
N.B: ** Employment growth for agriculture is for the period 1997-2004 reflecting data availability.*
*** Total employment growth is for the period 1997-2004 coinciding with data availability for agriculture.*
***** Total employment growth excluding agriculture.*

Employment growth follows a similar pattern, decelerating from an average rate of growth of 2.5 percent during the period 1986-90 to 1.1 percent during the reform period to -2.1 percent during the crisis period. Employment excluding agriculture due to data deficiencies indicates a marginal recovery to an average annual employment growth rate of 0.5 percent during the period 2009-12, hardly a useful building plank for poverty reduction. The rates of growth of employment for the period under review are way below the labour force growth rate of 3 percent in the 1980s and 1990s and 1 percent in the new millennium. As expected, the period of negative economic growth (1997-2008) is associated with negative employment growth, implying a 'lost decade' of development.

Besides, the widening trade balance, with a high preponderance for consumption goods imports implies Zimbabwe is a net exporter of jobs at a time it desperately needs to accelerate employment creation. Furthermore, the structural shift towards mining-led recovery does not foster job-rich growth given the sector's capital intensity and its susceptibility to commodity cycles.

Figure 4 illustrates the relationship between real GDP and employment growth during the period 1980-12.

Figure 4: Growth in Real GDP and Employment (1980-2012)



Source: Calculated from ZIMSTAT Data.

GDP and employment growth appear to move together, with employment growing more slowly than output when the economy is expanding, and to decline more slowly when the economy is shrinking, reflecting the lagged response in employment. The lagged employment response also reflects the fact that it is a quasi-fixed factor of production – there are costs related to hiring and firing of employees and hence retrenchment is a last ditch measure after all else has failed (e.g.

short-term working arrangements, rotational unpaid leave etc.) (see Oi, 1962).

As discussed earlier, it is not the level (quantity) of growth that matters, but its type (quality). The employment intensity of growth, as measured by the employment elasticity of output, is therefore a critical indicator of the quality of growth. Table 5 indicates the employment elasticities for the periods 1991-95, 1995-99 and 1999-2003.

Table 5: Employment Elasticities and GDP Growth (%), 1991-95, 1995-99 & 1999-2003

	1991-95	1995-99	1999-2003
Total	1.84	0.26	-0.21
Youth	4.45	0.42	-0.68
Female	1.67	0.26	-0.13
Male	1.99	0.27	-0.28
Annual GDP Growth	0.1	3.7	-6.3

Source: Adapted from Kapsos (2005), Table A2.9, page 41.

The employment elasticities of growth have declined markedly during the period under review, implying the relationship between growth and employment has, regrettably, weakened over time. However, a number of factors usually influence the employment intensity of growth, namely, the sectoral composition of output, the productive technologies used, downstream and upstream linkages to other activities in the domestic economy, and the size of public employment. The absolute shortage of foreign currency during the period before ESAP forced firms to utilize more labour-intensive strategies. However, following the opening up of the economy during the period of ESAP, firms were under pressure to upgrade their technologies so as to become internationally competitive, implying the adoption of more capital-intensive techniques. Thus, the labour absorptive capacity of the formal sector has declined over time, and the collapse in the elasticities coincides with the onset of the current economic crisis during the second half of the 1990s. Those groups that had experienced a higher level of employment-intensity of growth (youths and males) in earlier periods appear to be the greatest losers during the downturn (1999-2003).

Table 6 shows the distribution of employment by sector for selected periods between 1980 and 2011.

Table 6: Sectorial Distribution of Employment, Selected Periods, 1980-2011

Sector/Year	**1980**	**1985**	**1990**	**1995**	**2000**	**2004**	**2010**	**2011**
Agriculture	32.4	26.3	24.3	26.9	26.3	19.3	32.2	28.9
Mining	6.6	5.2	4.3	4.8	3.6	3.5	3.3	3.8
Manufacturing	15.8	16.1	16.5	15	14.7	14.5	12.1	11.6
Electricity & Water	0.7	0.7	0.7	0.8	0.9	1.2	1.4	1.4
Construction	4.2	4.3	6.4	5.8	4.3	4.2	1.7	1.8
Financial Services & Real Estate	1.2	1.5	1.5	1.7	2.8	3.1	5.7	6.1

Distribution	7.0	7.4	8.1	8.1	8.4	12.3	6.7	6.2
Transport & Communication	4.5	4.8	4.5	4.1	3.5	4.5	2.7	2.6
Public Administration	7.0	8.6	7.8	6.2	4.7	7.6	7.9	8.7
Education	4.1	8.5	9.1	9.3	11.3	10.0	10.1	11.7
Health	1.5	1.9	2.1	2.1	2.3	2.5	3.9	4.3
Private Domestic Services	10.7	9.4	8.6	8.2	8.3	9.6	8.1	7.8
Other	4.3	5.5	6.2	6.9	9.0	7.6	4.2	5.0
Total	100	100	100	100	100	100	100	100

Source: Calculated from ZIMSTAT data.

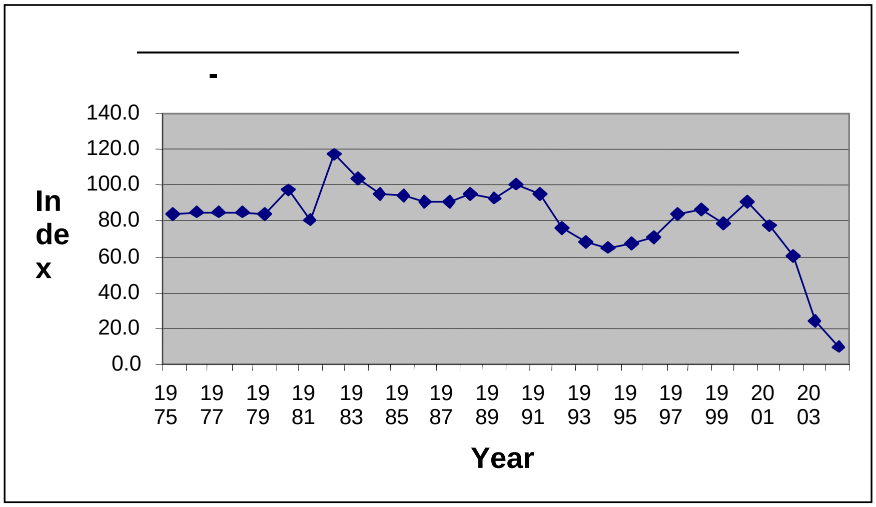
Agriculture is the main employing sector. Though its share of total formal sector employment declined from 32 percent in 1980 to 19 percent by 2004, reflecting the impact of the fast-track land redistribution exercise, it recovered to 32 percent by 2010. However, successful resolution of the land redistribution exercise through an independent Land Commission, and the resuscitation of the prime success factors of the past agricultural revolutions encompassing financial and human resources, efficient markets, technological innovation, a favourable macroeconomic environment for agriculture and farmer support services (credit, fertilizer, seed distribution systems and marketing) is a prerequisite for sustained agricultural recovery.[7]

The significant improvement in the share of public sectors (public administration, education and health) may not be sustainable going forward in view of concerns regarding the sustainability of employment costs that are taking up more than 70 percent of Government revenues. Furthermore, this trend is in contrast to the decline in their share of GDP as reported in Table 3 above. Reliance on public sector employment will not be feasible given the ascension to an IMF Staff Monitored Programme (SMP), one of whose conditions is the adoption of a sustainable wage and employment framework in the public sector. The private sector should therefore not only emerge as the engine of growth, but also the main driver of employment creation.

As indicated above, for pro-poor growth to happen it is not only the quantum of employment that matters, but also the returns to labour. Figure 5 reports the trend in real average earnings index for the period 1975 to 2004. The average real earnings index for the whole economy peaked at 120 in 1982 before collapsing to an index of 10 by 2004. Wage increases have therefore failed to compensate for increases in inflation, especially during the period of crisis. Such a marked decline in real earnings, coupled with the decline in employment levels exacerbates poverty. The low average earnings are confirmed in PICES (2011/12), which found that 77 percent of the employed persons in Zimbabwe earn gross monthly primary incomes of less than US$350 compared to the Poverty Datum Line (PDL) of US$514.24 for a family of five in 2011. PICES (2011/12) shows that as a result of the low incomes, households in Zimbabwe are selling financial assets more than they are buying them suggesting that they are dissaving to fund current expenditures since incomes fall short of current consumption expenditures.

[7] See Eicher C.K, Tawonezvi P. and Rukuni M, 2006: "Synthesis," in **Zimbabwe's Agricultural Revolution Revisited,** edited by Rukuni M, Tawonezvi P, Eicher C. with Munyuki-Hungwe M. and Matondi P, University of Zimbabwe Publications.

Figure 5: Real Average Earnings Index (1975-2004)



Source: Derived from Unpublished CSO Data.

The 2007 CZI Manufacturing Sector Survey observes that the collapse in real wages was having adverse effects on the economy, arguing that "In addition to a shrinking economy, this has had a multiplier effect of seriously depleting the country's disposable incomes. The erosion of disposable income as workers get poorer is shrinking demand for products as disposable incomes wane and hence reduces business viability," (2007: 58). The survey highlighted the loss of skills as a result of failure to pay economic living wages. It strongly recommended that the sector should "…seriously review remuneration practices in a manner that rewards the labour factor adequately. This entails paying living wages at the bottom end of the market while working out serious performance-related packages at the top end of the market. While this may result in a short-term depleted profits, in the long run it will preserve and retain key skills in the country needed to take the shrinking economy through a recovery. We believe that a strategy that seeks to protect the bottom line at the expense of paying living wages is ultimately detrimental to both the company and the country at large. This strategy is Not sustainable," (***ibid:*** 58).[8]

Even in the multicurrency era under the GNU (2009-13), firms were found to be suffering more from supply-side than demand-side constraints to capacity utilization. The challenge relates to low investment levels with only a third of firms reporting any investment in 2010 with an average investment level of only 1 percent of sales. This therefore implies that the recovery of investment appears the more important as analysis of factory-floor productivity, unit labour costs and state of capital stock by regional comparison suggests lack of competitiveness stems mainly from firms operating obsolete machinery, and limited availability of capital stock (World Bank, 2012).

While the 2011 and 2012 CZI Manufacturing Sector Surveys cite high labour costs and rigid labour laws as undermining business viability, this is not borne by the evidence where working capital constraints (32.3 percent); low local demand (13.3 percent); antiquated machinery and machine breakdowns (11.4 percent); power and water shortages (9.9 percent); competition from

[8] The 2008 CZI Survey found that transport costs were now higher than gross monthly salaries. As a result, many workers were opting out of formal employment.

imports (9.5 percent); drawbacks from the current economic environment (8.4 percent); high cost of doing business (8 percent); shortage of raw materials (5.3 percent); other (1.9 percent) were highlighted in the 2012 survey as the main capacity constraints. In the public sector, though, while the individual wage levels are low, it is the cumulative employment costs at more than 70 percent of revenues that are unsustainable, reducing what goes to the provision of social services and capital.

4.1.3 Structural Changes in the Economy

a) Increased Role of the Micro, Small and Medium Enterprises (MSMEs) Sector

Even before the onset of the fast-track land reform programme in 2000, the Zimbabwean economy was already undergoing wrenching structural changes on the back of de-industrialization. As the Gemini studies of 1991, 1993 and 1998 illustrated, the role of Micro, Small and Medium Enterprises (MSMEs) increased as the economy de-industrialized, especially following the liberalization of trade during the ESAP period. The Medium Term Plan (MTP) (2011-15) notes that the MSME sector accounts for an estimated 60 percent of GDP and approximately 50 percent of employment. The Government fully appreciates the role of the MSMEs as an engine for growth and employment creation, especially given its high labour to capital ratio, providing a strategy for quick turnaround of the economy at a relatively cheaper cost compared to the conventional larger industries (see Industrial Development Policy, 2012-2016).

The FinScope MSME Survey of 2012 provides the latest information on the size and scope of this sector. Using the number of employees to define MSMEs in accordance with the Small Enterprises Development Corporation Amendment of 2011, individual entrepreneurs have no employees, micro (1-5), small (6-30/40), and medium (30/40-75).

The MSME study found 5.7 million people working in the sector, 2.8 million of whom were business owners and 2.9 million were employees. This implies that 46 percent of the adult population (18 years and older) in Zimbabwe are MSME owners. Of the 3.4 million businesses, 71 percent had individual entrepreneurs with no employees, 24 percent had 1-5 employees (micro), 4 percent had 6-30/40 employees (small), and 1 percent had 30/40-75 employees (medium). The estimated total turnover for the 65 percent of MSME owners who reported on this is US$7.4 billion in 2012, 63.5 percent of nominal GDP. In total, 85 percent of all the MSMEs were not registered / licensed, and 15 percent were. Of the registered, 71 percent did so with local authorities, 17 percent with the Registrar of Companies, 6 percent with the Registrar of Cooperatives, and 7 percent other. If registration with the Registrar of Companies is taken as the threshold for distinguishing formal and informal businesses, this implies the level of informality increases.

Of these businesses, 43 percent were in agriculture (driven by growing produce and gardening); 33 percent were in wholesale and retail (mainly vending and selling clothes); 9 percent were in manufacturing (mainly cutting and design, carpentry, and crafting); 7 percent in other services; 3 percent in energy and construction; 2 percent each in art, entertainment, culture, education and sport; and accommodation and food activities; and 1 percent each in transport, and mining and quarrying. Sixty-six percent of the businesses are in rural areas and 34 percent are in urban areas. Harare had the lowest proportion of MSME owners (only 38 percent of adults are MSME owners), reflecting the availability of other income generating activities, including salaried jobs.

In terms of gender, 53 percent are female-owned while 46 percent are male-owned. Of the 2.9 million employees, 26 percent were temporary / seasonal / contract paid; 22 percent (mainly female) were unpaid; 22 percent (mainly male) were full-time paid; 14 percent were part-time paid; 9 percent were paid in kind; 3 percent were paid in kind and money; and 4 percent other. Consistent with the levels of informality, the working hours are long, with low levels of income. The FinScope study found that 50 percent work 8 hours or more a day, 69 percent work 6 to 7 days a week; and 40 percent earn less than US$200 per month, and a further 11 percent indicated that they do not have a monthly income. The businesses are young with 71 percent in operation for 5 years and less; with the following breakdown: start-up (0-2 years) at 40 percent; growth phase (3-5 years) at 31 percent; established (6-10 years) at 21 percent; and mature (more than 10 years) at 8 percent.

The main operating locations indicate that 39 percent operated from residential premises (home, homestead, garage); 22 percent from a farm (small-holding / plot); 11 percent operated from door-to-door / go directly to customers; 9 percent operated from the street or pavement; and 6 percent from a traditional market. Only a quarter of business owners were financially included, with 43 percent (1.2 million) being financially excluded, i.e. they do not use any financial products or services (nether formal nor informal) to manage their business finances. Half of the business owners (1.4 million) use informal mechanisms to manage their finances; 18 percent are formally served; 14 percent (382,000) are banked; and 7 percent use other formal non-bank products / services. Sixty-five percent keep their savings at home; 21 percent save with a club; 23 percent buy something and sell it later for profit; and 17 percent save with a commercial bank. As much as 85 percent of business owners do not borrow, while only 15 percent borrowed. Again, symptomatic of informal businesses, 80 percent of business owners did not have insurance, while 20 percent had (15 percent informal and 5 percent formal). The businesses are vulnerable to natural disasters with 63 percent of business owners having no strategy in place to deal with potential problems, with only 2 percent having claimed insurance.

In terms of challenges, the main constraint to starting the business was identified as sourcing money (57 percent), equipment / raw materials (26 percent), not enough customers (17 percent), identifying prospect clients (11 percent), and finding business premises (9 percent). Because of easy entry with low capital requirements, 48 percent required US$100 or less, and 10 percent did not require any money. The main sources of money to start the business were own resources (savings) at 59 percent, donation from family or friends at 14 percent, spouse / partner at 9 percent, loan from family / friends at 7 percent, and other at 11 percent. In terms of main constraints operating or managing the business, 52 percent indicated sourcing money, 21 percent (equipment / raw materials), 15 percent (not enough customers), 11 percent (too many competitors), and 9 percent (being owed money). Only 3 percent had a separate business bank account in the name of the business. The majority (82 percent) had limited use of sophisticated marketing strategies, relying on word of mouth to advertise their business, with 14 percent not even bothering to advertise or market their business at all. Tellingly, only 9 percent of MSME owners had ever used business support, with 72 percent of those that did indicating that the help was useful.

In terms of understanding financial issues, 49 percent did not keep records, only 8 percent had up-to-date financial / accounting records, 29 percent did not know their turnover and only 6 percent had a written business plan. Most of the businesses were formed out of necessity with 63 percent reporting their main motive to start their business being economic need (poverty, unemployment, provide for family etc.) and 34 percent saw an opportunity. Close to half (49 percent) indicated that their business was their only source of income, and 66 percent were heads of households and often the main income earner. Remarkably, 23 percent would close their business if they were offered paid employment.

b) Increased Informalization of the Economy

The statistical definition of employment – those persons carrying out an economic activity for at least one hour over the last seven days -, does not make a distinction between ‘good’ and ‘bad’ jobs. Because it does not capture the quality of employment, unemployment statistics on its own is not a comprehensive indicator of the labour market situation, hence the need to analyze the characteristics of employment and its quality in greater depth. One useful way is to characterize employment in terms of formality and informality.

Informality can be captured through two different, but related concepts (i): the first approach looks at the production unit (or enterprise) in which a person works, employment in the informal sector, an enterprise-based concept that distinguishes between different types of production units (formal sector enterprises, informal sector enterprises and household production units); and (ii) the second looks at a person’s job, rather than the enterprise that employs them - informal employment, a job-based concept that distinguishes between informal and formal employment on the basis of job attributes. The job-based approach allows grouping together those who are not in a formal employment relationship and generally suffer from inadequate social protection, a lack of rights at work, poor working conditions and insufficient incomes – regardless of whether they are employed by a formal enterprise, in the informal sector or in production for own consumption (including communal agriculture).

This distinction is important in that the ‘informal sector’ concept has been criticized for its failure to capture all aspects of the increasing ‘informalization’ of employment, which has given rise to various forms of informal / non-standard, atypical, irregular, precarious, etc. employment. Informalization is therefore meant to distinguish those jobs that are covered by rights and benefits that come with a formal employment relationship, such as social security and the entitlement to paid annual and sick leave, from those where these provisions – in law or in practice – do not apply. Informality is therefore a useful approach to analyze the quality of employment.

Given the conceptual challenges with respect to unemployment, informality is considered a more useful approach to understanding the labour market situation of any country (see Luebkter, 2008). Data deficiencies on the informal sector present serious challenges for analysis. However, at independence in 1980, the informal sector was relatively small, accounting for less than 10 percent of the labour force. PASS II (2003) indicates that the informal economy accounted for 30 percent of those employed, up from 23 percent in 1995.[9] Two thirds (63 percent) of the people employed in the informal sector were in the urban areas.

According to PICES (2011/12), the total value added for the informal sector (including agricultural production by households) is US$1.7 billion (US$810.0 million from informal non-farm activities and US$446.7 million from households engaged in agricultural activities), constituting 19.5 percent of the 2011 GDP. PICES (2011/12) also shows that about 3.7 million people in Zimbabwe are involved in the informal sector, 54.6 percent of whom are females. PICES (2011/12) further shows that 50.5 percent of those employed in the informal sector in Zimbabwe are aged between 15 to 34 years; 53.2 percent of males employed in the informal sector are in the 15-34 year age group; and 48.3 percent of females employed in the informal sector are in the 15-34 year age group. This reflects the role played by the informal sector in Zimbabwe in generating jobs for the youth.

In the 2011 and 2004 LFS, ZIMSTAT applied both the enterprise-based and job-based concepts of informality. The enterprise-based definition suggested that 1.6 million were employed in the formal sector in 2011, up from 1.2 million workers in 2004 and 566,833 workers (10.5 percent of the employed population in 2011) and just over 710,000 (13.8 percent of the employed in 2004) were in the informal sector. When the job-based concept is applied, 606,000 were in formal employment in 2011 (11 percent of the employed) compared to 975,000 workers (19 percent of the employed) in 2004, more than half of which were professional or skilled in both periods. Of the 5.4 million employed persons 15 years and above in 2011, 4.6 million (84 percent) were considered to be in informal employment, 91 percent of whom had unskilled jobs compared to almost 4.1 million (80.7 percent or four out of every five jobs) in 2004, 90.2 percent of which were unskilled. In the 2011 LFS, females constituted 53 percent of those in informal employment and 29 percent of those in formal employment. Educational attainment was associated with type of employment with 95 percent of the informally employed having secondary or lower levels of education while 52 percent of those in formal employment had tertiary education.

Furthermore, the youth (15-24 years) accounted for 29 percent of the employed, 33 percent of those in informal employment and only 7 percent of the formally employed. Using the AU definition, youth (15-34 years) accounted for 56 percent of the employed, 58 percent of those in informal employment and 43 percent of the formally employed. In terms of employment by industrial sector, the 2011 LFS reveals that agriculture is the pre-dominant employer at 77 percent of informal employment, with wholesale and retail trade, repair of motor vehicles and motorcycles as the other notable employers of people in informal employment at 8 percent. Education was the largest employer in formal employment at 19 percent, followed by manufacturing (12.7 percent) and public administration (10.7 percent). Skilled agricultural, forestry and fishery workers constitute the bulk of informal employment at 73 percent, followed by elementary occupations (9.9 percent) and service and sales workers (8.7 percent).

Informality is higher when the job-based concept (informal employment) is used than under the enterprise-based concept (employment in the informal sector). This reflects the fact that most workers in the informal sector also fall under the job-based definition of informality (i.e. are

[9] This contrasts with a level of 13.4 percent in the LFS of 2004.

informally employed), but that in addition a number of workers in the formal sector lack secure contracts with entitlements to social security and other employment benefits and are thus also considered informally employed.

The 2011 LFS indicates that 50.3 percent of those employed in informal enterprises were females, compared to 53 percent in the 2004 LFS. The distribution of informal sector employees in 2011 by industry sector shows that 37 percent were in service and sales, compared to 51.9 percent in 2004. It was also noted that 85 percent of the employees in the informal sector had primary or secondary level of education in 2011, compared to 95 percent in 2004. The 2011 LFS reflects that 60.8 percent of those employed in the informal sector were youth in the age group 15-34 years, compared to 69.6 percent in the 2004 LFS.

An analysis of the location of operations shows that 26 percent of the population in the informal sector operated from no fixed location in 2011, around 24 percent operated in their households, 19 percent in another permanent building or fixed location, and 17 percent on footpaths, streets or open spaces. In 2004, 31 percent of the informal sector enterprises operated from a permanent building, 30 percent in one's home, 20 percent with no fixed location and 11 percent on footpaths. About 76 percent of the informal sector enterprises had no employees, 17 percent had 1 to 4 employees, 3 percent had 5 to 9 employees, and about 4 percent had 10 or more employees in 2011. In 2004, about 80 percent of the informal sector enterprises had no employees, 18 percent had 1 to 4 employees and 2 percent had 5 to 9 employees. According to PASS II, the most common constraint in household businesses was lack of credits, capital and inputs which was faced by 31 percent of the households. This was followed by lack of a market to sell produce (15 percent), irregular supply of inputs and lack of access to market facilities (7 percent each), transport (6 percent), regulation (5 percent), bad debts (5 percent) and technology (3 percent).

The cash incomes of the informal workers were extremely low, a finding which holds when the enterprise-based concept is used. The 2011 LFS further shows that hours of work differ with 57 percent of those in informal employment reporting that they had worked less than 40 hours - implying work-sharing, compared to 12 percent for those in formal employment. Eighty percent of the paid employees in informal employment received in cash US$200 or below in the month preceding the survey. In contrast, 71 percent of the paid employees in formal employment received cash above US$200 during the same reference period.

The colonial legacy of treating activities that are informal as 'illegal' and hence outside the domain of policy persists. Policy towards this segment remains ambivalent: at times the informal sector is hailed as critical for survival, at others it is seen as a drag on the economy. It is the latter position that informed 'Operation Murambatsvina/Restore Order' that resulted in the demolition of informal structures and the attack on the informal sector in 2005.

4.2 Labour Supply (Employability)

4.2.1 Quality and Relevance of the Education and Training Provision

To reverse the inherited racial imbalances in education provision and skill formation, the post-independence Government adopted a policy of universal primary education (UPE). A rapid and massive expansion of the education system was undertaken within a relatively short period of time such that Zimbabwe has the highest literacy rate on the African continent at 90.9 percent. Primary school enrolment is almost universal at 97 percent and there is near gender parity at this level. However, there is a gender bias in favour of males at secondary school level. The disparities in enrolment by gender widen at the tertiary level, with a bias towards males. Although there is near parity in terms of access to specific subjects offered between both girls and boys at national level, however, boys consistently outperformed girls in Science oriented subjects at 'O' level. In Arts/Humanities, girls generally performed better than boys. In Tech/Voc (practical and commercial) subjects, boys generally performed better than girls except in Fashion and Fabrics, and Food and Nutrition where girls performed better.

An important issue to note is that the massive and rapid increases in enrolments within a relatively short period of time had an adverse impact on quality. For example, the transition rates from Grade 7 to Form 1 declined from 76.9 percent in 2001 to 70 percent by 2006, while transition from Form 4 to 5 increased from 8.8 percent in 2000 to 17 percent by 2006. The drop-out rate at primary level increased from 6.3 percent in 2000 to 8.7 percent by 2005, while at secondary school level it also increased from 7.5 percent in 2000 to 8.5 percent by 2005. The average shortfall of classrooms at primary school level averages 20 percent between 2000 and 2006, the same level at secondary education. However, laboratory average shortfall worsened from 56 percent in 2000 to 61 percent by 2006.

The deteriorating quality of inputs has an impact on the quality of education. Since independence, the national average pass rate at O' Level (Grade C or better) has never gone above 25 percent, reaching a nadir in 2007 and 2008 at 14 percent, suggesting that the education system is wasteful and has been criticized for being too academic in its focus. Furthermore, because of its supply-bias, the education and training system is failing to meet the needs of the economy, creating a mismatch between demand and supply. Apart from its wastefulness, the relevance of the curricula has been questioned by among others, the Nziramasanga Presidential Commission of 1999[10] and the Ministry of Higher Education Report (2006). The poor quality of basic and further education severely limits the opportunities for young people in the labour market. According to the 2012 CZI Manufacturing Sector Survey, most firms indicated that they collaborate moderately with the tertiary institutions and the curricula offered by these institutions are moderately relevant for the companies.

The key challenges facing technical, vocational education and training (TVET) include: funding (1) and curriculum relevance (2), research and planning (3), monitoring and evaluation (4), planning (5), resources (6) qualifications framework (7), management (8), legislation (9) (see Ministry of Higher and Tertiary Education, 2006).

4.2.2 The Brain Drain

The emigration of skilled personnel from the country is significant enough to constitute a 'brain drain', a homogeneous people with a common sense of displacement, voluntary and involuntary, with a hope of returning home one day when the conditions that drove them into migration are

[10] Nziramasanga C.T, 1999: **Report of the Presidential Commission of Inquiry into Education and Training,** Harare.

removed. Although the exact number of people who have emigrated is not known, it is estimated that 2-4 million Zimbabweans are working and living in the Diaspora. A Report by the Scientific Industrial Research and Development Centre (SIRDC, 2003) estimated that 3.1 million people were in the Diaspora in 2002. The main countries of destination are South Africa, the UK, Botswana, the USA, Canada and Australia.

In terms of profession, 26 percent were teachers, 25 percent doctors, nurses and pharmacists, 23 percent engineers and other scientists, 17 percent accountants, 5 percent farmers, 2 percent bankers and 1 percent each were clergy and others. Thirty-four percent had a first degree, 28 percent had polytechnic education, 20 percent had a Masters' Degree, 9 percent vocational training, and 2 percent each had diploma level training and none. The largest category at 40.8 percent were in the age group 30-39, followed by the 20-29 age group at 25 percent, 40-49 age group at 23.7 percent and those at least 50 years of age at 10.5 percent. The SIRDC study was optimistic a large number may return based on the fact that 66 percent left children in Zimbabwe, while 60 percent had property at home. The impact of the brain drain on the economy, especially amongst the professional and technical category has been marked, resulting in acute shortages of such personnel.

To address the brain drain, Cabinet put in place a taskforce on human skills identification, deployment and retention in 2006 chaired by the Permanent Secretary, Ministry of Higher and Tertiary Education. The taskforce commissioned a study to ascertain the magnitude and extent of the 'brain drain' (Zimbabwe National Human Resources Survey, 2006). It found that 70 percent of those interviewed indicated they intent to emigrate. Those with higher qualifications were more likely to emigrate, with the harsh economic challenges the main reason for doing so. The study found that although agriculture was identified as the driver of the economy, vacancy rates in skilled grades were high, ranging from 30 percent for ecologists to 82 percent for veterinary doctors and livestock specialists. More than a third of agricultural engineering positions were vacant. Vacancy rates were as high as 61 percent for doctors in Government institutions, compared to 33 percent in municipality health institutions. The study recommended the need to improve and capacitate training, which should be reoriented to meet the needs of the economy. It also recommended the utilization of Diaspora skills in short-term consultancies and during sabbaticals and to target them for investment opportunities.[11] A dedicated Zimbabwe Human Capital website was launched by the Ministry of Higher and Tertiary Education in conjunction with the International Organisation for Migration (IOM) in November 2009 to attract and induce back lost skills, advertising for jobs and investments back home.

The nexus between Diaspora remittances and development is increasingly acknowledged, especially considering that such flows are now larger than foreign direct investment and account for more than twice the size of official aid received by developing countries. A study by Bracking and Sachikonye (2006) looked at the issue of 'Remittances, poverty reduction and the informalisation of household wellbeing in Zimbabwe.' The study conducted an intensive survey of four field sites, two suburbs of Bulawayo (Nkulumane and Bulawayo East) and two suburbs of Harare (Highfield and Mabelreign). The survey was conducted in October and November 2005 covering 300 households. Of the 221 households who gave their monthly income, 77

[11] For a synthesis of the Diaspora and remittances, see UNDP, 2008: **Comprehensive Economic Recovery in Zimbabwe: A Discussion Document,** Harare.

percent were officially below the poverty line. The results suggest that it is the middle class incomes of the richer suburbs of Harare that have collapsed. The households that received goods and / money were those in the better off low or medium density suburbs of Harare, where 78 percent were in receipt of something. In the high density areas of Harare, 53 percent of the households received goods and or money. For Bulawayo, the low and high density areas received lower levels of 28 percent and 43 percent respectively, with the relatively better off receiving fewer remittances.

The highest sources of the remittances were the UK at 24.7 percent, followed closely by South Africa at 22.7 percent. Of the 149 households that received money or goods, 36.2 percent got their receipts from more than one sender, while 63 percent received them from just one sender. When asked whether the senders regularly visited, 27 percent indicated they did so every year, and 19 percent indicated every month, yielding a total of 47 percent. Those who had never been home numbered nearly 21 percent of the sender group. The most common relationship between receiving household and sender was son or daughter at 26.2 percent, followed by brother or sister at 15.4 percent and then spouse at 12.1 percent. Of the 149 households in receipt of something, 74.1 percent received goods, suggesting that remittances go beyond receipts of money. The majority of those who received, 72.7 percent, got the goods / money from a migrant relative on a visit home or another person known to the household, implying informal sources were prevalent. This study concluded that remittances were indeed critical to alleviating poverty in Zimbabwe, with 50 percent of the households sampled receiving remittances. They observed that the households without remittances were generally in a more critical state.

However, estimating the actual remittance flows is problematic, especially in the context of undocumented migration and extensive use of informal channels in remitting. The World Bank estimated that migrant remittance flows to Zimbabwe through official channels amounted to US$17million in 1980. The report observed that while remittances increased in the first two years after independence to US$28 million in 1981 and US$33 million in 1982, they decreased in subsequent years until 1994 when they were estimated at US$44 million. The International Fund for Agricultural Development (IFAD) estimated remittance inflows at US$361 million in 2007 (7.2 percent of GDP) and double that figure in 2008.[12]

A study of remittance strategies of Zimbabweans living in Northern England estimated that US$0.94 billion was sent from the UK to Zimbabwe in 2007 (see Magunha ***et al,*** 2009). The study reported that as much as 81.7 percent of the Diasporas living in Northern England remitted, which was considered an underestimate as it did not include the funding of the passage of family migrants. PICES (2011/12) put remittances from Zimbabweans abroad at US$319.0 million per year with households in urban areas receiving the largest share amounting to US$252.9 million; 79.3 percent of the total remittances from abroad. Households in rural areas received US$66.2 million; 20.7 percent of the total remittances. On average, households receiving remittances from abroad got US$2,269 per annum; US$189.1 per month.

Table 7 reports data from the Reserve Bank of Zimbabwe on inbound Diaspora remittances by Money Transfer Agencies during the period 2008-2013. The levels increased from a lowly

[12] IFAD, *Sending Money Home. Worldwide Remittance Flows to Developing Countries,* 2007: http://www.ifad.org/events/remittances/maps/index.htm

US$75 million in 2008 to a projected US$700 million by 2013. The low figure for 2008 could reflect the extensive use of informal channels of remitting during the period before the advent of multi-currencies in 2009.

Table 7: Inbound Diaspora Remittances to Zimbabwe, 2008-2013 (US$ million).

	2008	2009	2010	2011	2012	2013
Diaspora Remittances	75	198.2	263.3	470	650	700

Source: Reserve Bank of Zimbabwe, Unpublished Data.

In recognition of the potential of the Diaspora and remittances to national development, Governments are implementing policies and adopting reforms designed to leverage the nexus between remittances and development, with countries such as Bangladesh, India, Mexico, Moldova, Morocco and Philippines taking a leading role in this regard. Zimbabwe should also learn from these experiences to make the most of the developmental impact of remittances.

4.2.3 HIV and AIDS

Zimbabwe, like most Southern African countries is at the epi-centre of the HIV / AIDS pandemic. While the first HIV/AIDS case was reported in 1985, by end of 2002, it was estimated that 2.3 million people were infected and the adult prevalence rate was 33.7 percent. HIV prevalence among young women below the age of 20 was reported to be five times higher than their male counterparts. However, data from the Ministry of Health and Child Welfare suggest that adult HIV prevalence declined to 24.6 percent in 2003 to 20.1 percent in 2005, 18.1 percent by 2005/2006 and 15.6 by 2007 owing to a change in sexual behaviour as well as the many interventions by government, other local players and the international community (see Demographic and Health Survey (DHS), 2005/06; 2007). According to these National Estimates, HIV prevalence declined to14.3 percent in 2009 and 13.7 percent in 2011. HIV prevalence in young women declined from 23.7 percent in 1997 to 6.9 percent in 2009. Table 8 reports the latest statistics on HIV and AIDS.

Table 8: HIV and AIDS Status at a Glance (National HIV Estimates 2011)

National HIV prevalence 2011	13.7%
Estimated Number of people living with HIV and AIDS 2011	1,159,097
Annual AIDS Deaths 2011	63,765
Number requiring Antiretroviral Therapy 2011	597,293
Number of New HIV infections 2011	46,250
Total AIDS orphans 2011	946, 547

Source: Global AIDS Response Progress Report 2012: Zimbabwe Country Report

The decline is attributed to successful implementation of prevention strategies, especially behaviour change, high condom use and reduction in multiple sexual partners. Meanwhile, Anti-Retroviral (ART) coverage has increased from 55 percent in 2009 to 79.7 percent in 2011. This fall in the prevalence rate, as well as increased ART coverage, should result in an improvement in life expectancy.

However, the prevalence of HIV among the most productive age group (15-49), its debilitating impact on skills and the effect of increased morbidity (illness) on labour productivity and business costs affects economic performance. As a result of the pandemic, life expectancy declined markedly from over 60 years in the mid-1980s to 37 years by 2007, rising to 52 years by 2013. A combination of both prevention efforts and scaling up treatment is likely to have a greater impact than either singular effort. The workplace remains a key entry point for national responses for HIV and AIDS, TB, Malaria and other communicable diseases.

4.2.4 Disability

PASS II data indicate that at the national level, 3 percent of people had disabilities. The majority of persons with disabilities resided in rural areas (81 percent) compared to urban areas (19 percent). Households headed by people with disabilities constituted 15 percent of all the households in Zimbabwe. While poverty is generalized in the country, persons with disabilities had slightly higher poverty prevalence (very poor -61 percent) than persons without disabilities (very poor-58 percent).

Generally, both females and males with disabilities are more disadvantaged in access to secondary education than females and males without disabilities. For the secondary level of education, males with disabilities had a greater proportion (36 percent) that had completed that level than females (24 percent). Persons with disabilities were generally worse than those without disabilities in terms of labour force participation and employment rates. A higher proportion of females were unskilled despite their disability status compared to their male counterparts. In addition, females with disabilities had the highest proportion of unskilled persons (80 percent). For persons with disabilities, 46 percent of all the employed females were in the informal economy compared to 36 percent for males. For the population without disabilities, the proportions were 41 percent for females and 24 percent for males. Only 10 percent of all persons with disabilities in Zimbabwe had received disability assistance. A greater proportion of females with disabilities (37 percent) received assistance from Social Welfare than males (32 percent).

The Medium Term Plan (MTP) (2011-2015) estimated that 4 percent of the population lives with various forms of disabilities. As much as 90 percent of People Living with Disabilities (PLWDs) are poor or come from extremely poor backgrounds. MTP notes that PLWDs are discriminated against and their rights are not fully recognized particularly in policy formulation and decision-making processes. In addition, most of the infrastructure at health and employment institutions does not take into account the needs of such persons, highlighting the importance of integrating them in all aspects of national development.

4.2.5 Child Labour

According to the 2011 Child Labour Survey Report published by ZIMSTAT in May 2012, 42 percent and 37.1 percent of the 4.1 million children aged 5 to 17 years and 3.2 million children aged 5 to 14 years respectively were engaged in economic activities in the 7 days of the survey.[13] These were decreases from the 2004 Child Labour Survey Report, which reported that 46 percent and 42 percent of the children aged 5 to 17 years and 5 to 14 years, respectively, were involved in economic activities 7 days prior to the survey.

The 2011 Child Labour Survey Report, indicated that 9.8 percent of the children aged 5 to 14 years were in economic child labour, a decline from 16.0 percent in 2004. Of the children aged 5 to 14 years in economic child labour, 84.8 percent were attending school, 1.9 percent had never attended school and about 13.3 percent had left school; 95.9 percent lived in rural areas and 95.6 percent were working in the agriculture, hunting and fishing industry. The majority of children in economic child labour (82.9 percent) and non-economic child labour (83.1 percent) were from households in which the head earned at most US$300 per month, way below the average Poverty Datum Line of US$514.24 per month in 2011.

An attempt has been made to meet the country's obligations as required under ILO Convention, 1999 (No.182) on Worst Forms of Child Labour. To date a Rapid Assessment Survey was carried out in 2008 to ascertain the existence, extent and nature of the worst forms of child labour in Zimbabwe. The survey indicated the existence of the phenomenon in agriculture, domestic work, illicit activities, mining and prostitution.[14] The country still has a long way to go to ensure effective protection against child labour. Widespread poverty, a lack of social services and poor enforcement of legislation are hindering efforts to eradicate child labour in Zimbabwe. According to a 2010 UN Children's Fund (UNICEF) report, 13 percent of Zimbabwean children are engaged in child labour which the International Labour Organization (ILO) defines as work that is mentally, physically, socially or morally harmful to children and that interferes with their schooling. Of Zimbabwe's 1.3 million orphans, some 100,000 are living on their own in child-headed households. Many such children are forced to leave school and find work as street vendors or labourers on tobacco farms, tea and sugar plantations, and in mines in order to support younger siblings.

The National Action Plan (NAP) to eliminate the Worst Forms of Child Labour in Zimbabwe and the Time-Bound Programme (TBP) were finalized in 2011, but are yet to be implemented. There is a strong consensus and commitment among key stakeholders in Zimbabwe to urgently and progressively reduce incidences of child labour by adopting a holistic approach. Social partners have also initiated action aimed towards the development of communication and advocacy materials for promoting child rights and campaigns against child labour in workplaces; ensuring that children return to school.

4.2.6 Social Protection

Zimbabwe does not have a comprehensive social security system. The country has fragmented

[13] The 2011 Child Labour Survey Report divides child labour into two categories, namely: (i) economic child labour where a child aged 5 to 14 years was engaged in economic activities for at least 3 hours a day; and (ii) non-economic child labour where a child aged 5 to 14 years was engaged in non-economic activities for at least 5 hours a day.

[14] According to the 2010 UNDP Human Development Report, 13% of children aged 5-14 constituted child labour for the most recent year data are available during 1999-2007.

social security schemes which offer rather basic forms of social protection. These social schemes include social insurance, social assistance and private measures. The responsibility for developing policies on social security lies with the Ministry of Labour and Social Services. The Ministry receives technical inputs from the National Social Security Authority (NSSA) on all matters pertaining to social insurance schemes. Social security schemes in Zimbabwe are confronted with problems arising from narrow coverage of populations, limited resources, erosion of benefits by hyperinflation, high administrative costs, the dispersion of target populations over large geographical areas, and the HIV/AIDS pandemic. An analysis of the contributory social security schemes reveals that they cover only a small percentage of the population, namely those in formal employment. The majority of the people, in particular the poor who need social protection most are not covered. While Government planned to establish a National Health Insurance Scheme under NSSA to redress inequities in coverage, and to improve the quality of health care, this was not finalized owing to opposition from some key stakeholders. However, with the adoption of use of multiple foreign currencies at the beginning of 2009, it may be necessary to reconsider its establishment.

Parallel to the social welfare programme under the Ministry of Labour and Social Services is the Programme of Support (POS) for the National Action Plan for Orphans and Vulnerable Children (OVC) run by co-operating partners through basket funding. The programme is coordinated by UNICEF and implemented by at least 26 NGOs. Going forward, it will be necessary to integrate these programmes into a National Social Protection Strategy for Zimbabwe.

4.2.7 Endemic Poverty and Low Human Development

The 1995/96 and 2003 National Poverty Assessment Study Surveys (PASS I and II respectively), suggest that poverty increased markedly in both the urban and rural areas. In 1995, 29 percent of the population (20 percent of the households) was below the Food Poverty Line (FPL), rising to 58 percent (48 percent) by 2003, an increase of 103 percent. The percentage of the population below the Total Consumption Poverty Line (TCPL) increased from 55 percent (42 percent of households) in 1995 to 72 percent (63 percent) by 2003, an increase of 30 percent.[15] In rural areas, a higher percentage (71 percent) of the people was below the TCPL compared to the urban areas (61 percent) in 2003. Female-headed households (both de-facto and de-jure) had a higher poverty incidence (68 percent below the TCPL) than male-headed households at 60 percent below the TCPL in 2003. This suggests the feminization of poverty; implying it has a women's and rural face.

Using the per capita consumption expenditure approach to measure poverty incidence in Zimbabwe, PICES (2011/12) observed that 62.6 percent of Zimbabwean households are poor, whilst 16.2 percent of the households live in extreme poverty. Poverty is more widespread and prevalent in rural Zimbabwe with 76.0 percent of the rural households considered poor compared to 38.2 percent in urban areas. In addition, 30.4 percent of rural people are extremely poor compared to only 5.6 percent in urban areas. The prevalence of poverty among male-headed and female-headed households is almost the same at 62.9 percent and 62.0 percent respectively. As PICES (2011/12) reveals, access to employment for the household head is closely associated

[15] The Total Consumption Poverty Line is the level of income at which people can meet their basic food and non-food needs, while the Food Poverty Line meets only the food needs.

with household poverty status as households headed by own account workers in rural and urban areas are most likely to be affected by high poverty incidence. Table 9 summarizes the poverty levels for the periods 1995, 2003 and 2011.

Table 9: Poverty Situation in Zimbabwe, 1995, 2003 and 2011

Persons living below the:	1995	2003	2011
Food Poverty Line	29% of Population	58% of Population	
	20% of Households	48% of Households	16.2% of households
Total Consumption Poverty Line	55% of Population	72% of Population	
	42% of Households	63% of Households	62.6% of households

Source: PASS I & II, and PICES (2011/12).

Similarly, casual or temporary employees also experience high rates of poverty, while households headed by a permanent paid employee or by an employer have the lowest probability of being poor. Households headed by a person employed in the private sector or formal sector are less likely to be poor than households headed by an informal sector worker in both rural and urban areas. The households headed by a communal farmer have the highest prevalence of poverty at 83 percent compared to other heads of households across land use sectors. Furthermore, differences in primary school entrance rates between children from extremely poor and non-poor households are relatively high, at 18 percentage points in favour of the non-poor children. Secondary school enrolment ratios at 39 percent for the extremely poor girls, represent a difference of 28.5 percentage points compared to girls from non-poor households (see PICES, 2011/12).

An often overlooked impact is the disappearance of a middle class: the 'missing middle.' The Human Development Indicator (HDI) and Human Poverty Index (HPI) for Zimbabwe show significant declines. The indicators worsened between 1995 and 2009: the HPI fell from 24 per cent in 1995 to 40.3 per cent in 2005, but rose to 34 per cent in 2009. Zimbabwe's HDI value for 2012 is 0.397 in the low human development category positioning the country at 172 out of 187 countries, an increase from 0.387 in 2011. Between 1980 and 2012, Zimbabwe's HDI value increased from 0.367 to 0.397, an increase of 8 percent or average annual increase of about 0.2 percent. (*See 2013 UNDP Human Development Report*)[16]

Table 10 reviews Zimbabwe's progress in each of the HDI indicators. Between 1980 and 2012, Zimbabwe's life expectancy at birth decreased by 6.5 years, mean years of schooling increased by 4.0 years and expected years of schooling increased by 3.6 years. Zimbabwe's GNI per capita decreased by about 28 per cent between 1980 and 2012. Inequality as measured by the gini-coefficient increased from 0.53 in 1995 to 0.61 in 2003, implying income distribution worsened

[16] The HDI derives from the concept of human development that emphasizes three essential choices for people: i) to lead a long and healthy life, ii) to acquire knowledge, and iii) to have access to the resources needed for a decent standard of living.

as fewer people became richer while the majority became poorer. The inequality-adjusted HDI at 0.284 in 2012 is 28.5 percent lower than the unadjusted level of 0.3976.

Zimbabwe's 2012 HDI of 0.397 is below the average of 0.466 for countries in the low human development group and below the average of 0.475 for countries in Sub-Saharan Africa. From Sub-Saharan Africa, countries which are close to Zimbabwe in 2012 HDI rank and population size are Lesotho and Kenya, which have HDIs ranked 158 and 145 respectively.

Table 10: Zimbabwe's HDI trends based on consistent time series data, new component indicators and new methodology

	Life expectancy at birth	**Expected years of schooling**	**Mean years of schooling**	**GNI per capita (2005 PPP$)**	**HDI value**
1980	59.2	6.5	3.2	0,585	0.367
1985	61.5	11.4	4	0,593	0.426
1990	60.6	10.1	4.5	0,622	0.427
1995	53.1	10.1	5.5	0,582	0.408
2000	44.7	10.1	5.9	0,604	0.376
2005	44	10.1	6.7	0,412	0.352
2010	50	10.1	7.2	0,373	0.374
2011	51.4	10.1	7.2	0,404	0.387
2012	52.7	10.1	7.2	0,424	0.397

Source: 2013 UNDP Human Development Report.

The country produced its third MDG Status Report in 2010, following on the first and second progress reports in 2004 and 2007. Significant strides have been made in a number of key areas of development such as attaining universal primary education, halting and reversing the spread of HIV and AIDS, and attaining gender parity in primary school enrolment. There has been an increase in mortality since the mid-1990s, associated with the emerging economic challenges as well as the direct and indirect impacts of the HIV and AIDS pandemic and the rise in poverty. Maternal health has also been negatively affected by the challenges in terms of capacity of, and responsiveness of the healthcare system. However, it is unlikely that the country will be able to half poverty levels by 2015 in line with MDG 1. Target 1B: on achieving full and productive employment and decent work for all, including women and young people is unlikely to be met by 2015, as unemployment and under-employment remains a persistent challenge. Nonetheless, the relative improvement in health, education and income since 2009 has resulted in improved human development indicators.

5.0 REVIEW OF EXISTING POLICIES AND PROGRAMMES AFFECTING EMPLOYMENT

5.1 Review of the Economic Policy Framework

Since the advent of independence in 1980, no less than ten economic development strategies have been adopted and implemented in Zimbabwe,[17] yet the scourge of un- and under-employment, and endemic poverty have not only persisted but have deepened. These policies ranged from the inward-looking, highly interventionist strategy of the first decade of independence, to the outward-oriented market-driven focus of ESAP, to the cocktailed policies of the crisis period since 1997. Note that all these policy blueprints highlighted sustainable employment generation as an explicit objective. Even under the Structural Adjustment Programme, which traditionally relies on 'trickle down' effects from growth to generate an employment response, employment creation was emphasised at the design of this strategy. Though these blueprints put an accent on employment creation, they however did not explicitly adopt an action plan to achieve this objective, implying that the challenge of employment creation was effectively left to 'trickle down' effects.

ZIMPREST for instance, sought to achieve a target average annual growth rate of GDP of 6 percent, create 42,200 new jobs in the formal sector per annum between 1996 and 2000, per capita income growth of 3.4 percent and consumption growth of 4.4 percent. However, with the onset of the crisis, all subsequent economic blueprints after ZIMPREST were short-term stabilisation programmes that did not prioritise employment creation. The Millennium Economic Recovery Programme (MERP) that was launched in August 2001 was a short-term 18-month stabilisation programme, which coincided with the withdrawal of development partners; the National Economic Revival Programme (NERP) which was launched in February 2003 was a 12-month stabilisation programme. The same applies to the Macroeconomic Policy Framework (2005-06): Towards Sustained Economic Growth; and the National Economic Development Priority Programme (NEDPP) of 2006; Short-Term Emergency Recovery Programme (STERPI) launched in March 2009 which ran until December 2009. STERP committed to facilitate employment-intensive growth, with an emphasis on youth employment (See Paragraphs 361-370). A follow-up Three Year Macro-economic Policy and Budget Framework, 2010-2012 (STERP II) was launched in December 2009. STERP II emphasized 'Reconstruction with Equitable Growth and Stability.' One of its stated objectives is to support rapid growth and employment creation, targeting drastic reduction in unemployment. However, employment is ominously missing from the framework targets of STERP II. More importantly, these policy documents have not been implemented wholesale in the context of limited fiscal space.

The Medium Term Plan (MTP) (2011-2015) launched in July 2011 marks a return to medium term planning in Zimbabwe. The vision of the MTP is of a growing and transforming globally competitive economy, with the core objectives of poverty reduction, job creation, equity, and sustainable economic development. MTP also emphasizes the need to provide opportunities and initiatives for youth employment. One of the key macroeconomic policy targets of MTP is to

[17] These include Growth with Equity, 1981; the Transitional National Development Plan (TNDP), 1982/83-84/85; the First Five Year National Development Plan (FFYNDP), 1986-90; the Economic Structural Adjustment Programme (ESAP), 1991-95; Zimbabwe Programme for Economic and Social Transformation (ZIMPREST), 1996-2000; Millennium Economic Recovery Programme (MERP), August 2001-2002; Ten Point Plan, 2002 with an emphasis on agriculture, 2002; National Economic Revival Programme, (NERP), 2003; Industrial Development Policy (2004-2010); Macroeconomic Policy Framework (2005-06): Towards Sustained Economic Growth; Monetary Policies, 2003-2007; National Economic Development Priority Programme (NEDPP), 2006-2007; Short Term Emergency Recovery Programme (STERP 1), March 2009; Three Year Macroeconomic Policy and Budget Framework (STERP II), 2010-2012, December 2009; and Medium Term Plan (MTP), (2011-2015), July 2011.

achieve an average employment growth rate of 6 percent per annum. However, with growth moderating since 2012, continued de-industrialization and informalization, employment recovery is also deeping (see Figure 4).

The sectoral policies followed a similar pattern of not explicitly targeting employment. The Industrial Development Policy (2012-2016) was launched by Government in March 2012. It seeks to transform Zimbabwe from a producer of primary goods to a producer of value-added goods for domestic and export markets. The overall objective of the Policy is to restore the manufacturing sector's contribution to GDP from 15 percent to 30 percent and its contribution to exports from 26 percent to 50 percent by 2015 in line with the Medium Term Plan. It also seeks to create additional employment in the manufacturing sector on an incremental basis and reduce unemployment levels by 2016. The Policy also prioritizes increasing capacity utilization from around 57 percent to 80 percent by 2016. It also emphasizes the need to re-equip and replace obsolete machinery and new technologies for import substitution and enhanced value addition. Furthermore, the Policy identifies the importance of increasing the manufactured exports to the SADC and COMESA regions and the rest of the world.

The Policy prioritizes the Agro-Business subsector (consisting of food, beverages and tobacco; clothing and textiles; leather and leather products; wood and furniture) given their importance in the agricultural sector in Zimbabwe. The agro- industries accounted for approximately 60 percent of manufacturing value added and about 30 percent of employment. A key strategic component of the Industrial Development Policy is the Trade Policy (2012-2016) launched on the same day. The Trade Policy is designed to support the trading environment to maximize attractiveness of Zimbabwean products in the region and globally. It seeks to nurture private sector competitiveness and support the productive sectors of the economy to create wealth, employment and enhance social welfare. However, even though both policies identify employment creation as a critical objective, they do not have any specific employment targets and strategies to maximize the employment impact.

In 2011, Government promulgated the Small and Medium Enterprises Act (Chapter 24:12). The Act seeks to promote and develop micro-, small and medium enterprises in Zimbabwe (formal or informal), to establish an MSME Advisory Council and provide for the formulation, establishment and implementation of schemes to assist MSMEs, and to create the MSME fund to help finance such schemes. The draft MSME Policy Framework (2013) provides a new definition of micro, small and medium enterprises which is in line with international standards and the definition applied in the Small and Medium Enterprises Act (Chapter 24:12) of 2011. It seeks to strengthen the already existing development momentum in the sector towards poverty reduction, economic growth, empowerment and employment creation, and to ensure socio-economic and environmental sustainability. The draft policy aims at achieving the following:-

- Enhance the creation and maintenance of an enabling legal and regulatory environment for MSMEs development and growth;
- Facilitate coordination of different policies and programmes at national level;
- Provide an appropriate institutional mechanism to facilitate MSMEs development and growth efforts;

- Commit MSMEs growth over a longer term rather than dependence on any quick fix solutions;
- Coordinate resource mobilization strategies and set priorities to ensure appropriate allocation of limited public resources;
- Rationalize and coordinate support programmes;
- Delegate tasks, responsibilities and accountability to all the stakeholders; and
- Promote formalization and graduation of informal to formal, and from micro to small, small to medium, and medium to large enterprises.

Through the Policy, the Ministry of Small and Medium Enterprises and Cooperative Development will encourage the setting up of beacon projects in strategic areas based on each provincial comparative advantage to enhance industrialization via MSMEs. These beacon projects are expected to facilitate employment creation, wealth generation, poverty alleviation and contribution to economic development. Included in the Policy is a deliberate strategy to create an entrepreneurial culture and to prepare youth for self-employment. Notwithstanding the employment objectives, no quantitative targets are mentioned.

In line with the recommendations of the extraordinary meeting of heads of State and Government in Ouagadougou, Burkina Faso, in September 2004, the Government of Zimbabwe developed and Cabinet adopted the Zimbabwe National Employment Policy Framework (ZiNEPF) in June 2010. The National Employment Policy Framework is meant to guide all other policies (macro-economic and sectoral) in mainstreaming employment objectives and targets as a cross-cutting issue as well as leveraging decent work-rich growth. However, while this development is laudable, the policy framework has not yet been rolled out, beginning with employment audits of all policies. Besides, the policy was developed in the absence of recent data, which are now available, and hence needs to be updated with specific overall and sectoral employment targets.

5.2 Employment Strategies, Programmes, (including both active and passive labour market policy measures)[18]

In response to growing unemployment, Government and other stakeholders adopted a number of initiatives to combat unemployment. These active labour market policy interventions can be placed into four categories, namely:

- Training and capital based assistance for new self-employment and enterprise creation;
- Training or apprenticeship and capital based assistance for employment in existing enterprises;
- Placement and subsidised employment schemes;
- Direct job generation through public employment and infrastructure investment projects.

Even though there is hitherto no comprehensive employment strategy, in the area of youth

[18] Active labour market policy programmes (ALMPs) include employment and training services (job search and placement assistance, career guidance, labour market information, training and retraining), and job creation measures (public works and community services, enterprise creation, self-employment, and employment subsidies for particular groups). Passive labour market measures provide replacement income during periods of joblessness or job search. They include unemployment benefits and provision for early retirement.

employment, some initiatives are on the ground. Zimbabwe has a National Youth Policy of September 2000, whose sub-theme is "Youth Empowerment: The Key to Development."[19] The youth policy, which falls under the Ministry of Youth Development, Indigenization and Empowerment, outlines the following as its key objectives:

- To contribute towards the participatory eradication of poverty and all forms of social and economic exclusion of the youth since poverty is one of the most formidable enemies of choice;
- To develop a coordinated response and participation of all stakeholders including government, non-government and private organisations for the development of the young women and men of the country;
- To promote healthy lifestyles and personal well-being with particular emphasis on prevention of HIV/AIDS and promotion of reproductive health and care;
- To define and prioritise areas of specific action for youth progress in accordance with the overall policies of the Government and constitutional requirements of Zimbabwe.

The key strategic areas highlighted in the youth policy document include the following:

- Education and vocational skills training;
- Youth employment and access to resources;
- Youth empowerment and participation;
- Health, population and environment;
- Gender equality and equity;
- Culture, sports and recreation;
- Data and research;
- National youth service.

The policy seeks to target adolescent girls, unemployed youth, HIV positive youth and orphans, street children/youth, young single mothers and youth with disabilities. In February 2006, Cabinet approved the Zimbabwe Youth Employment Network (ZIYEN), which seeks to address youth unemployment in the context of the global Youth Employment Network (YEN), a global alliance between the UN, World Bank and ILO established in 2001 to support countries to develop National Action Plans on youth employment. YEN's mandate is to build an international consensus on youth employment and to influence the international agenda with a comprehensive strategy on employment organised around the goal of decent work for all. YEN offers an opportunity for increased collaboration and coordination across international institutions and strengthens relationships within and across countries.

Following the approval of ZIYEN, Government established the Integrated Skill Outreach Programme (ISOP) which is chaired by the Ministry of Higher and Tertiary Education, with the Ministry of Youth Development, Indigenization and Empowerment providing the secretariat. The Ministry of Labour and Social Services and that of Small and Medium Enterprises and Cooperative Development are also members. ISOP seeks to administer an outreach training programme to equip unemployed youths with technical and entrepreneurial skills. In addition, a Youth Development Fund (YDF) was created as well as a Loan Guarantee Scheme (LGS). The limited fiscal space has undermined the implementation of these financing vehicles (see below).

[19] Young people are defined by the policy as aged 10-30 years.

Clearly, the above interventions do not constitute a holistic approach to employment creation, are supply-driven and very short-term oriented. No specific roles are assigned to the various stakeholders, and indeed other Ministries such as the one for Small and Medium Enterprises and Cooperative Development; Agriculture; Higher and Tertiary Education among others. Even the modest targets set were not achieved, for various reasons including the absence of a supportive/enabling macroeconomic environment.

The various interventions for employment creation under various ministries suffer from being fragmented, largely supply-driven, and duplicative; have not been sustained over a period of time and inadequate resources. They could be better coordinated for more effectiveness. The reorganization of Ministries has resulted in lack of continuity and clarity on roles, often resulting in duplication. Stakeholder participation in the Government initiatives could be improved to ensure a better fit between labour supply and demand. Furthermore, the interventions are also undermined by the current macroeconomic context characterized by limited access to credit and its high cost and hence have not made significant inroads towards resolution of the scourge of unemployment and poverty. This has been exacerbated by the withdrawal of development partners since 1999, with several programmes supported by these partners collapsing. Since 2009, cooperating partners' support has been confined to off-budget humanitarian assistance. Table 11 reports the budgetary allocations for the key Ministries and interventions for the period 2002-2007.

Table 11: Budgetary Allocations to various Ministries and Interventions (%), 2010-2013

Ministry	**2010**	**2011**	**2012**	**2013****
Labour and Social Services: of which:	***1.3***	***1.3***	***0.9***	***0.9***
Social Protection: of which:	83.1	76.5	71.2	71.0
Beam*	63.7	46.8	47.0	42.3
Agriculture	***5.3***	***4.3***	***5.1***	***3.8***
Education, Sports & Culture: of which:	***14.1***	***16.2***	***19.7***	***19.6***
Salaries	85.9	87.3	97.0	95.7
ZIMSEC	1.8	0.4	0.1	
Scholarship	0.03	-	-	0.01
Education Material	0.9	1.3	0.1	0.4
Higher & Tertiary Education: of which:	***5.1***	***5.5***	***7.5***	***7.4***
Salaries	13.7	8.3	16.3	17.1
Teacher Education Current Expenditures	4.9	5.3	12.6	13.6
Youth, Indigenization & Empowerment: of which:	***0.9***	***1.3***	***1.1***	***1.1***
Salaries	82.3	61.6	77.8	74.4
National Youth Service	2.4	1.9	0.7	0.7
Employment Creation Fund	0.5	1.0		0.2
SMEs	***0.1***	***0.2***	***0.2***	***0.3***
Science & Tech.	***0.2***	***0.2***	***0.2***	***0.2***

Women Affairs, Gender and Community Development	***0.2***	***0.2***	***0.2***	***0.3***

Source: Calculated from the Blue Book, Revised Budget Estimates (2010, 2011, 2012 & 2013).

Notes: Figures were calculated using the vote appropriations from the revised estimates, Budget Estimates Bluebook

BEAM- Basic Education Assistance Module

* % allocation of the total Social Protection Budget towards BEAM

** Figures were calculated using actual budget estimates not revised estimates.

The small and dwindling allocations suggest social aspects of policy are not adequately catered for, and are not considered priority areas. For instance, while the mission statement of the Ministry of Labour and Social Services includes emphasis on sound industrial relations, employment creation and protection of the jobless, the budgetary allocations are not commensurate with its mandate. In 2013, the ministry received only 0.9 percent of the total budget allocations. Such meagre allocations therefore imply that critical areas such as employment creation and social protection are marginalized. A trend analysis shows that the allocation to social protection has been dwindling over the period under review. As for the Basic Education Assistance Module (BEAM), the 42.3 percent of the vote for social protection allocated to it in 2013 is inadequate to cater for vulnerable children. In addition, BEAM only covers the payment of tuition fees without further support such as teaching aids, uniforms, educational materials.

The bulk of the allocation to the Ministry of Education, Sport, Arts and Culture goes towards salaries (95.7 percent in 2013), with very little remaining for materials, thereby compromising the quality and relevance of education, especially at a time the Ministry has adopted a 'pathways approach.' Likewise, interventions for enterprise development and employment creation suffer from inadequate resources. Agriculture has immense potential for employment creation, and yet allocations to the Ministry have remained a far cry with an allocation of 3.8 percent of all votes in 2013. The allocation to the Ministry responsible for youth employment, the Ministry of Youth Development and Employment Creation is also very low at 1.1 percent, with 74.4 percent going towards salaries in 2013. In spite of the policy pronouncements, the allocation towards the Employment Creation Fund is also insignificant. The same goes for the Ministry of Small and Medium Enterprises and Cooperative Development which is responsible for MSMEs which are the hub of job creation.

5.3 Review of the Institutional Framework and Coordination Mechanism

The two main Ministries that have jurisdiction over labour market issues and aspects of employment creation are the Ministry of Labour and Social Services; and the Ministry of Youth Development, Indigenization and Empowerment. Other Ministries such as Higher and Tertiary Education; Small and Medium Enterprises and Cooperative Development; Agriculture and Women Affairs, Gender and Community Development also overlap into labour market issues, and have key roles in employment creation.

Some of the functions such as enterprise or entrepreneurship development, training, support for self-employment and promoting employability of the various groups cuts across Ministries.

However, the Ministry of Labour is the only Ministry where tripartite structures exist for social partners to play an active role. Under the Ministry of Labour are various tripartite fora such as the Retrenchment Board, the Wages and Salaries Advisory Board, and the dormant National Productivity Institute. The Ministry also supervises the bipartite National Employment Councils (NECs) at the sector level. The social partners are also involved in joint projects on HIV and AIDS, skills for the youth programme and child labour. The individual social partners also run their own activities in the areas of their competencies. However, the National Employment Forum that was launched in May 2011 as an overall platform where the tripartite partners (Government, Business and Labour) meet annually to discuss employment issues and jointly plan, evaluate, monitor and implement labour market initiatives has never met.

In the absence of institutional frameworks for stakeholder participation across Ministries, the involvement of other partners in other Ministries is ad hoc. In this regard, overall policy coordination and effective stakeholder participation is an area that needs greater attention. The constant re-organisation of mandates across Ministries has affected consistency and often results in overlap and duplication. For instance, since the launch of the Inclusive Government, the then department of employment creation in the Ministry of Youth Development, Indigenization and Empowerment was integrated into the department of Indigenization and Empowerment.

The Tripartite Negotiating Forum (TNF) is the forum created in September 1998 to allow Government, Business and Labour to negotiate policies. However, its lack of an independent secretariat and its ad hoc approach has limited its usefulness in coordinating policies, especially with respect to the labour market. Efforts are underway in line with the recommendations from the stakeholders' review workshops held in Nyanga and at Leopard Rock in 2007 to make it a statutory body with an independent secretariat along the lines of the National Economic Development and Labour Council (NEDLAC) of South Africa.

6.0 SUSTAINABLE AND INCLUSIVE RECOVERY PATHWAYS AT THE LEVEL OF STRATEGIC THRUSTS AND DETAILED POLICY RECOMMENDATIONS

6.1 Strategic Objectives

The above analysis has shown that even at the best of times with growth, the employment and poverty outcomes have been suboptimal. This weak link (nexus) between growth and employment is associated with the dual and enclave structure of the inherited economy at independence, where the onus of creating jobs was on the formal sector. With the wrenching structural changes that have occurred following de-industrialization and informalization of the economy, more than four out of every five jobs created have suffered from serious decent work deficits. The vast majority of the population is thus locked in a low productivity; low income trap in the non-formal sectors (communal and informal) where work-sharing abounds and production is dominated by activities of a survivalist nature. Given their weak links in the labour market, and their predominance in the non-formal sector (communal and informal), youths, women and people living with disabilities are therefore disproportionately affected by un-, under-employment and poverty.

In the event, during the period of crisis (1997-2008), growth rates became negative, implying the key condition for employment creation and poverty reduction was violated for over a decade. During the period of the Inclusive Government (2009-2013), the rebound in growth has since moderated from a GDP growth of 10.6 percent in 2011 to 4.4 percent in 2012 and a projected 3.4 percent in 2013. Moreover, the rebound was anchored in the recovery of the mining sector, which is capital-intensive. In the context of such a growth trajectory that is not pro-poor and inclusive, Zimbabwe will not be able to meet the first MDG goal of halving poverty by 2015.

Thus, going forward, strengthening the nexus between growth and employment is fundamental to sustained poverty reduction and its eradication. Bringing into the mainstream formal economy the marginalized groups and sectors is a critical building plank for leveraging pro-poor and inclusive growth. This will help harness the latent potential of the majority of the population hitherto locked in a low productivity, low income trap in the non-formal sectors (communal and informal) and to maximally utilize the human resource base of the country on the basis of 'redistribution with growth' as opposed to 'growth with redistribution.' The thrust of such a broad-based, shared, pro-poor and inclusive strategy is therefore to enhance the integrability of the poor so that they too can participate in, and benefit from growth. The focus is therefore not only on enhancing the quantity of employment, but also simultaneously fostering its quality to achieve 'decent and productive employment for all, in conditions of freedom, equity, security and human dignity.'

A key lesson from emerging economies such as Brazil, China, India among others that were more successful in attaining rapid reductions in poverty is that they underwent a more rapid *structural transformation* - the process by which new, more productive activities arise and resources move from traditional low productivity activities to newer high-productivity sectors (see AfDB ***et.al.,***, 2013). As has been established, structural change is the most effective driver of growth that reduces vulnerable employment in developing economies, both in the short and in the long run. Hence, a growth model based on structural change does lower the levels of vulnerable employment faster than other growth models, when structural change is associated with a reallocation of labour away from agriculture into industry and services (ILO, 2013). In Zimbabwe, structural regression is evidenced by increased de-industrialization and informalization of the economy and recovery is resources-based. Consequently, there is scope for Zimbabwe to benefit from the 'structural bonus' associated with continuous structural change, a process which requires a more explicit approach towards industrialization (see Baumol ***et.al.,*** 1985 and ILO, 2013).

A comprehensive strategy to leverage decent work-rich growth essentially involves the following strategic objectives:

i. Mainstreaming employment objectives across all policy frameworks (macro and sectoral) and developing employment indicators and targets in all the sectors of the economy, flagship projects and interventions to leverage job-rich economic growth;
ii. Targeting employment-intensive sectors and the participation of the poor in high growth sectors and enhancing the employment-intensity of growth;
iii. Facilitating transition to decent work and formality and the inclusion of disadvantaged groups (women, youths and people with disabilities) into the mainstream economy;

iv. Enhancing skills development and achieving a better fit between labour supply and demand, with a pathways approach to training to take care of diverse needs and interests;
v. Implementing an inclusive social protection system to mitigate the impact of poverty on vulnerable groups such as women, youth, people living with disabilities;
vi. Productivity Enhancement;
vii. Promoting and widening the scope for Social Dialogue and Accountable Governance: Integrated, Co-ordinated and Inclusive Approach to Labour Administration;
viii. Adjusting the Macroeconomic Policy Framework and Budget to facilitate Pro-poor, employment-rich growth.

6.2 Strategic Thrusts and Detailed Policy Recommendations

In order to promote and secure decent work-rich growth, i.e., ***sustainable, full, productive and freely chosen decent employment for all under conditions of freedom, equity, security and human dignity,*** the following strategic thrusts and recommendations are suggested.

6.2.1 Mainstreaming employment objectives across all policy frameworks (macro and sectoral) and developing employment indicators and targets in all the sectors of the economy, flagship projects and interventions to leverage job-rich economic growth

In line with the Ouagadougou Declaration of September 2004, African Governments were mandated to mainstream employment across all policy frameworks (macro and sectoral) in order to consciously promote decent work-rich growth and sustained poverty reduction. This mandate was further elaborated through the Declaration on Social Justice for a Fair Globalization adopted at the 97th Session of the International Labour Conference of the ILO in June 2008. The Declaration requires Governments to place full and productive employment and decent work at the centre of economic and social policies, and to implement macro-economic frameworks that are employment-friendly. It calls upon member states to pursue policies based on the four strategic objectives of decent work – employment, social protection, social dialogue and rights at work which it deemed 'inseparable, interrelated and mutually supportive.' This effectively places employment at the heart of economic policies and calls for new partnerships with non-state actors.

The first step in mainstreaming employment across all policies is to carry out an employment situation analysis (employment audit) of all policy frameworks to check whether they integrate employment objectives and targets. Thereafter, Specific, Measurable, Achievable, Realistic and Time-bound (SMART) employment targets should be developed by the key stakeholders at the macro, sectoral and project levels. Take for example the setting of such employment targets for Zimbabwe based on a medium-term strategy to clear all the unemployed (2014-18). According to the 2011 LFS, 652,741 persons (10.7 percent of the labour force) were broadly unemployed) in 2011. Based on the 0.9 percent annual growth in the labour force obtained from the two Labour Force Surveys of 2004 and 2011, it is estimated that the economically active population will reach 6,467,044 by 2018. Assuming that broad unemployment remains at 10.7 percent, this implies that by that period the broadly unemployed would swell to 691,974 by 2018. To create jobs for all the unemployed implies that 138,395 jobs would have to be created per annum in order to have all the broadly unemployed in employment.[20] Based on sectoral employment weights for 1998 when the level of employment in the formal sector peaked, Table 12 provides the sectoral breakdown of the target jobs of 138,395.

Table 12: Annual Projected Employment Target by Sector

Economic Activity	1998 weights	Employment Creation (Annual Average)		Revised 1998 weights (excl Public Sectors)	Employment Creation (Annual Average)
Agriculture, Hunting, Fishing & Forestry	0.26	35,420		0.31	43,120
Mining & Quarrying	0.05	6,261		0.06	7,622
Manufacturing	0.15	21,307		0.19	25,940
Electricity & Water	0.01	1,591		0.01	1,937
Construction	0.06	8,119		0.07	9,884
Finance, Insurance &Real Estate	0.02	2,864		0.03	3,486
Distribution, Hotels & Restaurants	0.08	11,588		0.10	14,107
Transport & Communication	0.04	5,234		0.05	6,372
Public Administration	0.05	6,795		-	-
Education	0.11	15,026		-	-
Health	0.02	2,894		-	-
Domestic Services	0.08	10,479		0.09	12,757
Other Services	0.08	10,818		0.10	13,170
Total		**138,395**			**138,395**

Source: Calculated from ZIMSTAT data.

Two sets of scenarios are projected; one where the public sectors are also targeted for job creation and another that excludes them. The scenario without the public sectors contributing to job growth is more realistic given that Zimbabwe has adopted an IMF Staff Monitored Programme in June 2013, one of whose conditions is the adoption of a sustainable wage and employment framework for the public sector. By projecting a freeze in public sector employment, it is assumed that there will be a rationalization of public sector employment between over-employing and under-employing sub-sectors. Focusing on the private sector as the source of growth is also a sustainable proposition.

[20] In their manifestos for the 2013 harmonized elections, ZANU (P.F.) and MDC-T promised to create just over 2 million jobs and 1 million jobs respectively over a five-year period, making our projections conservative.

6.2.2 Targeting employment-intensive sectors and the participation of the poor in high growth sectors and enhancing the employment-intensity of growth

Targeting sectors with high productivity and employment creation potential bodes well for job-rich growth and poverty reduction. Sectors such as agriculture, manufacturing, construction, tourism, services among others that exhibit high potential for employment should be deliberately promoted. Facilitating employment-rich growth should be a major objective of structural policies for which several instruments could be employed, including fiscal policies that focus public investments in economic or social infrastructure where employment-intensive sectors are located. Financial policies could play a similar role, providing banks with incentives to direct credit to such sectors as well as SMEs. Such macroeconomic and structural policies could be implemented together with equity-focused policies, such as providing poorer households with greater access to quality education and training or to land and extension services, infrastructure such as roads that link the poor to urban markets, and access to electricity and irrigation to raise the productivity of agriculture. Thus, removing barriers for the poor to participate in high growth sectors could enhance the inclusiveness of growth and its poverty reducing potential.

Zimbabwe stands at the threshold of a highly broad-based, pro-poor and inclusive growth trajectory given the redistribution of land (broadening asset entitlement). Bringing the fast-track land reform programme to a closure, as well as dealing with existing anomalies through a Land Audit as agreed in the Global Political Agreement of 2008 will help shift focus towards enhancing the productivity of agriculture and harnessing its potential. In addition, land redistribution offers a sustainable avenue of raising the productivity of communal agriculture by decongesting them. The structural changes that have taken place characterized by the emergence of MSMEs offers significant prospects for inclusive, pro-poor growth given their employment-intensity. One way of harnessing the potential of MSMEs is by linking them with large enterprises through sub-contracting or supply of services (value chain approach).

The value chain disaggregates a firm or sector into its strategically relevant activities and a firm or sector's value chain is embedded in a larger stream of activities, the value system. Suppliers do have value chains (upstream value) that create and deliver the purchased inputs used in a firm or industry's chain. Thus, the extent of integration into activities plays a key role in broadening the scope of a firm or industry's influence. Establishing firms and sectors with coordinated value chains can lead to a broad-based, more inclusive and employment intensive growth path. Various business linkages programmes, mentorship and internship programmes aim to achieve more inclusive outcomes than is the case in individual firm or sector approaches. Such coalitions involving coordinating or sharing value chains with coalition partners broaden the effective scope of the firm or sector's chain, which is ultimately more integrative and employment-intensive (see Porter, 1980).

Furthermore, cluster development in the manufacturing sector, especially targeting MSMEs is a viable industrialization strategy as it focuses development on group of firms rather than on individual firms. Clustering provides and encourages collective efficiency, competitiveness, and fosters productivity and innovation and such a strategy will also help MSMEs in rural and communal areas to have easier access to markets and technology. The cluster model emphasizes internal linkages, within which cluster gains are enhanced by local firm cooperation, local institutions and local social capital. External linkages also kick in, with global buyers helping local clusters access global markets, and acquire new knowledge and upgrade. Value chain analysis can help local clusters understand how they can participate in the global value chains and provide a basis for exploring the link with poverty by identifying the poverty 'nodes.' Significantly, industrial clusters have direct links with poverty through employment, incomes and the well-being generated for the working poor, and also indirectly through their wider impacts on the local economy, (UNIDO, 2004).

The importance of re-building domestic value chains and promoting cluster Initiatives as a basis for unleashing a pro-poor, inclusive and broad-based growth path was highlighted in the 2013 Budget Statement presented to Parliament on 15 November 2012. This is in line with the Industrial Development Policy (2012-16) which prioritizes the Agro-Business subsector (food, beverages and tobacco; clothing and textiles; leather and leather products; wood and furniture) which accounts for almost 60 percent of manufacturing value added and about 30 percent of employment. Since the agriculture sector can be classified into eight commodity industry groups or clusters, namely, (i) horticulture; (ii) livestock and meat; (iii) legumes and oilseeds; (iv) tree crops; (v) grains; (vi) cotton; (vii) tobacco; and (ix) forestry and timber, the potential for increasing the employment multipliers through the value chain approach are immense.

The value chain approach can also enhance the labour-intensity of the capital-intensive sectors such as mining. This is particularly important in that economic recovery in Zimbabwe is anchored in the mining sector. Zimbabwe can borrow from the Africa Mining Vision (AMV) of 2008 and the ISG report[21] of 2009 that argued for the creation of strong and diverse linkages between mines and the immediate economy to maximize the growth, development and employment potential embedded in mineral resources.[22]

The AMV and ISG Report go beyond the mining sector, encouraging planning for, and investment in development corridors such that non-mining businesses and enterprises take advantage of such arteries, especially where the roads and railways transporting minerals to markets are routed strategically. Every stage of the process from mining the ore to the final product manufacture may have **upstream (supplier), downstream (value addition, beneficiation), side-stream and lateral** linkages. Resource based industrialization and job creation is dependent on establishing the crucial mineral economic linkages: (i) the Fiscal Linkages (resource rent capture and deployment/reinvestment), (ii) the Backward Linkages (upstream- mining supplier industries), (iii) the Forward Linkages (downstream- mineral

[21] The International Study Group to Review Africa's Mineral Regimes (ISG) was established by the UN Economic Commission for Africa (UNECA) in September 2007 following the recommendations of a meeting (the 'Big Table') organized by UNECA and the African Development Bank (AfDB) in February 2007 attended by Ministers and senior officials from eleven mineral-rich African countries and representatives of the African Union Commission. The theme of the meeting was "Managing Africa's Natural Resources for Growth and Poverty Reduction". Its mandate is to help address challenges identified at the meeting hindering mineral and other natural resources sectors of the continent.

[22] Linkages are either defined quantitatively as inputs and outputs into the mining operation, or qualitatively in terms of relationships between enterprises in the supply chain or as the exchange of ideas. In a general business environment, linkages define any commercial interaction between different profit-orientated enterprises and take forms such as supply contracts, partnerships and joint ventures or more informally, sharing of market information or technologies. Thinking in terms of linkages reflects how each participant in an industry is connected to others.

beneficiation), (iv) the Knowledge Linkages (side-stream- mineral technical HRD and R&D) and (v) the Spatial Linkages [side-stream- collateral use of mineral infrastructure (road, ports, rail, power and water) and Local Economic Development (LED)].

Countries that successfully utilized their natural endowment for developmental purposes such as Sweden, Finland, China, Malaysia, Australia and, more recently, Chile and Brazil, were successful at technical training (HRD) and technology development (R&D), pre-requisites for taking advantage of the other minerals economic linkages opportunities. The 2013 Budget Statement also highlighted the need to promote these mineral resource linkages to achieve inclusive, job-rich growth.

Leveraging employment-intensive infrastructure rehabilitation and development is also an important basis for recovery, broad-based growth and employment creation. South Africa's new growth path has emphasized employment-intensive public works programmes as a vehicle for attaining job-rich growth. Namibia's new strategy is also premised on expansion of infrastructure (roads, rail, air and ports) as key enablers of broad-based growth.

6.2.3 Facilitating transition to decent work and formality and the inclusion of disadvantaged groups (women, youths and people with disabilities) into the mainstream economy

The pre-eminence of informal activities and marginalization of disadvantaged groups (women, youth, and people living with disabilities) in the mainstream economy stands out. While informalization is a form of employment, it is the decent work deficits that present challenges for policy as they constitute *underemployment*. Thus, promoting formalization and graduation of informal to formal, and from micro to small, small to medium, and medium to large enterprises is a critical building plank for inclusive, pro-poor and job-rich growth.

In view of the diversity of the informal economy, it is therefore necessary to pursue an integrated policy response that takes into account the two main categories of informal employment (self- and wage employment) as well as the three main responses to informality (regulation, protection and promotion) as reflected in Table 13.

Table 13: Integrated policy responses to informality

Segments of informality	**Regulation**	**Protection**	**Promotion**
Self-employment Microenterprises Own account operations	Registration, licensing, and corporate taxes	Commercial law, property rights and social protection	Price policies, procurement, sector policies, infrastructure and services
Wage employment Informal employees Casual day labourers	Labour regulations, payroll taxes and social security contributions	Minimum wages Non-wage benefits Social protection	Skills training Job matching

Source: Marty Chen, 2008. "Addressing Informality, Reducing Poverty," International Poverty

Centre, **Poverty in Focus, Number 16,** December, page 7.

From a regulation point of view, what is needed are *appropriate regulations* of both enterprises and employment relations that balance economic efficiency and social redistribution goals. Protection of the working poor in the informal economy focuses on promoting the business, labour, and property rights of the working poor. Promotion is necessary to increase the productivity of informal enterprises; not only through access to capital, but also sector-specific business development services, infrastructure and inputs, and supportive regulations and policies. Strengthening the employability of informal workers requires skills training and job matching. What is required is to implement an appropriate mix of these policies for different sectors of the informal economy.

Importantly, in order to ensure that the appropriate mix of policies is identified, the working poor need representative voice, legal validity, and official visibility in the policy-making process. In terms of representative voice, the working poor need to be organized into membership-based organizations that can participate in relevant policy-making and rule-setting bodies or processes. The working poor in the informal economy need legal identity and rights as workers, entrepreneurs, and as asset holders. For them to gain official visibility in policymaking, the activities, enterprises, and contributions of the working poor should be measured and valued through provision of appropriate data.

The enterprise-upgrading policies for the informal economy include:

i. Promoting a greater awareness of the benefits and protection that come with formalization,
ii. Creating an enabling policy and regulatory environment that reduces, both at the national and local levels, the barriers to formalization while protecting workers' rights,
iii. A particular focus on women entrepreneurs,
iv. Fostering linkages between enterprises of different sizes in value chains and clusters to improve market access,
v. Access to finance and business development services, and
vi. Encouraging informal enterprises to join together in production conglomerates or cooperatives.

In order to promote transition to formality and graduation of micro to small, small to medium and medium to large enterprises, and to integrate hitherto marginalized groups into the mainstream formal economy, active labour market policy measures that influence the quality of labour supply and enhance demand are an important aspect of such an integrative employment agenda as follows:

i) **Labour Supply (Employability)**
Innovative, gender-sensitive training and skills development programmes, such as apprenticeship programmes, mentorship, business incubators, promoting a culture of entrepreneurship, etc.;

Vocational training programmes designed and implemented in partnership with the private sector;
Basic education programmes for school dropouts.

ii) **Labour Demand (Employment creation)**
SME and cooperatives promotion and development;
Labour-based public works;
Business linkages;
Self-employment programmes;
Service provision in fields such as HIV/AIDS, waste management and environmental protection, through public/private partnership;
Community-based service provision such as access to micro-credit.

iii) **Equal Opportunity**
Promoting the employment of young women and mainstreaming youth as a priority in programmes.
Programmes targeting people with disabilities and other vulnerable groups (see ILO, 2005).

6.2.4 Enhancing skills development and achieving a better fit between labour supply and demand, with a pathways approach to training to take care of diverse needs and interests

a) **Basic education**

Recent years have witnessed some reversal of the gains made in basic education provision. There is need to consolidate the gains made in education, in both access and quality by providing requisite resources. The adoption of the 'pathways' approach should be strengthened through improved stakeholder participation in the provision of education.

b) **Technical and Vocational Education and Training (TVET)**

The delivery patterns in TVET worldwide reflect a variety ranging from school-based provision to non-formal training arrangements, or a combination of the two. In response to globalization, the trend favours a more market-oriented approach since skills are required to respond flexibly to rapidly changing demands. The restructuring of TVET systems worldwide suggests the following trends:

- Generally a policy shift from input-based to output-based activities;
- Exclusive Government-controlled TVET systems are opening up to a linkage with private TVET institutions and skills development providers (including company-based training), sometimes co-financed from national budgets;
- Entrepreneurship in TVET and skills development is encouraged through micro-financing;
- Greater autonomy is being granted to TVET institutions;
- The involvement of all partners is favoured;
- New financing and certification mechanisms are envisaged;
- The curricula for the training of trainers and apprenticeship are being revised;

- Dual forms of training are promoted;
- Promoting gender equality and equity in access to TVET and de-stigmatizing courses available to girls and boys;
- Shift by agencies of international cooperation towards Programme Based Approaches (PBA) since the 1990s to avoid fragmentation of development assistance, to achieve enhanced coordination of financial means and better cooperation. Ownership of development programmes by recipient countries and the support of partners' institutional development are strongly emphasized, which could not be satisfactorily achieved under the project-based approach;
- Basket funding (BF), implying joint funding by several donors;
- The development of national policy frameworks of good governance and decentralization, and also in the context of Poverty Reduction Strategies and MDGs (see UNESCO-UNEVOC, 2004).

Critically therefore, the mismatch between labour supply and demand can be resolved by amongst other measures, doing the following:

- Transforming the education and training system so that it is more demand-driven to correct its supply-bias and to provide a 'pathways approach' that accommodates the varied requirements, talents and aspirations of the entrants into the labour market;
- Creating an efficient and effective labour market information system to enhance labour market analysis and human resources development and utilization; and
- Promoting partnership approach to education and training and planning.
- Reversing the 'brain drain' and turning it into a 'brain gain' by: (i) improving working and living conditions; (ii) negotiating bilateral agreements with major receiving countries; (iii) taping into skills in the Diaspora; and (iv) maximizing the impact of remittances from the Diaspora;

6.2.5 Implementing an inclusive social protection system to mitigate the impact of poverty on vulnerable groups such as women, youth, and people living with disabilities

While social protection is a fundamental human right (see Article 25 of the Universal Declaration of Human Rights and ILO Social Security Minimum Standards) Convention No. 152 of 1952; ILO Social Floor adopted in June 2011), its application in Zimbabwe is confined to the formal sector and limited coverage. Yet it is a means to creating social cohesion thereby helping to ensure social peace and social inclusion. Social protection is also one of the four pillars of the Decent Work Agenda which is critical to the attainment of MDGs.

It is therefore imperative that the coverage of social protection be expanded through the promotion of two guiding elements (i) the building of a National Social Protection Floor (SPF) to cover the most vulnerable households and individuals, with social transfers to provide a minimum income and livelihood security while continuing to extend access to core essential services to poor and vulnerable households (health, education, shelter, etc.); and (ii) integrating the informal economy in the contributory social security system.

The SPF is the first level of social protection in a national social protection system which sets out a basic set of social rights derived from human right treaties, including access to essential services (e.g. health, education, housing, water and sanitation, and others) and social transfers, in cash or in kind, to guarantee income security, food security, adequate nutrition and access to essential services.

The overarching objective of the SPL is to build a basis for higher levels of protection beyond the ground floor level as economies grow and fiscal space is created, extending the scope, level and quality of benefits and services provided. As such the ILO has suggested a two-dimensional approach to develop the SPF based on:

- a *horizontal coverage*, or the Social Protection Floor, providing access to essential health care for all, income security for children, assistance to the unemployed, underemployed and poor, and income security for the elderly and disabled.
- a *vertical coverage* building on the first floor and providing more extensive and comprehensive social protection coverage.

6.2.6 Productivity Enhancement

Since economic growth is moderating against a background of huge social deficits, it is necessary to implement active measures that deal with the most binding constraints on growth. Beyond a macro-level approach, this needs to be replicated at sectoral level. Such constraints include the dilapidated state of infrastructure, especially water and energy provision; renewing technologies in use in industry; access to and the cost of capital; and skills. There is therefore need to reactivate and resource the National Productivity Institute (NPI) launched in March 2003 to make it operational. The NPI has already developed a strategic plan, which needs to be activated and fully implemented as a matter of urgency. A Board including all key stakeholders such as Government, Employer and Worker representatives, as well as SIRDC is already in place.

6.2.7 Promoting and widening the scope for Social Dialogue and Accountable Governance: Integrated, Co-ordinated and Inclusive Approach to Labour Administration

To ensure proper co-ordination and harmony of labour market policies it is necessary to activate the Employment Forum launched in May 2011, as a specialized structure of the Tripartite Negotiating Forum (TNF). The multi-sectoral composition of the Employment Forum reflects the new paradigm where employment is seen as a cross-cutting issue to be mainstreamed across all policies.

A well-functioning labour administration system requires consultation, cooperation and negotiation between the public authorities and the most representative organisations of employers and workers at the national, regional and local levels and within the various sectors. The coordinating Ministry should ensure appropriate representation of the system in administrative and consultative bodies where information is collected and decisions are made on social and economic policies. Each aspect of the labour administration with specific competencies is expected to provide periodic information /reports on its activities to the Ministry and the Employment Forum. Such information should include appropriate statistics for planning which should be appropriately published and disseminated to all stakeholders. Constant review of the structures of the national system of labour administration, in consultation with social partners is essential for effective delivery. This should be the role of the Employment Forum, operating under a statutorized TNF with an independent Secretariat.

6.2.8 Adjusting the Macroeconomic Policy Framework and Budget to facilitate Pro-poor, employment-rich growth

Given the new (re)thinking on macroeconomic frameworks in the context of the global financial crisis and the goal to create employment and reduce poverty, it is necessary to revisit the macro-economic and budget framework to ensure that it promotes the objectives of employment creation. In particular, it is important to balance between the exigencies of attaining macroeconomic stability and developmental objectives (employment and poverty reduction).

In the case of Zimbabwe where there is limited fiscal space, and over 70 percent of the budget goes towards meeting employment costs, it is imperative to reprioritize and enhance the efficiency of public expenditures. This way, fiscal policy can play its part in making economic growth more inclusive through more efficient and well-targeted pro-poor spending on health, education, infrastructure and other developmental areas. Thus, the ‘fiscal space’ concept represents the recognition of a conflict between the desire to use the state to uplift as many people as possible out of poverty and the need for prudent economic management [see UN Economic and Social Council, 2012; and Roy and Heuty (eds.), 2009].

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