PROMOTING JOB-RICH URBANIZATION IN ZAMBIA

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In collaboration with

ZIPAR
Zambia Institute for Policy Analysis & Research

IGC
International Growth Centre
Goals of this presentation:

1. Highlight the importance of promoting job-rich urbanization.
2. Present important trends in the urban jobs landscape in Zambia and key findings from the report, “Promoting Job-Rich Urbanization in Zambia.”
3. Describe a proposed policy framework that would help ensure that urbanization in Zambia’s coincides with the creation of more and better jobs.
ABOUT THE JUSTJOBS NETWORK

The JustJobs Network is a private, nonpartisan organization finding evidence-based solutions to one of the most pressing challenges of our time: How to create more and better jobs.

- Based in New Delhi and Washington, D.C., Jjn focuses its research efforts on the employment challenges faced in emerging and developing economies.
- Our work lies at the intersection of employment and other important themes – such as urbanization, trade, skills and technology.
- We convene a global network of institutions that do high-quality research on labor and employment issues. ZIPAR is a member of our network.
The rapid growth of cities in the global South has spawned two competing and reductive narratives – one that celebrates cities as the “engines of growth” and another that laments urbanization as the harbinger of slums, public health crises, and social unrest.

- The positive narrative often treats the relationship between urbanization and expanding opportunity as automatic, which it is not.
- The negative narrative overstates the problems that arise with urbanization, and neglects the fact that effective policy and good governance can mitigate those problems.

Both narratives lead to weak policy frameworks. Policymakers following the positive narrative often pursue growth and urbanization without attention to whether it is creating productive opportunities for people. Policymakers influenced by the negative narrative often try to stem the process of urbanization.
WHY URBANIZATION MUST BE JOB-RICH

The relationship between urbanization, economic growth and job creation is not automatic or inevitable.

Urbanization that does not coincide with the expansion of productive, formal economy employment can lead to:

- High levels of urban inequality
- Weak capacity to generate municipal funds for public services
- Poor living conditions
- Social unrest

In contrast, job-rich urbanization leads to:

- Expansion of the middle class
- Growth in funds for infrastructure and public service provision
- Growth in domestic demand for goods and services
- Better living standards
IS DE-URBANIZATION A POSSIBILITY?

Zambia experienced de-urbanization in the last two decades of the 20th century. Could the current economic slowdown – with declines in copper industry revenue, massive depreciation of the Kwacha, energy shortages, and rising debt – bring a return of de-urbanization?

Zambia’s current slowdown is unlikely to trigger the sort of de-urbanization experienced in earlier decades.

• GDP will still grow at 3 percent in 2016. By comparison, the Zambian economy contracted – that is, its growth rate was negative – in six of the ten years between 1975 and 1985.
• De-urbanization in the 1970s and 80s was driven by the HIV/AIDS crisis and the massive retrenchment of public sector workers, neither of which are grave concerns today.
• A return to rural areas is unlikely when agriculture is also negatively impacted by the drought that has brought about the current energy crisis.
Important job-related trends across urban Zambia
Assuming urban labor force participation remains constant at near 75 percent, **Zambian cities must create 1.2 million net new urban jobs by 2025 and 2.8 million by 2035.**
Lusaka will continue to dominate the urban landscape

- Most developing countries, especially those that have reached Zambia’s level of urbanization, are seeing a decline in the primary city’s share of urban population. In Zambia, this decline won’t take place until 2030.
- Lusaka’s dominance in the urban landscape is likely due to the poor performance of secondary cities rather than the robust labor market in the capital.
- Evidence suggests that pressure on Lusaka’s labor market is growing, which places downward pressure on wages and working conditions.
• Zambia’s labor market has witnessed one of the most rapid transitions out of agriculture of any country in the world.
• Between 2008 and 2014, the share of employment in agriculture declined from 71.4 percent to 48.9 percent. This annual rate of decline (3.75%) is much faster than most countries undergoing structural transformation.
Levels of informality in employment are rising as workers leave agriculture – the opposite of the trend one might expect.

In non-farm employment, the share of informal jobs rose from 78 percent to 81 percent between 2012 and 2014 – before the economic slowdown began.

Sectors that recorded the fastest growth in employment include community/social/personal services, construction, hospitality, wholesale/retail trade, and manufacturing.


<table>
<thead>
<tr>
<th>Sector</th>
<th>Formal Employment ('000s)</th>
<th>Informal Employment ('000s)</th>
<th>Total Employment ('000s)</th>
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</thead>
<tbody>
<tr>
<td>Agriculture, Forestry and Fishing</td>
<td>72</td>
<td>50</td>
<td>52</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>62</td>
<td>65</td>
<td>57</td>
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<tr>
<td>Manufacturing</td>
<td>37</td>
<td>55</td>
<td>45</td>
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<tr>
<td>Electricity, Gas and Water</td>
<td>11</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td>Construction</td>
<td>14</td>
<td>19</td>
<td>31</td>
</tr>
<tr>
<td>Trade, Wholesale and Retail</td>
<td>29</td>
<td>34</td>
<td>34</td>
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<tr>
<td>Transportation and Storage</td>
<td>29</td>
<td>34</td>
<td>29</td>
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<tr>
<td>Hotels and Restaurants</td>
<td>17</td>
<td>22</td>
<td>27</td>
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<tr>
<td>Financial and Insurance and Real Estate</td>
<td>13</td>
<td>21</td>
<td>13</td>
</tr>
<tr>
<td>Community, Social and Personal Services</td>
<td>226</td>
<td>311</td>
<td>325</td>
</tr>
</tbody>
</table>
Some of the sectors where urban jobs are concentrated and growing are in fact declining in terms of their contribution to Zambia’s overall GDP.

26 percent of urban workers are now employed in either manufacturing or trade. But as these sectors become more prominent in their contribution to employment, they become less important in terms of their contribution to GDP.

This trend may be difficult to sustain, since it implies that productivity in these sectors is not growing as fast as in the overall economy.
One of the positive trends in urban labor markets is the combined rise of labor force participation and decline in unemployment.

While Lusaka and the Copperbelt sometimes exhibit divergent trends on these indicators, the overall urban trajectory is positive.

One caveat is the rising rate of underemployment – implying that some of the jobs workers are entering are low-productivity and informal.
Both Lusaka and the Copperbelt – Zambia’s two heavily urbanized provinces – saw a decline in real wages of paid workers between 2012 and 2014. Overall, Zambia saw a rise in real wages during this time.

The pay differential between urban and rural workers is much smaller than would be anticipated in a country that is rapidly urbanizing. Before taking into account cost-of-living differences, the difference between average monthly earnings among paid workers in rural and urban Zambia is only 10.6 percent.

Surprisingly, informal paid workers earn more in rural Zambia than they do in urban Zambia. The gender pay gap, however, is smaller in cities.
KEY FINDINGS

Synthesis

• Zambia is witnessing a dramatic labor market shift, as its workforce moves out of agriculture and into services and industry; between 2008 and 2014, the share of Zambian workers employed in agriculture fell steeply, from 71.4 percent to 48.9 percent.

• Projections suggest that Zambia must create 1.2 million net new urban jobs by 2025 and 2.8 million by 2035.

• Zambia’s urban labor markets are not creating enough of the kinds of jobs that will propel inclusive growth and maximize Zambia’s “demographic dividend.”
KEY FINDINGS
Positive Trends

• Urban labor force participation rose from 62.9 to 74.7 percent between 2008 and 2014.
• In the same period, urban unemployment fell from 18.1 to 11.5 percent.
• The booming construction sector employed 128 percent more workers in 2014 than in 2008. The hospitality sector expanded formal employment by 63 percent in the same period.
• Between 2008 and 2014, central government employees saw their wages rise 81.5 percent in real terms, and local government employees saw theirs grow by 76.1 percent.
KEY FINDINGS

Worrisome Trends

- **Real wages among paid workers declined between 2012 and 2014 in both Lusaka and the Copperbelt** – the country’s two heavily urbanized provinces where two-thirds of its city-dwelling population lives. In Lusaka, urban workers earned nearly 17 percent less in real terms in 2014 than in 2012.
- **Between 2008 and 2014, the share of all non-farm jobs that were informal rose from 66.2 to 80.7 percent.**
- In both Lusaka and the Copperbelt, the number of unpaid family workers is still growing faster in absolute terms than the number of paid workers.
- Several of the **sectors where urban jobs are concentrated and growing are in fact declining in terms of their contribution to Zambia’s overall GDP** – an early warning that productivity may not be rising fast enough to sustain continued job growth in the long run.
A policy framework for promoting job-rich urbanization
1. Zambia must focus on managing existing urban systems, rather than trying to create them anew.

2. Zambian cities must enable businesses – particularly micro, small and medium enterprises (MSMEs) – to expand, increase productivity, and (eventually) enter the formal economy.

3. Urban planning and infrastructure investment must focus on strengthening the links among firms and between firms and consumers, especially in labor-intensive sectors.
Informal settlements are the place of residence for over 70 percent of Zambia’s urban residents. But they are also centers of economic activity and employment—a physical home for the vast informal urban economy.

Productivity of businesses operating in informal settlements is stifled by several factors: poor connectivity to markets; lack of willingness to invest in better facilities and technology due to insecurity of tenure; and limited scale of operations owing to lack of space.

MSMEs have the potential to boost urban job creation. But Zambian policymakers must address the built environment issues faced by such businesses in the places where they operate.

Proposals include:

- Simplify the process for declaring informal settlements Improvement Areas.
- Centralize and streamline authority for upgrading.
- Source labor for upgrading from the community itself to create direct employment and increase community buy-in.
• **The industrial clusters program** has seen success in rural Zambia. Its approach is also well suited to an urban economy. There is significant scope for promoting manufacturing activities in urban Zambia to improve employment outcomes in cities.

• **The urban trading sector requires a policy approach more conducive to promoting opportunity and productivity** – especially given that 20.4 percent of urban Zambians are involved in wholesale and retail trade.

• Proposals include:
  
  • Roll out a cluster-based industrial policy for urban Zambia.
  • Legislation to affirm the right of street vendors to a livelihood and establishes a simple, straightforward system for street vendors to obtain permits.
  • Review the location and use of designated urban markets. For markets that are underutilized or poorly maintained, develop an action plan to relocate and/or upgrade them.
Connectivity – both within the city and between different centers of production – is one of the keys to leveraging the agglomeration effects of urban economies to create more and better jobs.

Effective public transportation networks can facilitate better labor market matching and help small businesses that rely on public transit to move their goods to market.

New investments in national road and rail infrastructure can be harnessed to support the growth of labor-intensive sectors and MSMEs.

Potential strategies include:

- Reduce the cost for MSMEs and firms in labor-intensive sectors to utilize rail and road transport networks.
- Improve management of vehicle supply, add high-occupancy buses, and adopt other innovations proposed by ZIPAR to reduce the cost of public transportation in Zambian cities.
POLICY DIRECTIONS

Revitalize and diversify the Copperbelt to create a more dynamic, job-creating urban region.

- The Copperbelt is one of the most important urban regions of Zambia, but today its economic fortunes are imperiled, mostly because of its overdependence on the sector that has granted it prosperity – copper mining.

- The current moment provides an opportunity to build on the Copperbelt’s existing assets to reverse the province’s downturn and at the same time create a vibrant urban labor market through diversifying its economic output.

- Potential strategies include:
  - Invest in building priority sectors – agro-processing, gemstone mining, building materials, and copper product manufacturing.
  - Create a “Copperbelt Urban Innovation Fund” where municipal governments in the Copperbelt apply for funds to implement programs around job creation and skill development.
  - Build a “Brand Copperbelt” to promote exports from the province.
  - Utilize existing Technical, Vocational and Educational Training (TVET) institutions to meet labor demands of emerging sectors, and encourage apprenticeship programs that place new trainees in small- and medium-sized domestic firms.
Thank you.

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