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# **Labour Markets and the Rebuilding of Human Capital**

GODFREY KANYENZE

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# Labour Markets and the Rebuilding of Human Capital

GODFREY KANYENZE

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## Foreword

This paper is part of a series of Working Papers prepared under the UNDPs Comprehensive Economic Recovery (CER) in Zimbabwe initiative. It focuses on Labour Markets and the Rebuilding of Human Capital and draws from, and builds on, the work already contained in the UNDPs *Comprehensive Economic Recovery in Zimbabwe – A Discussion Document*, which was published in 2008.

The paper uses a pro-poor growth framework to examine the extent to which growth in Zimbabwe is associated with ‘decent work’, which is a key transmission channel between the growth process and poverty reduction. In order for the poor to participate in, and benefit from growth, they have to possess both assets and capabilities. Any country’s education and training system is critical in the development of the requisite capabilities. The paper therefore also assesses the extent to which Zimbabwe’s education and training system as currently constituted has succeeded in building capabilities that enable Zimbabweans to access decent and productive work.

The paper seeks to throw light on developments in the labour market in Zimbabwe, the extent of regression following the onset and deepening of the crisis, and on that basis to provide insights into what might be required in order to rebuild labour markets and the human capital base for sustained recovery and pro-poor growth. In doing so, the paper draws from emerging international trends and practices concerning the role of labour markets in development processes.

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# Executive Summary

After more than two decades in which purely economic objectives tended to dominate the mainstream of development discourse, social considerations and a more nuanced understanding of the nature of poverty came to the fore in the latter half of the 1990s, most evident in the rise of multidimensional poverty reduction strategies papers in which growth was seen as a necessary, but not sufficient condition, for a reduction in global poverty levels. This shift was also felt in the area of employment. While, for example, under the so-called Washington Consensus<sup>1</sup> the focus had been on the need to ensure maximum labour market flexibility, in the new millennium this was replaced by recognition of the importance of employment in national development processes and poverty reduction efforts. While the crucial role of rapid and sustained growth in reducing poverty levels was not disputed, at the same time there was also a deeper understanding of the importance of the quality of growth, and more specifically the extent to which it created employment opportunities.

In the specific case of Zimbabwe, an evaluation of developments in the labour market and performance in terms of human capital formation since independence in 1980 suggests that even before the onset of the crisis in 1997, growth rates were not only erratic but were also insufficiently robust to absorb new entrants into the labour market. Since 1999, the relationship between growth and employment weakened substantially, resulting in huge ‘decent work’ deficits and endemic poverty.<sup>2</sup> Women and youth, as well as people with disabilities, all of whom had tenuous links with formal employment at the best of times and are found predominantly in the marginalised and vulnerable non-formal sectors of the economy, experienced the worst forms of deprivation and poverty.

Rather than the formalization of the non-formal sectors of the economy that one would expect from any development process, it is the informalisation of the formal sector that has occurred in Zimbabwe, such that by 2004, four out of every five jobs in Zimbabwe were to be found in the informal economy. The country’s education and training system, which should play the role of creating the requisite capabilities to enable the majority of Zimbabweans, especially in the non-formal segments of the economy, to participate in, and benefit from growth, experienced reversals of the gains that had been made in the 1980s and early 1990s. More fundamentally, education and training provision remained supply-driven, resulting in a mismatch between the demand and supply of skills in the economy.

Over the last two years, and as the economy descended into freefall with worsening negative growth rates, both labour markets and the country’s human capital base suffered from rapid shrinkage. Going forward, credible policies that help to trigger employment-intensive recovery and pro-poor growth, including labour-intensive rehabilitation and maintenance of infrastructure, are required. A revisiting of the country’s approach to education and training, based on consultations between all stakeholders, should help to ensure greater flexibility of those systems to respond to the needs of the economy. Measures that facilitate return migration and use of diaspora skills are also critical in leveraging human capital for recovery.

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<sup>1</sup> The term Washington Consensus was first coined in 1989 by John Williamson, an economist from the Institute for International Economics based in Washington DC to describe the ‘standard’ set of policies prescribed by the Washington DC based institutions (the International Monetary Fund, the World Bank and the USA Treasury Department) to developing countries. These policies can be reduced to three requirements, macro-stability, liberalization (lowering tariff barriers and market deregulation) and privatization.

<sup>2</sup> The concept of decent work was adopted in 1999 by the International Labour Organisation to refer to productive work where rights are protected, with adequate income and adequate social protection. It also implies adequate work – where all have full access to income-generating opportunities. Decent work has 6 dimensions, namely, opportunity to work; productive work; freedom at work; equality at work; security at work; and dignity at work.

## Acronyms

'A' level	Advanced level
BOT/BOOT	Built Operate Transfer/Build Own Operate Transfer
B-Tech	Bachelor of Technology
CER	Comprehensive Economic Recovery
CPPZ	Committee of Principals of Polytechnics of Zimbabwe
CSO	Central Statistical Office
CZI	Confederation of Zimbabwe Industries
EIIPs	Employment Intensive Infrastructure Programmes
EMCOZ	Employers Confederation of Zimbabwe
EPWP	Expanded Public Works Programme
ESAP	Economic Structural Adjustment Programme
FDI	Foreign Direct Investment
GDI	Gross Domestic Income
HIV and AIDS	Human Immuno-Deficiency Virus and Acquired Immuno Deficiency Syndrome
HND	Higher National Diploma
ICT	Information and Communications Technology
IDC	Industrial Development Corporation
IFIs	International Finance Institutions
ILO	International Labour Organisation
ILO/SRO	International Labour Organisation Sub-Regional Office
IMF	International Monetary Fund
INSTARN	Informal Sector Training and Resource Network
IOM	International Organization for Migration
IPC	International Poverty Centre
ISOP	Integrated Skills Outreach Programme
LMIS	Labour Market Information System
MDGs	Millennium Development Goals
MPS	Monetary Policy Statement
NACHFET	National Council for Higher and Further Education and Training
NAMACO	National Manpower Council
NC	National Certificate
ND	National Diploma
NEC	National Economic Council
NFC	National Foundation Certificate
NGO	Non-Governmental Organisation
NIPC	National Incomes and Prices Commission
'O' level	Ordinary level
OECD	Organisation for Economic Co-operation and Development

OVC	Orphans and Vulnerable Children
PASS	Poverty Assessment Study Survey
PSC	Public Service Commission
PVC	Pre-Vocational Certificate
RECs	Regional Economic Communities
RNAE	Rural Non-Agricultural Employment
SAP	Structural Adjustment Programme
SDI	Spatial Development Initiative
SETAs	Sector Education and Training Authorities
SLAREA	Strengthening Labour Relations in East Africa
SME	Small- and Medium-sized Enterprise
SMME	Small-, Micro- and Medium-sized Enterprise
SNV	Netherlands Development Organisation
SSA	Sub-Saharan Africa
TCPL	Total Consumption Poverty Line
TNF	Tripartite Negotiating Forum
TVET	Technical Vocational Education and Training
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UPE	Universal Primary Education
VTC	Vocational Training Centre
WOZA	Women of Zimbabwe Arise
YEN	Youth Employment Network
ZCTU	Zimbabwe Congress of Trade Unions
ZDWCP	Zimbabwe Decent Work Country Programme
ZESA	Zimbabwe Electricity Supply Authority
ZIMDEF	Zimbabwe Manpower Development Fund
ZIMQA	Zimbabwe Qualifications Authority
ZIMSEC	Zimbabwe School Examinations Council
ZJC	Zimbabwe Junior Certificate
ZOSS	Zimbabwe Occupational Standards Services

## Section 1

# Introduction

### 1.1 GROWTH, EMPLOYMENT, HUMAN CAPITAL AND POVERTY REDUCTION – A CONCEPTUAL FRAMEWORK

During the 1980s and 1990s, the focus of economic development policy was on achieving macroeconomic stability through fiscal and inflation targets. The argument was that once an enabling macroeconomic environment was achieved growth would follow, and through ‘trickle down’ this growth would create employment, thereby reducing poverty. In this context, the role of the labour market was reduced to a passive one, with an emphasis on labour market flexibility. Labour market deregulation was premised on the argument that unemployment and informality were a result of labour market distortions which created rigidities that blocked market clearing.<sup>3</sup>

Quite often, however, while macroeconomic stabilization was achieved, this was often at the expense of sustained levels of growth, employment and poverty reduction, a phenomenon known as the ‘stabilization trap’ (see for instance Islam, 2003). With the advantage of hindsight it might be argued that this approach tended to confuse ends and means, focusing on macroeconomic stability and economic growth and treating them as sufficient ends in themselves. However, it is now widely acknowledged, even by the International Finance Institutions (IFIs) who had pursued the standard approach in the 1980s and 1990s (Fox and Sekkel, 2008), that the labour market, and decent employment in particular, play a vital intermediating role (the nexus) between growth and poverty reduction. The link between growth, employment and poverty reduction is not, however, automatic. Growth is now seen as a necessary but insufficient condition to generate significant improvements in employment and poverty reduction. What matters is not just the level or quantum of growth but its

quality, meaning that the type of growth matters as much as its overall level.

For growth to be equitable (broad-based and inclusive), and contribute towards sustainable poverty reduction, it must be mediated through policies that strengthen capabilities and create opportunities for poor people to contribute to, and benefit from, the growth process. Seen in this light, a development strategy that fully employs a country’s human resources and raises the returns to labour is a powerful tool for poverty reduction/eradication. The importance of employment in poverty reduction efforts lies in that, quite often, the most abundant asset the poor possess is their labour which they can use to earn a livelihood. Employment is therefore the key contributor to improved livelihoods. It therefore follows that if the quantity of employment and the returns to labour are low, poverty is often the outcome. Under-employment of labour and low returns to it are therefore proximate causes of poverty (Heintz, 2006).

Osmani (2004) has developed a useful conceptual framework to explain the forces that influence the employment and income of poor workers and those factors can help unleash a pro-poor, broad-based and inclusive growth path. He identified three critical factors, namely the growth factor, the elasticity factor and the integrability factor. The growth factor refers to the rate at which an economy grows, while the elasticity factor indicates the extent to which growth raises employment (both in terms of absolute quantity as well as quality). The integrability factor refers to the extent to which the poor are able to integrate into economic processes such that as growth and employment expand they can take advantage of the opportunities arising. For any given expansion in growth, the employment response depends on three key factors, namely the sectoral composition

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<sup>3</sup> The concept of ‘market clearing’, when applied to the labour market, implies the wage rate adjusts to a point where all the unemployed get jobs.

of output, choice of technique and the terms of trade (relative prices of outputs and inputs). The employment response is greater where the sectoral composition of output is such that growth is concentrated in the more labour-intensive sectors. This is accentuated where the choice of techniques favours the use of labour relative to other factors of production. The choice of techniques can be policy induced. For instance, through a combination of exchange rate depreciation and high interest rates, which will make the cost of imported and domestically sourced capital respectively more expensive relative to labour, a more labour-intensive approach is promoted. Where the internal and external terms of trade improve for labour-intensive sectors, this promotes greater expansion of employment potential in those sectors.<sup>4</sup>

A growth process associated with a bigger shift in employment – i.e., one that is more employment elastic – is most helpful to the poor. The growth elasticity of employment is therefore an important intermediary in shaping the extent to which growth translates into 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 determine the extent to which they are able to integrate into an expanding economy (the integrability factor). The critical issue is whether the poor can connect their capabilities and products to markets and other sources of economic growth. In this regard, infrastructure investments play a vital role in linking the poor to economic growth. Access to low-risk and low-cost financing is another key factor, which in most cases is out of reach for most of the poor, making it difficult for them to raise their productivity, or to diversify into other types of income-generating activities where there are higher returns.

Improvements in terms of livelihoods are largely defined by the less tangible assets that allow the poor to participate in, and benefit from economic growth, namely their levels of education and health status. Education plays probably the most important role in allowing the poor to raise their productivity,

for example by providing the means for them to transition from subsistence agriculture to other economic activities, or from the urban informal to the formal economy. Thus an integrated strategy for growth and job creation has to cover both labour demand and supply, and be based on well-targeted and structured interventions. On the supply-side, a coherent education and training system, with close cooperation between this system and the private sector, facilitates a smoother transition from school to work. This is necessary to avoid a situation in which a given educational system does not provide a labour force with the necessary skills profile required by the domestic market, resulting in a mismatch between labour supply and demand.

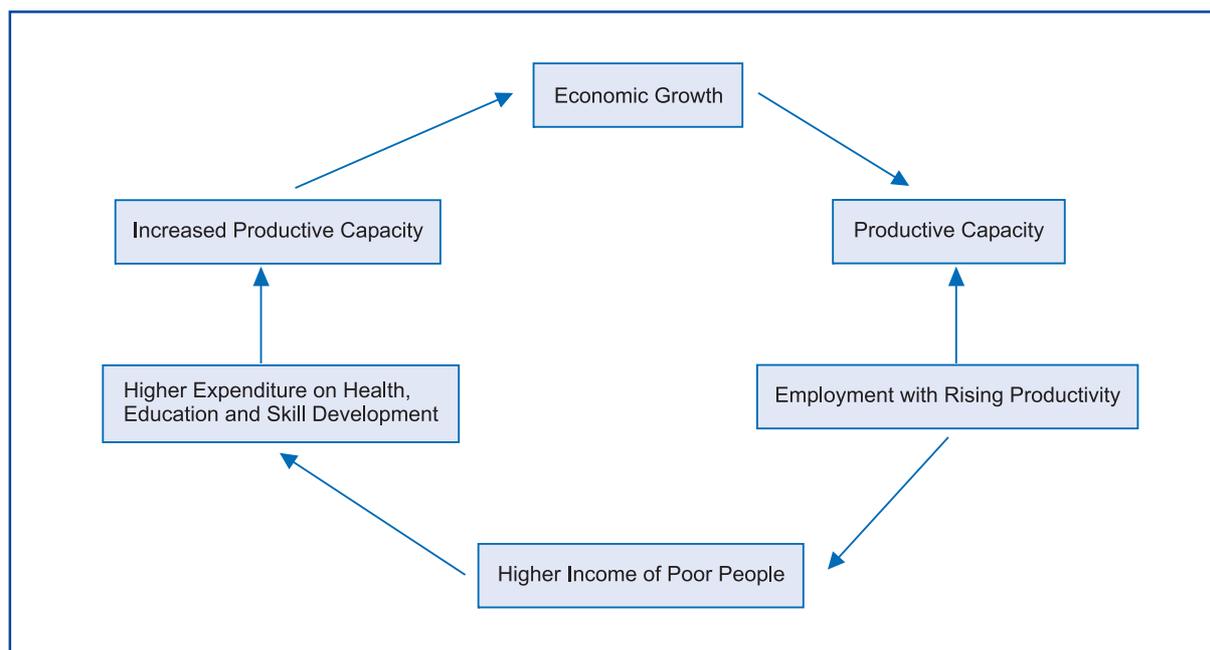
Uneven access to the processes and assets necessary to connect to, and benefit from, economic growth disadvantage the poor in general, and more specifically groups such as women, youth, people with disabilities and those living with HIV and AIDS. Inequality in both education and employment not only limit earning potential for the poor, but also slows economic growth by limiting the pool of people contributing to it. In many poor countries for example, it has been observed that people with just one additional year of schooling earn 10 percent higher wages. More specifically, it has been found that greater female education is associated with higher education rates for the next generation thereby contributing to effectively raising national productivity levels over the longer term (Lucas and Timmer, 2005; World Bank, 2006 and 2009).

Social provisioning (education, health, income grants), together with policies that promote equity, should therefore be an integral part of any country's labour market interventions. Figure 1 shows the virtuous cycle between growth, employment and poverty reduction.

There is an ongoing and robust debate between poverty analysts in regards to definitions of what constitutes pro-poor growth. One commonsensical starting point is that pro-poor growth is growth that benefits the poor and provides them with

<sup>4</sup> The internal terms of trade is the ratio of traded to non-traded goods prices, while external terms of trade reflect the price of exports relative to those of imports.

Figure 1: Virtuous cycle of links between growth, employment and poverty reduction



Source: Selim (2006: 8)

opportunities to improve their economic situation (Kakwani *et al.*, 2004). Beyond this, however, debates rage around the various possible variants of pro-poor growth. One definition, often seen as synonymous with ‘trickle down’ theories of economic development, equates pro-poor growth with a reduction in poverty levels, however small these may be. While the poor may only receive a small fraction of the total benefits of growth, the process is still referred to as pro-poor.

More recent definitions are based on the premise that for growth to be considered pro-poor, the focus should be on the key variable of the relative shares in the benefits of growth accruing to the poor as opposed to the non-poor. Pro-poor growth therefore

translates into a narrowing of the income inequality between the two groups under a scenario of growth (Kakwani *et al.*, 2004, IPC, 2007).

In addition, the initial level of income inequality, as well as subsequent changes to this variable, plays an important role in determining the extent to which growth is pro-poor. It has been found that initial levels of inequality, and subsequent changes in inequality, cause rates of poverty reduction to differ across similar growth experiences. More specifically, higher rates of initial inequality lead to fewer gains from growth for the poor. In fact, in countries with very high rates of inequality, overall growth is ineffective in reducing poverty (Lucas and Timmer, 2005).

## Section 2

# A Historical Overview of the Zimbabwean Experience – Constraints and Consequences

In analysing the performance of the labour market in Zimbabwe over time, it is important to take note of the various changes in terms of economic policy frameworks. Broadly speaking, three distinct epochs can be identified in Zimbabwe's development trajectory, namely the control regime period (1980–1990), the liberalization period (1991–1996) and the deepening crisis period (1997–2009). Due to the severity of the crisis period, and in particular the more recent descent into a state of complete paralysis, the period 2007–2009 is given special treatment as new constraints emerged.

### 2.1 GROWTH, EMPLOYMENT AND POVERTY REDUCTION

#### 2.1.1 The Relationship between Growth and Employment

Table 1 traces the trends in both output and employment growth for the periods 1986–1990, 1991–1996 and 1997–2004. Overall, real GDP and

employment growth levels declined throughout the periods under review. Real GDP growth, which averaged 4.6 percent during 1986–1990, declined to 2.8 percent during the reform period 1990–1996 and to -2.9 percent during the crisis period 1997–2004. Likewise, employment growth decelerated from an average annual rate of growth of 2.5 percent during the period 1986–1990 to 1.2 percent during the reform period to -1.6 percent during the crisis period, 1997–2004.

Clearly therefore, even before the onset of the crisis which may be dated to 1997, growth had already declined to very low levels, meaning that a critical ingredient of employment creation and poverty reduction, namely high levels of growth, was missing. As expected, the recent period of negative economic growth (1997–2004) is associated with negative employment growth. More significantly, 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.<sup>5</sup>

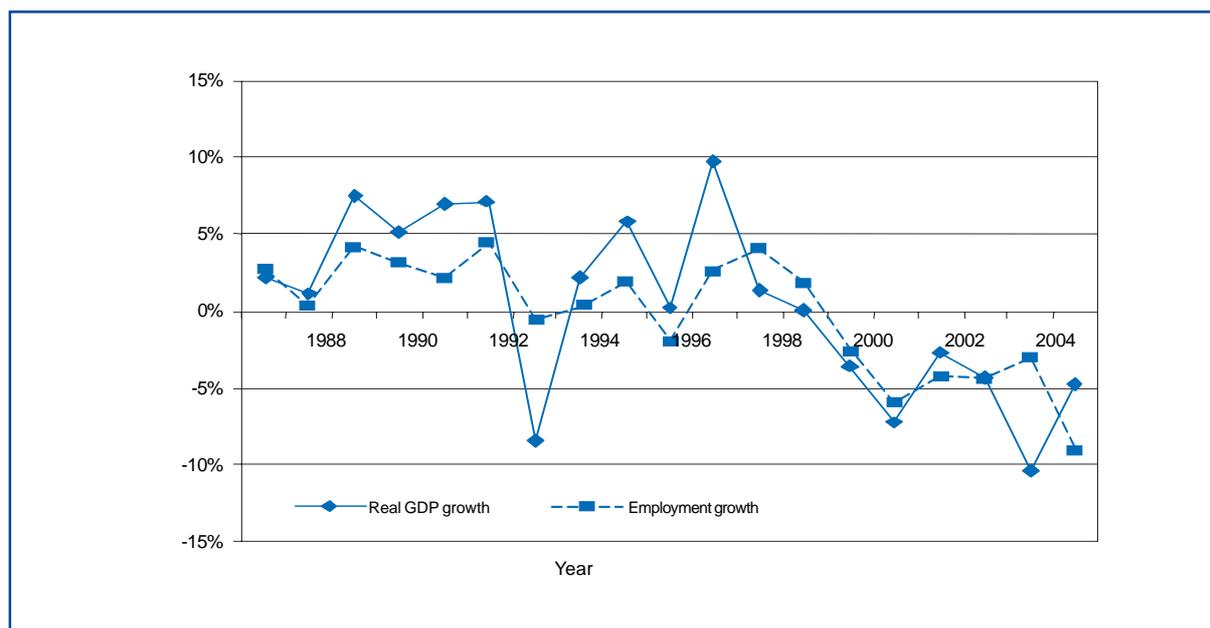
Table 1: Real GDP and employment growth by sector, 1986-90, 1991-96 and 1997-2004

Sector/Year	GDP			Employment		
	1986–1990	1991–1996	1997–2004	1986–1990	1991–1996	1997–2004
Agriculture	1.3	4.1	-1.7	1.0	3.1	-6.2
Mining	0.8	2.0	-2.5	-1.0	2.7	-5.2
Manufacturing	4.4	2.2	-6.8	3.1	-1.1	-2.0
Electricity & Water	11.1	-2.2	3.0	2.5	6.8	2.3
Construction	10.7	-1.5	-8.4	11.2	0.8	-6.1
Financial Services & Real Estate	7.4	4.8	2.9	2.9	4.0	5.8
Distribution	6.3	3.3	-6.3	4.2	1.0	3.6
Transport & Communication	3.2	9.9	-5.4	1.3	-0.8	-0.3
Public Administration	0.8	-4.4	-1.2	0.6	-4.3	2.0
Education	4.0	2.8	2.4	3.9	2.8	-1.8
Health	3.4	5.1	-0.9	4.7	1.1	0.2
Private Domestic Services	0.1	0.1	-0.6	0.7	0.0	0.0
Other	5.1	4.1	1.7	5.1	4.1	-1.3
Total	4.6	2.8	-2.9	2.5	1.2	-1.6

Source: Calculated from unpublished Central Statistical Office (CSO) data

<sup>5</sup> The labour force, or the economically active population, refers to those available for the production of goods and services for cash or in kind. It comprises both the employed and the unemployed (CSO, 2006).

Figure 2: Growth in real GDP and employment (1986–2004)



Source: Calculated from CSO Data

Figure 2 traces real GDP and employment growth rates between 1986 and 2004.

One pattern that emerges from Figure 2 is that employment grows more slowly when the economy is expanding, and declines more slowly when the economy is shrinking. The explanation lies in the fact that this reflects its lagged response related to the costs of hiring and firing workers, which indicates that labour is a quasi-fixed factor of production.

Since, as argued above, the quality of growth matters as much as its level, the employment intensity of growth as measured by the employment elasticity of output is a critical indicator of pro-poor growth. Table 2 compares the elasticities of employment for the world, sub-Saharan Africa (SSA) and Zimbabwe for the periods 1991–1995, 1995–1999 and 1999–2003.<sup>6</sup>

Employment elasticities of growth in Zimbabwe have declined markedly during the period under review, implying the relationship between growth and employment generation has weakened. In other words, the additional employment created at a given level of economic growth has fallen over time. Specific studies focused on the manufacturing

sector suggest the elasticities for that sector declined from 0.65 for the period 1963–1979 to 0.06 during the period 1980–1996 (Heintz, 2006, Table 1 page 9).

Table 2: Employment elasticities and GDP growth (%), 1991–1995, 1995–1999 and 1999–2003: World, sub-Saharan Africa and Zimbabwe

	1991–1995	1995–1999	1999–2003
<b>Elasticities</b>			
Zimbabwe	1.84	0.26	-0.21
World	0.34	0.38	0.30
SSA	0.73	0.82	0.53
<b>GDP growth</b>			
Zimbabwe	0.1	3.7	-6.3
World	2.1	3.6	3.5
SSA	1.1	3.2	3.2

Source: Compiled from Kapsos (2005), various tables

The decline experienced by Zimbabwe, which had the highest job-intensity of growth during 1991–1995, is calamitous. Given that the labour regime was significantly deregulated in the early 1990s, rigidities in the labour market may not be responsible for the decline in the elasticities, particularly in the more recent period. This would seem to be borne out by the 2007 and 2008 CZI

<sup>6</sup> The ILO is currently compiling employment elasticities for individual countries and regions worldwide. This working paper draws on some of these findings.

Manufacturing Sector Surveys, with private sector operators noting that the main constraint on job creation was low levels of production, with labour market constraints hardly featuring at all.

Contrary to the Washington Consensus position, with its focus on rigidities in the labour market, a number of other factors are known to 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. Historically, firms in Zimbabwe had been starved of capital due to the international sanctions imposed on the country between 1966 and 1980, and between 1980 and 1990 due to the absolute shortage of foreign exchange. In the context of an absolute shortage of foreign exchange, firms adjusted by adopting more labour-intensive strategies and therefore had limited scope for further use of labour-intensive techniques (see for instance, Muzulu, 1993). The labour absorptive capacity of the formal sector therefore declined over time as foreign exchange and therefore capital investment constraints forced enterprises to operate below capacity. In addition, with the onset of the crisis, falling aggregate demand has contributed to this low equilibrium point with enterprises not expanding their output and their workforces.

According to respondents in the CZI Surveys of 2007 and 2008, the major cause of declining employment levels is constrained aggregate demand for goods and services. Labour market rigidity was not seen as the key constraint on production, with no firm citing National Employment Council (NEC) compliance (labour standards) as an issue in either the 2006 or 2007 surveys.<sup>7</sup> Minimum wages and employment security regulations only become rigidities when

foisted arbitrarily upon enterprises by some external force or institution. Where these are negotiated, as is the case in Zimbabwe, they do not lead to unemployment or inflation.<sup>8</sup> It should be remembered that the onerous employment security regulations, that indeed undermined employment creation in the 1980s, were deregulated at the onset of the ESAP period.

### 2.1.2 Real Average Earnings

It has been argued above that for pro-poor growth to occur it is not only the quantum of employment that matters, but also the returns to labour. Figure 3 reports the trend in real average earnings index for the period 1975 to 2004.

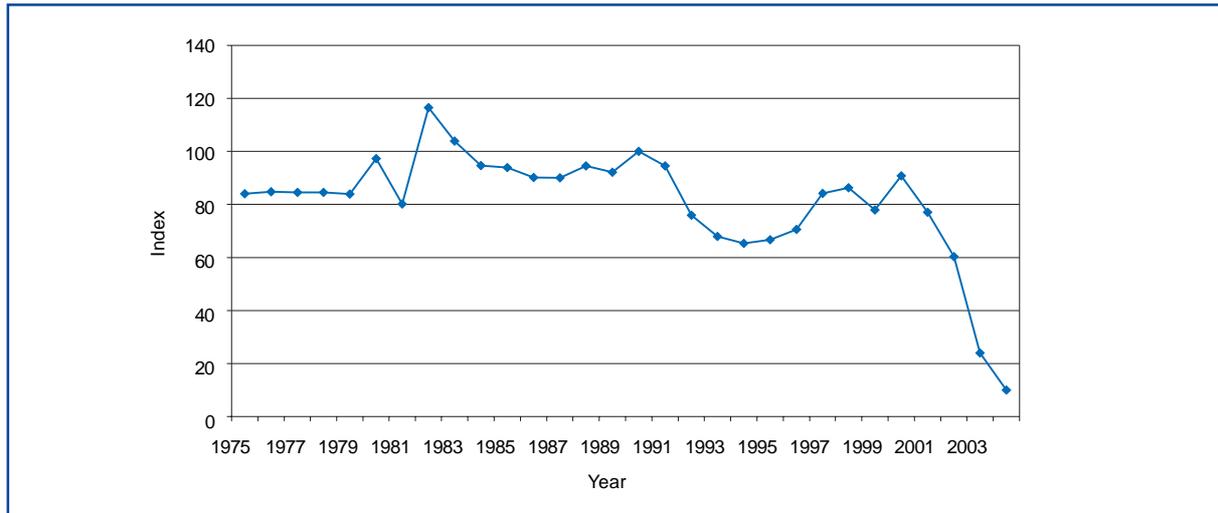
In virtually all sectors of the economy, real average earnings have collapsed because wage increases have failed to keep up with inflation. The average real earnings index for the whole economy peaked at 120 in 1982 before collapsing to an index of 10 by 2004. Wage increases have therefore failed to compensate for increases in inflation, particularly during the period of crisis, with the results that real average earnings in 2004 were below even the levels reached in the last years of the colonial period (1975–1979). Low real wages of this magnitude are usually accompanied by increased worker militancy. However, the resort to heavy handed tactics on the part of the state put paid to any attempts at militancy by organized labour. Efforts at redressing the erosion of incomes, the increasing income differentials and inflation through negotiating a Social Contract via the Tripartite Negotiating Forum (TNF), which was established in September 2008, largely failed.

By way of example, the state's deliberate policy of suppressing wage levels in the agricultural sector following the fast-track land redistribution

<sup>7</sup> A recent World Bank study concluded that: 'Often, African labour markets are blamed for competitiveness problems, but our analysis found that labour markets in Africa are flexible, and wages and employment are responsive to market forces. The most important issues for formal sector job creation are currently outside the narrow area of labour regulation, and are in the broader category of the investment climate.' (Fox and Sekkel, 2008: 12).

<sup>8</sup> The concern with real wage flexibility derives from the assumption that wages are exogenously determined. However, as Solow (1986) points out, real wages could be taken as given (exogenously determined) where prices are set on the international market and nominal wages are arbitrarily imposed by a trade union or government agency. However, given the prevalence of market imperfections, firms do influence their output prices and hence the real wage is not an exogenous variable (OECD, 1986). The mere existence of unions or government influence in wage formation does not imply wages are exogenously determined; for this to happen the institutional forces must be omnipotent and arbitrary. (Kerr, 1966).

Figure 3: Real average earnings index



Source: Derived from unpublished CSO data

programme that started in 2000, ostensibly on the grounds that ‘new farmers’ were unable to pay the previously negotiated wage rate, resulted in a dysfunctional labour market in that sector, with most workers opting to join the informal economy.<sup>9</sup> This also affected agro-industry, where labour shortages were also widely reported. The situation repeated itself in the public sector, with many employees in the sector choosing simply not to go to work given that transport costs were often higher than their take home pay.

The 2007 CZI Manufacturing Sector Survey observes that the collapse in real wages had 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 also noted that the loss of skills through brain drain results from a failure to pay economic living wages. It strongly recommends that the private manufacturing 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)*

Numerous studies on low wage policies have linked these to poor morale, shirking, moonlighting, multiple-jobbing, low productivity, high turn-over and corruption, characteristics all unsurprisingly present in both CZI surveys. One often-quoted case is the extreme example from Uganda in the early 1980s, where civil servants are reported as having spent only a third or half their normal working time on government business. The Public Salaries Review Commission (1982-Uganda) noted that ‘... the civil servant had either to survive by lowering his standard of ethics, performance and dutifulness, or remain upright and perish. He chose to survive’ (Quoted in Schiller, 1990: 85).

The Zimbabwean experience as outlined above shows the need for a more nuanced approach to the labour issue in the design of recovery strategies that goes beyond a fixation on perceived labour market rigidities. Instructively, a detailed study of

<sup>9</sup> As of May 2009, the minimum wage in agriculture stood as US\$10 per month.

labour markets and adjustment by the World Bank came to the conclusion that ‘... beyond a certain point the macroeconomic consequences of real wage declines may lead to an additional cost of adjustment that relies too heavily on labour markets’ (Horton *et al.*, 1991:5).

### 2.1.3 Functional Distribution of Income and Income Differentials

Table 3 and Figure 4 show the percentage distribution of Gross Domestic Income (GDI) by factor income (wages and salaries, rent, and profit)

for the period 1985–2007.<sup>10</sup> The share of wages and salaries in GDI declined from an annual average of 49.4 percent during the interventionist period (1985–1990) to 41.5 percent during the ESAP period 1991–1996, to 37.2 percent during the crisis period of 1997–2007 and 35.3 percent during the period of deepening crisis (2000–2007).

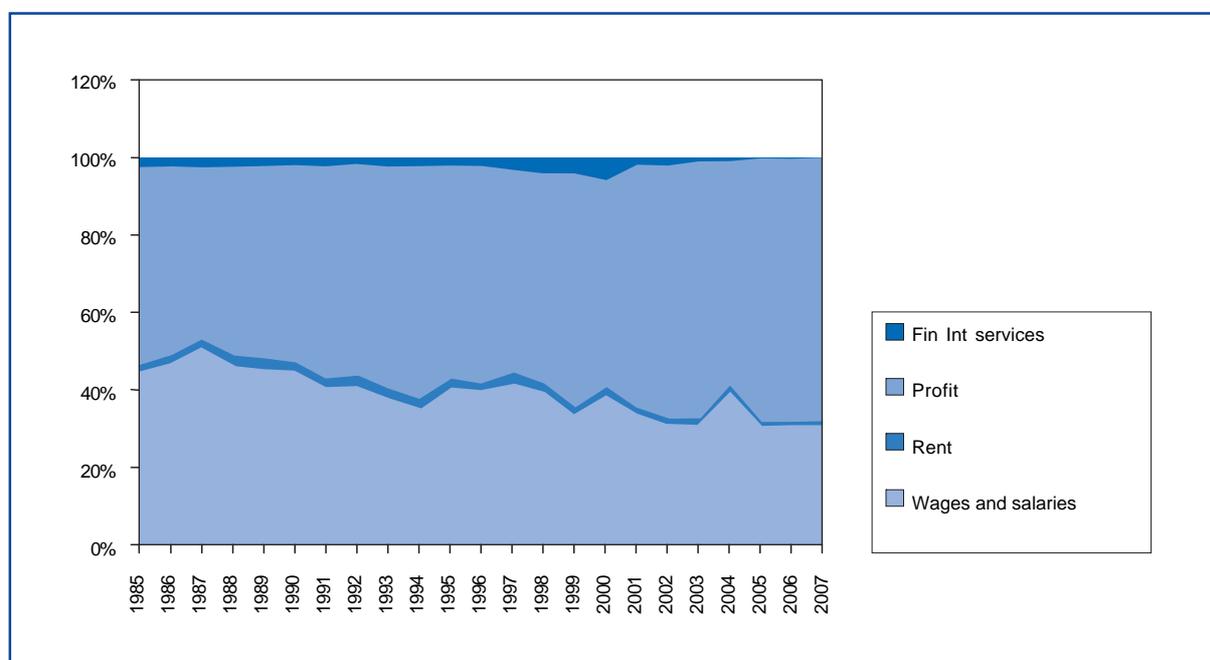
Profits, on the other hand, increased from an annual average of 50.7 percent during 1985–1990 to 58.4 percent during 1991–1996, to 63.8 percent in the 1997–2007 period and 65.3 percent during the period of deepening crisis. The increased share of

Table 3: Percentage share in the distribution of Gross Domestic Income (GDI) by factor income, 1985–2007

	1985–1990	1991–1996	1997–2007	2000–2007
Wages & Salaries	49.4	41.5	37.2	35.3
Rent	2.3	2.2	1.5	1.3
Profit	50.7	58.4	63.8	65.3
Financial Intermediation Services <sup>11</sup>	-2.4	-2.1	-2.5	-1.8
GDI	100.0	100.0	100.0	100.0

Source: Calculated from National Accounts, 1985–2003, CSO, May 2005; and unpublished CSO data

Figure 4: Percentage share in the distribution of Gross Domestic Income (GDI) by factor income, 1985–2007

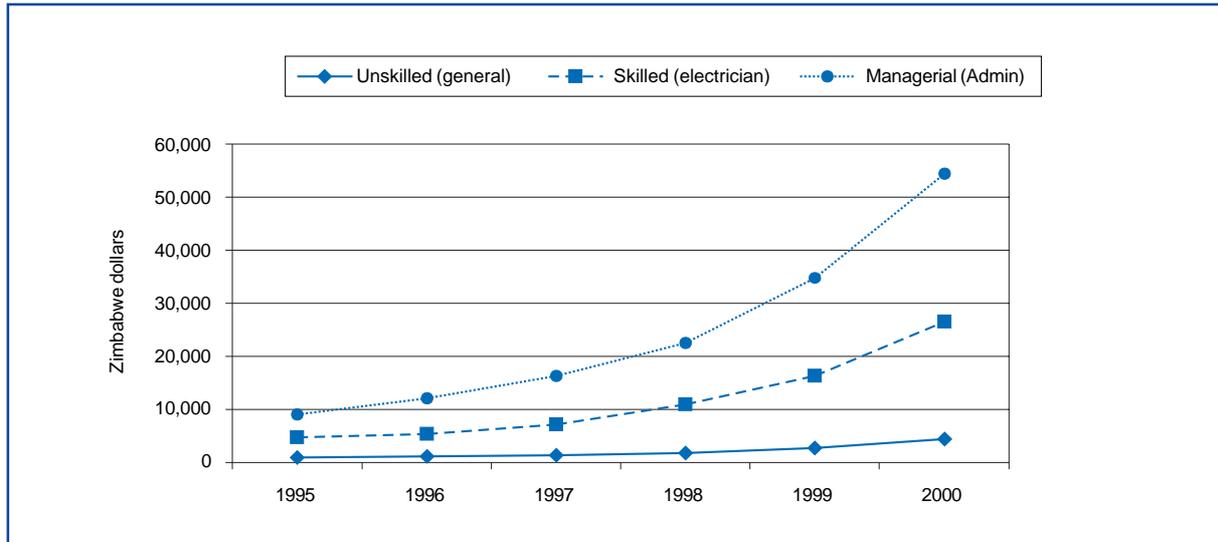


Source: Derived from National Accounts, 1985–2003, CSO, May 2005; and unpublished CSO data

<sup>10</sup> Rent incorporates private rented dwellings, imputed for owner-occupied dwellings, and central and local government.

<sup>11</sup> The Financial Intermediation Services Indirectly Measured (FISIM), or imputed bank services as they used to be called, are an estimate of the imputed service charges calculated as the difference between property income received and property income paid (CSO, 2005: 63).

Figure 5: Differential earnings for different occupations



Source: PriceWaterhouseCoopers, 2001

profits has not been accompanied by increased investment due to an environment characterized by macroeconomic instability. Investment has been insignificant in gross terms, and negative in net terms. In a context of hyperinflation more recent figures on incomes are meaningless. In the course of 2008 the Zimbabwe dollar ceased to function as a store of value, medium of exchange or unit of account.

Figure 5 above shows income differentials for the unskilled, skilled and managerial grades during the period 1995-2000. It shows that the lowest paid workers are the ones who have borne the brunt of the current economic crisis.

#### 2.1.4 Unemployment

Unemployment may be measured using both its broad (passive) and strict (active) dimensions.<sup>12</sup> 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’ (CSO, 2006: 27). 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 from looking for work.

Using the data for the 7 days before the survey, the rate of unemployment (strict definition) fluctuated from 10.8 percent in 1982; 7.2 percent in 1986/87; 7.9 percent in 1993; 5 percent in 1994; 6 percent in 1999; and 4.4 percent by 2004. The 2004 Labour Force Survey (LFS) indicates levels of unemployment of 4.4 percent (strict definition for 7 days reference period), 9.3 percent (broad definition over 7 days) and 11.4 percent (broad definition over 12 months). In rural areas the strict unemployment rate was 0.7 percent while the broad definition gave 2 percent. In urban areas the strict unemployment rate was 12 percent and the broad unemployment rate 23 percent. In both rural and urban areas, the strict unemployment rate for males was higher than that for females, implying that males were more actively looking for work compared to females. Using the broad definition, male and female unemployment rates were almost equal in rural areas while in urban areas the female unemployment rate was double that for males.

<sup>12</sup> The use of the broader definition started with the 2004 labour force survey following recommendations of the 1998 User-Producer of Statistics symposium attended by stakeholders.

Youths 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 and 59.6 percent in 2004. The education profile of the unemployed has undergone radical changes over time. Whereas 34 percent of the unemployed had ‘O’ level qualifications, the proportion with such qualifications rose to 73.4 percent in 1994, and 74.6 percent by 2004.

Clearly, these figures, even using the broad definition, are very low and have been widely contested by stakeholders. Intuitively these low levels of unemployment do not make sense, especially in the context of the deepening economic crisis and the collapse in GDP. The low levels arrived at reflect the international definitions and methodology used, according to which anyone engaged in an economic activity for at least one hour during the reference period of the survey is classified as employed. As the country’s Central Statistics Office notes:

*‘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)

The Poverty Assessment Study Survey (PASS II) of the Ministry of Labour and Social Services (2003) estimated unemployment using both the strict definition and an alternative measurement used to reflect the effects of structural changes in the economy on unemployment levels. Structural unemployment includes those who were usually unemployed, those who were involuntarily in the informal sector, the very poor and the poor communal and resettlement farmers, very poor and

poor unpaid family workers, the very poor and poor in the informal economy and the very poor and poor engaged in public works.

Using the strict definition, PASS II estimated the overall unemployment rate at 13 percent (12 percent for females and 13 percent for males). However, using the alternative definition, the rate of structural unemployment in Zimbabwe shoot up to 63 percent in 2003. Structural unemployment was higher for females (70 percent) than males (56 percent) because of the inclusion of the very poor and poor in agriculture and the informal economy who are largely women. Rural areas had a higher structural unemployment rate (62 percent) than urban areas (35 percent). These findings suggest that structural unemployment is high in Zimbabwe in both rural and urban areas, with the rate higher for rural areas and women. The Ministry of Labour and Social Services currently estimates that structural unemployment in Zimbabwe stands at 85 percent.<sup>13</sup>

### 2.1.5 The Informal Economy and Employment

While it is widely recognized that the informal economy has grown tremendously in size as the economic crisis deepened, data on the sector is highly contested [see for instance PASS II (2003) and the Labour Force Survey of 2004]. Based on data from the 2004 Labour Force Survey, Luebker (2008) calculated employment levels in the formal and informal economy using enterprise-based and job-based concepts. On the basis of the former, he found that some 1.2 million workers were then in the formal sector, while just over 710,000 were in the informal economy. Using the job-based definition, some 975,000 workers held formal jobs and around 4.1 million had informal jobs, implying four out of every five jobs in Zimbabwe were informal. The majority of the informal jobs (90.2 percent) were unskilled compared to more than half of all formal workers who had professional or skilled positions. The 2004 Labour Force Survey shows that 53 percent of those employed in the informal economy were females, and 47 percent were males.

<sup>13</sup> This figure was given by the Prime Minister in his speech as the guest of honour at the event marking the 90th anniversary of the ILO on 22 April 2009.

According to PASS II (2003), two-thirds (63 percent) of the people employed in the informal economy were in the urban areas. Of all the females employed in the informal economy, 69 percent of them were in the urban areas compared to 59 percent for men. In urban areas, women constituted 51 percent of the informal economy whilst in rural areas they constituted 40 percent. An analysis of the location of operations in the informal economy shows that 31 percent of the informal economy enterprises operated from a permanent building, 30 percent in one's home, 20 percent with no fixed location and 11 percent on footpaths. About 80 percent of informal economy 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 the lack of credit, capital and inputs faced by 31 percent of the household enterprises. 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). De-facto female-headed households (where the male spouse is alive but not living with the family), especially those in urban areas, had higher proportions citing credit, capital and inputs constraints.

The PASS II study showed that of all the persons employed in the informal economy, 44 percent were below the Total Consumption Poverty Line (TCPL), compared to 36 percent of the formal sector. For the urban areas, the difference between the percentages below the TCPL in the informal (61 percent) and formal (46 percent) sector was greater than for the rural areas. For the rural areas this difference was very small. These results show that the informal economy is characterized by very high levels of poverty, especially in urban areas, and particularly for females in the urban informal economy. Women therefore, because of their relatively high level of participation in the low remunerating and unstable informal sector, are more vulnerable to poverty. While the informal

economy has taken up the slack in terms of job creation as the formal sector has shrunk, it is however characterized by severe decent work deficits (low incomes, harsh working conditions, job insecurity, no representation voice, no social protection, etc.).

As Luebker aptly put it, 'Informality is an undesirable form of employment since informal workers generally lack productive employment opportunities, cannot exercise their rights at work, are not covered by adequate social protection, and have no strong collective representation to voice their concerns' (2008: 54). It is therefore a serious shortcoming of Zimbabwe's Decent Work Programme, adopted in 2005, that current estimates are that more than four out of every five jobs are currently to be found in the informal economy where decent work deficits are prevalent.

#### 2.1.6 The Brain Drain and the Loss of Human Capital<sup>14</sup>

As a result of the current crisis, and in particular collapsing living and working conditions in Zimbabwe, millions of workers have emigrated abroad. Zimbabwe now ranks among the top ten emigration countries in sub-Saharan Africa alongside Mali, Burkina Faso, Ghana, Eritrea, Nigeria, Mozambique, South Africa, Sudan, and the Democratic Republic of Congo. Migration is so widespread that at least one emigrant exists per household (Tevera and Crush, 2003; Maphosa, 2004).

Estimates of Zimbabweans in the diaspora vary greatly, ranging from 2 to 4 million. South Africa has the largest population of slightly over one million as at the end of 2007. The UK has the second biggest population of Zimbabweans living abroad, with an estimated 200,000–500,000, followed by Botswana which is estimated to have between 100,000 to 300,000. Other popular destinations include the USA, Canada, Australia, and New Zealand. Emigration survey data show that over 80 percent of people migrating to South Africa and the UK are between 21 to 40 years of age (Bloch,

<sup>14</sup> While a detailed analysis of migration and development is the subject of a future UNDP Working Paper, this section seeks simply to highlight the links between the diaspora and developments in the labour market and its implications for human capital formation and skills development moving forward.

2005; Makina, 2007). It also suggests that the majority of migrants have at least secondary education. A survey of 4,700 households conducted in five destination countries reported that 46 percent of Zimbabwean migrants had completed secondary education, and 44 percent had completed post-graduate education of some kind (Pendleton, *et al.*, 2006: 16). Another survey of 1,000 Zimbabweans living in the UK and South Africa reports that most people arrived in either the UK or South Africa with a qualification (82 percent), mainly in the fields of business, health, and education, with 38 percent holding a first degree or higher, 19 percent with a higher education diploma, and 3 percent with a professional qualification (Bloch, 2005).

Out-migration of this magnitude could not but have serious consequences for the economy. The workforces of both the private and public sectors have been severely weakened by the loss of skills. Hawkins (2009) illustrates the impact of the brain drain on the mining sector in Zimbabwe, referring to the fact that more than half the industry's skilled personnel had left the country by 2007 and that at the beginning of 2008 there were 1,116 vacancies for professional and technical staff. This went hand in hand with a decline in the country's capacity to regenerate these skills.

Public services such as health and education have been the worst affected. It is estimated that more than 80 percent of the doctors, nurses, pharmacists,

radiologists and therapists who trained since 1980 have left the country or their positions (UNDP, 2008).<sup>15</sup> By 2003 the health sector had lost over 2,100 medical doctors and 1,950 State Certified Nurses, mostly to South Africa, Botswana, Namibia, the UK and Australia (Chikanda, 2005). Table 4 below highlights the extent of the brain drain in the health sector as of 2006.

The major medical training institution, the University of Zimbabwe College of Health Sciences, has also suffered from the brain drain. As of March 2007 the institution had an overall vacancy rate of 60 percent. Table 5 shows the overall situation in the medical college.

The Zimbabwe National Human Resources Survey (2006) reported the extent of the brain drain in terms of the vacancy rates (the mean ratio of vacant post to established post) across all sectors of the economy. Emigration pressures were identified to be severe, with 70 percent of those interviewed indicating an intention to leave the country. Three common reasons given for wanting to leave the country were economic reasons, to work abroad and self advancement. Consistent with other empirical studies, people with higher qualifications were in the majority in terms of intention to emigrate: 86 percent of PhD degree holders, 76 percent of MSc degree or post-graduate diploma holders and 76 percent of first degree graduates.

*Table 4: Staff situation at the major referral hospitals as at 31 January 2006, selected posts (Harare, Parirenyatwa, Chitungwiza, Mpilo and United Bulawayo Hospitals)*

Designation	Establishment	In post	Vacancies	Vacancy rate (%)
Doctors/Specialist Heads of Dept	22	1	21	95
General Medical Officers	106	27	79	75
Chief Government Pathologist	3	1	2	67
Junior Registrar	62	0	62	100
Chief Medical Laboratory Scientist	6	2	4	67
Senior/Principal Medical Laboratory Scientist	4	2	2	50
State Certified Medical Laboratory Technician	171	99	72	42
State Certified Medical Laboratory Technician	50	3	47	94
Registered General Nurse/Sister	2,852	1,936	916	32
State Certified Nurse	392	284	122	88

Source: Mbengeranwa (2006)

<sup>15</sup> Where staff have left their posts but have remained in the country or are doing odd jobs in the region, this can be seen as dormant capacity that can be easily re-engaged.

Table 5: Staff situation at the University of Zimbabwe College of Health Sciences: March 2007

Department	Establishment	In post	Vacancies	Vacancy rate (%)
1 Anaesthesia & Critical Care Medicine	16	2	14	88
2 Anatomy	26	1	25	96
3 Chemical Pathology	11	7	4	36
4 Clinical Pharmacology	11	4	7	64
5 Community Medicine	17	8	9	53
6 Dentistry	12	6	6	50
7 Haematology	7	0	7	100
8 Histopathology	8	1	7	88
9 Immunology	8	4	4	50
10 Institute of Continuing Health Education	2	1	1	50
11 Medical Laboratory Sciences	9	9	0	0
12 Medical Microbiology	11	7	4	36
13 Medicine	26	10	16	62
14 Nursing Science	10	9	1	10
15 Obstetrics and Gynaecology	26	14	12	46
16 Paediatrics and Child Health	26	10	16	62
17 Pharmacy	11	8	3	27
18 Physiology	21	1	20	95
19 Psychiatry	16	7	9	56
20 Rehabilitation	10	7	3	30
21 Surgery & Radiology	30	10	20	67
<b>Total</b>	<b>314</b>	<b>126</b>	<b>188</b>	<b>60</b>

Source: The Dean, University of Zimbabwe – College of Health Sciences

The impact of this huge brain drain is that it diminishes the chances of the country's rapid recovery because a high level of human capital is one of the key ingredients for development and for attracting Foreign Direct Investment (FDI). UNCTAD (2008) shows that enhanced human resources development increases incoming FDI by making the investment climate of a country attractive to foreign investors. At the same time FDI contributes to human resource development because multinational enterprises act as active providers of education and training. They bring new skills, information and technology to host countries. Thus, there is a virtuous circle between human resource development and FDI.

The impact of the brain drain is worsened by the inability of the training system to produce new graduates in sufficient numbers with the necessary skills (see above). In the context of skill shortages, the economy has therefore experienced 'grade inflation', a phenomenon where inexperienced staff had to take up the positions left by experienced personnel (UNDP, 2008).

### 2.1.7 The Impact of HIV and AIDS

Zimbabwe, like other Southern African countries, is at the epicentre of the global HIV and AIDS pandemic. A total of 1.6 million Zimbabweans under 50 years are estimated to be living with HIV and AIDS. The HIV adult prevalence rate reached a level of 24.6 percent by 2003. However, recent data from the Ministry of Health and Child Welfare suggest that adult HIV prevalence had declined to 20.1 percent in 2005, 18.1 percent by 2005/06 and 15.9 percent by 2007. At the national level, life expectancy fell dramatically from just over 57 years in 1982 to about 50 years by 1995 and an estimated 39 years in 2003. Life expectancy is estimated at 37 years for men and 34 years for women in 2007. The HIV and AIDS pandemic is a major contributor to the decline in life expectancy.

UNAIDS and the IMF estimated that annual GDP growth rates in Southern Africa may decrease by 1–2 percentage points as a result of the HIV and AIDS pandemic (Lisk, 2002). The ILO has estimated that economic growth could be 25

percent lower than it would have been without the pandemic over a 20 year period in high prevalence countries, their populations could be 20 percent lower by 2015, and their labour forces 10–22 percent smaller (ILO, 2000). Data from the 2002 population census suggests that the intercensal population growth rate declined from 3.9 percent during the period 1982–1992 to 1.2 percent during the period 1992–2002, mainly due to the HIV and AIDS pandemic.

There has been a belated acceptance that HIV and AIDS is a workplace challenge. It poses serious threats to workers' rights since people living with HIV and AIDS are subject to stigmatization, discrimination and hostility in their communities and at work. HIV and AIDS has a significant impact on the composition of the labour force in terms of age, skills and experience, with the productive age group 15–49 years the most affected. Losses of human capital due to HIV and AIDS are disproportionately higher among skilled, professional and managerial workers. The pandemic has profound adverse impacts on the economy, workforce, businesses and the infected and affected individuals and their families. HIV and AIDS has manifested itself in the workplace through discrimination in employment, social exclusion of affected persons, distortions in terms of gender inequality, increased number of orphans often resulting in increased child labour, disruptions to the activities of small enterprises and the informal economy. It has also manifested itself through low productivity, depleted human capital, challenged social security systems and undermined occupational safety and health.

The impact of HIV and AIDS at the enterprise level can be broken down into three categories, namely, direct, indirect and systemic costs. Direct costs, which are easier to quantify, arise from medical care and insurance costs, pension and retirement costs, recruitment and retraining costs, and costs of HIV and AIDS programmes. Indirect costs include reduced productivity, morbidity, and absenteeism due to illness and bereavements. The systemic costs relate to loss of skills, loss of tacit knowledge, reduced morale and breakdown of workplace discipline (SAfAIDS and HIVOS, 2007).

Even though the government promulgated Statutory Instrument 202 of 1998, namely 'Zimbabwe Labour

Relations (HIV and AIDS) Regulations', the response at the workplace was slow, especially given that in the early years it was almost exclusively seen as a medical problem. For instance, a public sector policy on HIV and AIDS was only launched in 2005 in response to the severity of the pandemic on the provision of public services. It had emerged that between 1995 and 2002, the largest number of public employees who took sick leave of up to 90 days was in the 30–49 age group, including professional and technical grades, and that more female than male staff members had left the service on medical grounds. Terminations of service on medical grounds had increased from 0.05 percent in 1995, peaking at 3.23 percent in 2001 (Public Service Commission, 2007). As the report noted, before 2005 the attention given to HIV and AIDS in government ministries was low as most managers did not consider HIV and AIDS programmes as their core business, while others felt they were not equipped to take a leading role in HIV and AIDS issues.

## 2.2 HUMAN CAPITAL FORMATION IN ZIMBABWE

As argued in the introduction, various constraints impinge on the development of a virtuous cycle of links between growth, employment and poverty reduction. Investment in education and training (the development of human capital) was identified as one critical variable in the enhancement of the capabilities of poor people (the integrability factor) so that they can participate in, and benefit from, the growth process. Human capital, which is the stock of productive skills and technical knowledge embodied in labour, is therefore critical to promoting integrability. It refers to the acquired and useful abilities for all people that prepare them for the world of work.

A person's employment prospects are closely related to the education received. Yet despite the progress achieved in primary schooling in developing countries, the preparation of youth for work has a poor track record, at a time when the demand for skills and knowledge is rising with technological change. In the past, too much emphasis was placed on the number of people 'processed' through the education system rather than what they learn. Making the education and

training relevant to the workplace requires improving the quality of basic education and meeting the increasing demand for post-basic skills – thinking skills, decision-making skills, teamwork, the ability to manage risks, and vocational skills. It also requires the provision of diverse and flexible learning options in upper secondary and higher education, implementing a relevant curriculum that provides practical subjects, and behavioural skills – motivation, persistence, self-confidence, self-discipline, teamwork, and connecting school and work.<sup>16</sup> In the context of globalization, most developing countries are under pressure to improve the quality and relevance of their educational curricula in order to inculcate practical thinking and behavioural skills, to blend academic with vocational subjects, and to link training to the needs of employers.

While learning is a life-cycle process, ‘investments in learning need to happen during childhood and adolescence; failures to invest at this stage are very costly to remedy later’ (World Bank, 2006: 71). In this regard, it is necessary to examine the extent to which the education and training system in Zimbabwe has enhanced integrability, as reflected in the match between labour demand and supply, i.e., the relevance of education and training to the world of work.

### 2.2.1 Key Developments in Human Capital Formation: 1980-2007<sup>17</sup>

#### a) Redressing issues of equity

Human capital formation during the colonial era was skewed in favour of whites. 25 percent of black children did not start school, while over 60 percent did not complete full primary education, and only 4 percent completed four years of secondary education (Riddell, 1979). Before independence, per capita expenditure on education for blacks was as low as Z\$40, compared with a figure of Z\$450 for whites (Pakkiri, 1989). Expenditures at primary level were such that, on

average, white students received 20 times more resources compared to what was spent on black children (World Bank, 1995a). This was deliberately designed to ensure that there was no competition between blacks and whites in certain segments of the economy.

Secondary education was divided into two, F1 and F2, with the former offering an academic and more prestigious curriculum, while the latter provided a more practical curriculum.<sup>18</sup> This dual approach had a racial tone, in that while both whites and blacks had access to F1 education, F2 was only offered to blacks, who could not proceed beyond the four years of secondary education. F2 schools were phased out at independence and converted into conventional schools in 1981. One consequence, however, was that the baby was thrown out with the bath water, as the country’s technical and vocational education needs in the post-independence period were relegated to the backburner.

A central component in skills-formation in the pre-independence period was the apprenticeship training system which was established in 1934. This skills-training programme was not only racially biased, but was designed to ensure that it produced only a few graduates. Of the 5,103 apprentices in Zimbabwe in February 1981, 56 percent were Whites, 26 percent were Africans, 7 percent were Coloureds and 1 percent Asians. Whites dominated the critical technical areas such that they represented 89 percent of apprentices in the aircraft field, 84 percent in electricity and 68 percent in engineering. According to King (1990), the low levels of intake were meant to create an artificial shortage of skills, which was used by white trade unions to justify high salaries. Intakes of apprentices averaged only 1,000 per annum in the pre-independence period. Furthermore, the overall economy relied on immigration to cater for skill requirements, which undermined the development of a comprehensive apprenticeship training and technical education (Raftopoulos, 1986).

<sup>16</sup> For an extensive discussion, see World Bank (2006 and 2009).

<sup>17</sup> Up-to-date data on education and training for the period after 2006 have not yet been compiled.

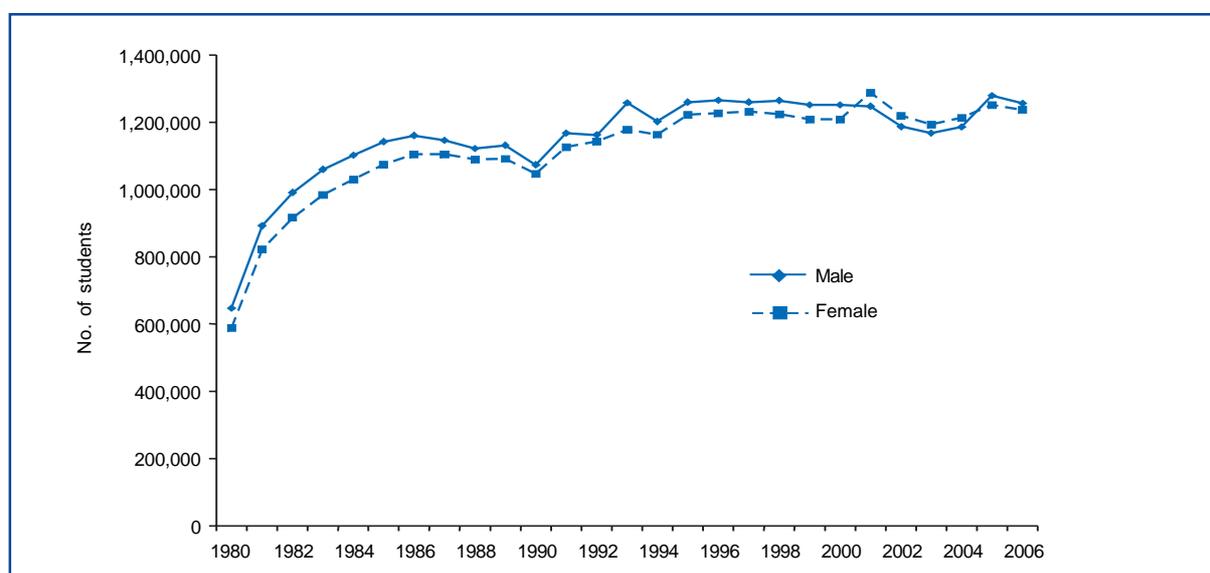
<sup>18</sup> While whites were not required to go through the F2 route, their F1 curriculum was different from the F1 Cambridge or London curriculum that blacks followed. The F1 curriculum that whites pursued was less difficult than the Cambridge or London curriculum. In addition, their curriculum incorporated some aspects of technical courses and professional sports.

Technical high schools for whites that were established prior to independence produced highly qualified artisans and technicians based on the City and Guilds system of Britain. A technical college that had been established before independence to produce equivalent black skilled workers at Luveve (Bulawayo) was dismantled and its equipment was given to Salisbury Polytechnic because it was seen as competing with white ones and hence distorting occupational roles in industry (Ministry of Higher and Tertiary Education, 2006). Consequently, at independence in 1980, blacks represented only 36 percent of all professionals, technical and related

staff, and only 24 percent of managerial and administrative personnel (National Manpower Survey, 1981).

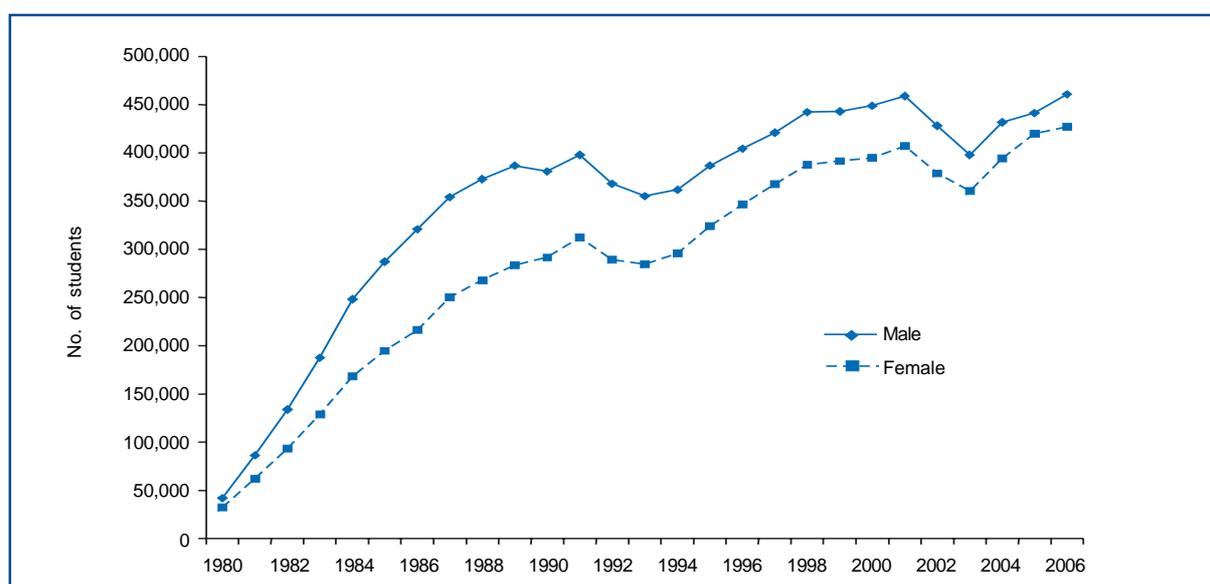
The post-independence Government sought to reverse the racial imbalances in education provision and skill formation, adopting a policy of universal primary education (UPE). Figure 6 and 7 reports the trends in enrolments at primary and secondary levels by gender for the period 1980-2006. Primary school enrolment was almost universal at 96.7 percent in 2006. There was near gender parity in enrolments at primary level.

Figure 6: Total national enrolment by gender in primary schools, 1980-2006



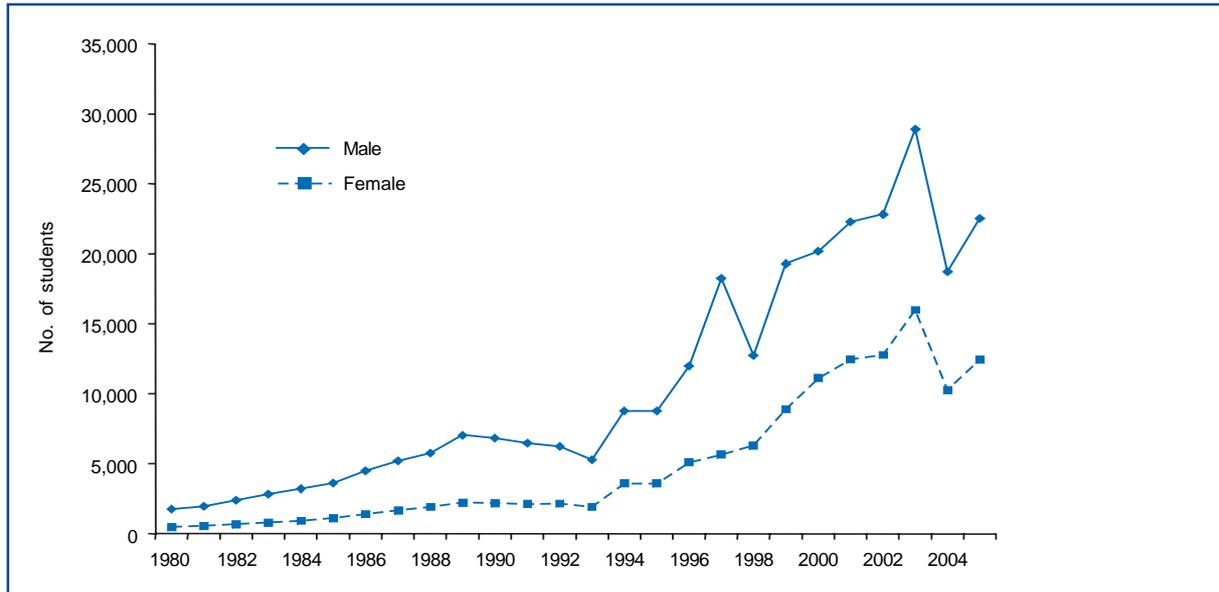
Source: Ministry of Education, Sport, Arts and Culture (unpublished data)

Figure 7: National enrolment by gender in secondary schools, 1980-2006



Source: Ministry of Education, Sport, Arts and Culture (unpublished data)

Figure 8: National university enrolment by gender, 1980–2005



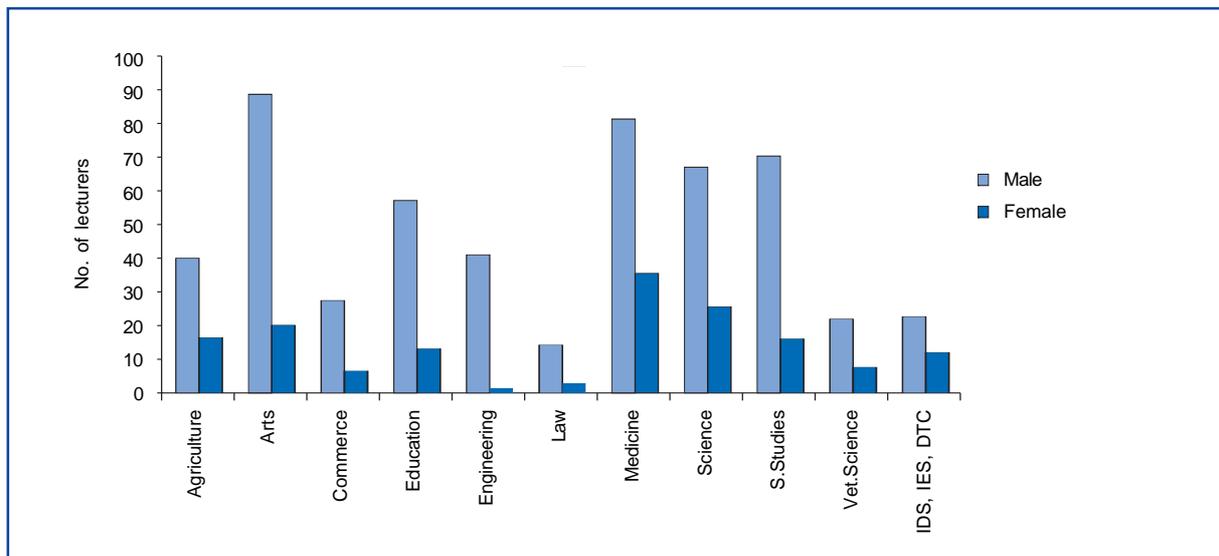
Source: Ministry of Higher and Tertiary Education (unpublished data)

However, there is a gender bias in favour of males at secondary school level for the period 1980-2006 as indicated in Figure 7. As with enrolments at primary level, there is a marked slow down in the rate of growth in the 1990s, and especially in the new millennium compared to the 1980s.

The disparities in enrolment by gender widen at the tertiary level, with a bias towards males during the 1980–2005 period (Figure 8).

Available data suggest that the gender disparities in student enrolment are also reflected in the staff, as illustrated from data from the University of Zimbabwe in July of 2006 (Figure 9). While female staff dominates at lower primary school, the gender bias is in favour of men at tertiary levels. Male staff invariably outnumbers female staff in all subjects at University level in 2006. This is true even in the Humanities where there is close to gender parity in terms of enrolment.<sup>19</sup>

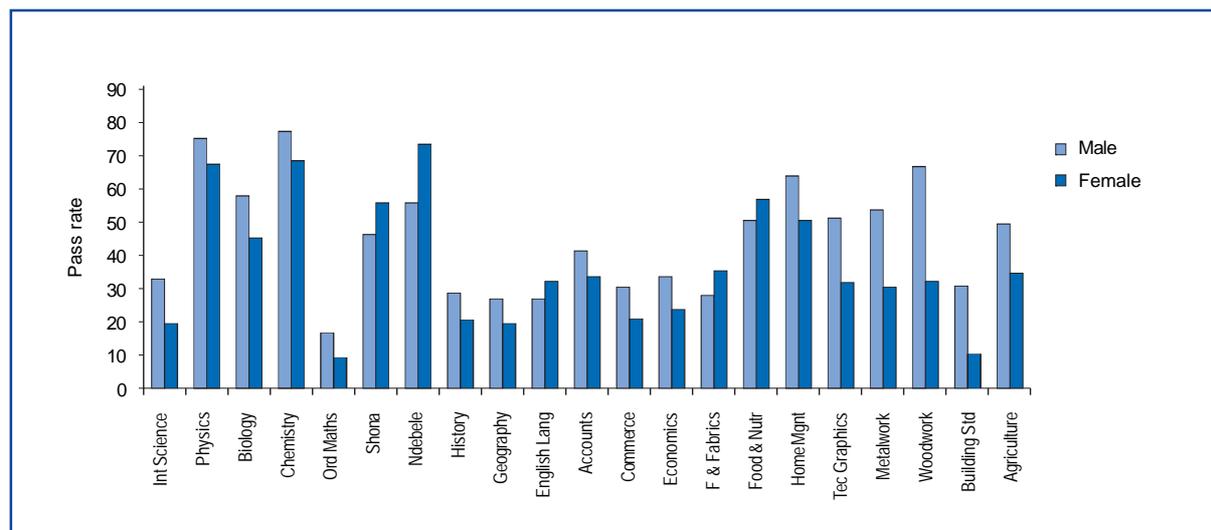
Figure 9: Lecturing staff in post by faculty and gender at UZ, July 2006



Source: University of Zimbabwe, Deputy Registrar's Office (Human Resources) (unpublished data)

<sup>19</sup> The assumption being that faculty members are ultimately drawn from the student body.

Figure 10: Average national pass rate of 'O' level students by subject and gender, 2000–2006



Source: Zimbabwe Schools Examinations Council (unpublished data)

Although there is near parity in terms of access to specific subjects offered between both girls and boys at national level during the period 2000–2005 up to 'O' level, boys however consistently outperformed girls in Science-oriented subjects at 'O' level as shown in Figure 10. 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. This outcome reflects stereotyping of subjects by gender, where girls are meant to feel natural sciences are not for them as they are perceived to be difficult.<sup>20</sup>

## b) Quality and Relevance of the Education and Training Provision

### *Primary and secondary education level*

An important issue to note regarding the post-independence period is that the exponential growth in enrolments within a relatively short period of time had an adverse impact on quality, as shown by the measures of internal efficiency of the education system. Zimbabwe & UN (2004) argue that despite the improvement in the provision of

primary education, its quality has been falling due to a high teacher to pupil ratio averaging 1:37 during the period 1990–2006 (and as high as 1:50) against a desired ratio of 1:28), a high book to pupil ratio, high rates of attrition levels due to economic hardship and human resource depletion due to HIV and AIDS and the need to provide for the newly resettled families under the land reform programme.

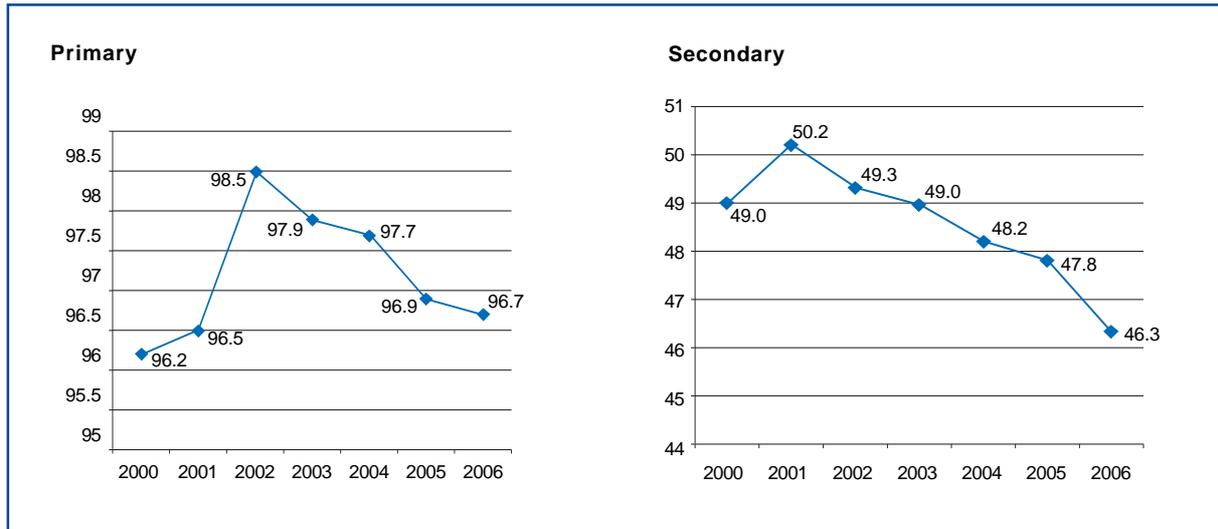
In addition, the gains that had been made in the education sector have been reversed during the crisis period. For example, enrolments at primary school level, which had reached 2,480,094 by 2002, declined to 2,445,520 by 2006. The net enrolment ratio at this level, which peaked at 98.5 percent in 2002, declined to 96.7 percent by 2006 (see Figure 11).<sup>21</sup> Enrolments at Form 1 to 4, which had reached 827,820 by 2001, declined to 774,921 by 2006, which translates to a decline in the net enrolment ratio from 50.2 percent in 2001 to 46.3 percent by 2006 (see Figure 11). A significant proportion of children (13–16 years of age) who should have been enrolled at secondary level were not attending school.

The transition rates from Grade 7 to Form 1 also declined, from 76.9 percent in 2001 to 70 percent by 2006. The drop out rate at primary level

<sup>20</sup> For more details on the socialization/cultural mores that underpin these differences, see UNDP, *Gender and Development Report: Unlocking the Paralysis in Development*, Zimbabwe Human Development Report, Ministry of Labour and UNDP. (forthcoming).

<sup>21</sup> The net enrolment ratio is the number of pupils enrolled who are of the official age group for a given level of education divided by the population for the same age group expressed as a percentage.

Figure 11: Participation in the education system: net enrolment rates, (%)



Source: Ministry of Education, Sport, Arts and Culture (2007)

increased from 6.3 percent in 2000 to 8.7 percent by 2005, while at secondary school level it rose from 7.5 percent in 2000 to 8.5 percent by 2005. While the proportion of trained teachers improved from 89.3 percent in 2000 to 96.7 percent by 2006 at the primary school level, it deteriorated at secondary school level from 97.8 percent in 2001 to 91.9 percent by 2006. By 2000 teacher morale was already low as a result of low salaries, poor staff accommodation, especially in rural areas, and increased work loads which culminated in an unprecedented brain drain of qualified teachers (Zimbabwe & UN, 2004: 24).

The pupil-teacher ratio at primary level was almost constant during the period 2000–2006, averaging 38.2, a level way above the recommended ratio of 1: 28. The teacher-pupil ratio at secondary level however improved from 27 in 2000 to 24 by 2006. The shortfall of classrooms at primary school level averaged 20 percent between 2000 and 2006, the same applying to secondary education. Other relevant infrastructure, such as teacher accommodation, libraries and ablution facilities also showed marked deterioration by the turn of the new millennium (Zimbabwe & UN, 2004: 24). The textbook-pupil ratio within primary schools deteriorated from 2 for English and 2 for mathematics in 2000 to 3 for the former and 6 for the latter by 2006.

The deteriorating quality of inputs could not but have an impact on the quality of education, as

reflected by declining pass rates. The pass rate at grade 7 declined from 48.7 percent in 2001 to 33.1 percent by 2005, before improving to 56.1 percent in 2006. At 'O' Level, the pass rates (Grade C or better in 5 subjects) declined from 25.4 percent in 2000 to 18.3 percent by 2005 and 14 percent in 2006. The pass rates at 'A' Level (Grade E or better in two subjects) peaked at 83 percent in 2003 before declining to 73.7 percent in 2005 and 74.9 percent in 2006.

Owing to its supply-bias, the education system is failing to meet the needs of the economy, creating a mismatch between demand and supply. Apart from low pass rates, the relevance of the curricula has been questioned by, among others, the Nziramasanga Presidential Commission of 1999 and the Ministry of Higher and Tertiary Education in its report of 2006. These institutions have pointed out that the current secondary education curriculum does not effectively develop children according to their unique needs and inclinations, implying that it does not lay a solid foundation for employability and integrability of its products into the economy. A key weakness of the secondary school curriculum is that it is not 'all-inclusive' as it fails to cater for the varied aptitudes and needs of students, and lacks a 'pathways approach' that provides varied career options.

The extent of irrelevance of the secondary school curriculum can be gauged by the reality of numerous corrective measures by various

Government Ministries, based on the realization that the secondary school curriculum fails to equip school leavers with survival competencies required in the labour market. These include the President's National Schools Computerisation Programme in secondary schools, and the implementation of the Integrated Skills Outreach Programme (ISOP) for school leavers by an inter-ministerial committee comprising the Ministry of Higher and Tertiary Education, the Ministry of Labour and Social Welfare, the Ministry of Youth Development, Indigenization and Empowerment, and the Ministry of Small and Medium Enterprises and Co-operative Development.

Even where the shortcomings have been recognized by the authorities, the corrective measures have suffered from both poor implementation as well as frequent policy reversals. For example, in an effort to make the education system more relevant, the Ministry of Education, Sport, Arts and Culture issued a circular in 2001 which made it compulsory for students to take at least one of the technical and vocational subjects at 'O' level. This initiative was subsequently reversed in 2002 through another circular which shifted the emphasis back towards humanities, making technical and vocational subjects optional at secondary school level. Then in 2004 another circular revisited the provisions of the original 2001 circular and made technical and vocational subjects compulsory at junior and middle secondary levels, in line with some of the recommendations of the 1999 Presidential (Nzirasanga) Commission of Enquiry into Education and Training. These developments demonstrate the lack of an overall strategic thrust to the issue of the technical and vocational training needs of the country. Furthermore, even when initiatives were rolled out they were not properly resourced. The 2001 and 2002 policies left the initiative to individual school heads and dependant on the availability of facilities and staff, as well as learner preferences. With limited resources, most school heads allocated minimal funds to technical and vocational subjects.

Through Policy Circular P77 of 2006, the Ministry of Education, Sport, Arts and Culture adopted a '**two-pathway education structure**' with effect from 2006 in secondary schools, in line with the recommendations of the 1999 Presidential Commission of Inquiry into Education and Training (2006). The two-pathways entail a general/

academic education pathway and the skills pathway, i.e., the business/commercial/technology/technical-vocational education pathway. This two-pathway education structure is meant for post-Form 2 studies to cater for the varying aptitudes, interests and abilities of individual students.

To facilitate its implementation, the Zimbabwe Junior Certificate (ZJC) was reintroduced in 2007 for the 2006 cohort to facilitate the assessment and channelling of pupils into the two-pathways. The student is expected at Form 3 level to pursue one of the following options: Option 1 – general/academic core subjects; business/commercial as major (at least two subjects); and one subject (elective) from technical-vocational, or Option 2 – general/academic core subjects; technical-vocational as a major (at least two subjects); and one subject (elective) from business/commercial studies. At Forms 3 and 4, all students are expected to take a course in computer studies. Regrettably, however, the new approach failed to address the fundamental issue of resource availability and hence its implementation is currently in limbo.

The general decline in performance of the education system worsened considerably in the course of 2008. Box 1 opposite highlights the dramatic extent of deterioration over the course of that year.

### *Tertiary level*

To address the racial imbalances in Technical Vocational and Education Training (TVET) inherited at Independence, Government built 5 more technical colleges between 1980 and 1990, which were later upgraded to polytechnics in 2001. The apprenticeship system was revamped to expand its catchment, and a trade testing system was introduced in 1981 to classify workers into Skilled Worker Class 4 to 1, Class 1 being the highest. Subsequent reforms of TVET in Zimbabwe were done on the basis of recommendations contained in a comprehensive policy document of 1990 entitled 'Rationalisation of Technical and Vocational Education in Zimbabwe'. TVET provision was structured at 5 levels: Pre-Vocational Certificate (PVC), National Foundation Certificate (NFC), National Certificate (NC), National Diploma (ND) and Higher National Diploma (HND). For the first time, learners were afforded a chance to move through from the operative (PVC) to the skilled operative grade

*Box 1: UNICEF-SNV Primary Schools Assessment Report*

*UNICEF-SNV (2009) carried out a rapid assessment of the impact of the socio-economic environment in 2008 on the teaching, learning and assessment processes. The study covered rural day, urban day and boarding schools. The findings suggest that school enrolments were adversely affected such that during the third term of 2008, they were 16.3 percent below those for the first term for grades 3 and 6.*

*School heads were asked to rate the general attendance of teachers and pupils in 2008. While 59.4 percent of the boarding school heads rated the attendance by teachers as high, only 41.1 percent of urban day and 15.1 percent of rural day schools indicated teacher attendance was high.<sup>22</sup> Generally, teachers in boarding schools remained operational as a result of the incentives that were provided from the regular reviews of school fees. Low salaries and hunger were cited as the main reasons for the low teacher attendance in most Zimbabwean schools in 2008. In terms of the ratings for pupil attendance in 2008, 56.5 percent of boarding school heads rated the attendance as high, with 42.5 percent for urban day school heads and only 8.6 percent of rural day school heads saying so. 43.5 percent of boarding school heads thought pupil attendance in 2008 was medium, with figures of 23.9 percent for urban schools and 41.1 percent for rural day schools. 33.6 percent of urban day school heads and 50.3 percent of rural day school heads thought pupil attendance was low.*

*In regards to the question as to whether there had been any meaningful learning in 2008, 88.6 percent of the teachers interviewed in boarding schools believed there had been, with only 8.3 percent in urban schools and 0 percent in rural schools agreeing with this assertion. This means that all the teachers in rural schools and 91.7 percent of teachers in urban schools felt there was no meaningful learning in 2008. The results of the Basic Standardised Achievement Test (BSAT) in Mathematics, English and General Paper taken by Grade 4 and 7 pupils who were in Grade 3 and 6 respectively in 2008 reflects the pupils' academic achievement in that year. The results are dismal as reflected in mean pass rates of 33 percent for Mathematics, 27.6 percent for General Paper and 38.3 percent for English at Grade 4. At Grade 7, the mean pass rates were 18.5 percent for Mathematics, 24.1 percent for General Paper and 45.6 percent for English.*

*The report observes that the 2008 Grade 7 examinations were conducted in a haphazard manner, with serious problems experienced in confirmation of candidates, delivery of question papers, writing and invigilation of the examination. Clearly therefore, given the problems encountered in 2008 – teacher and pupil absenteeism, hunger, lack of educational resources, high cost of teaching and learning materials, inflation, school administration, collapsing infrastructure, lack of clean water and sanitary facilities, and political disturbances – it is not surprising that it was a lost academic year.*

*Source: UNICEF-SNV. (2009). Final Research Report, UNICEF-SNV, Harare*

(NFC), the artisan grade (NC and skilled Worker Class 1), the technician (ND) and technologist (HND). The HND was pegged at degree level, although it was left to the individual department at universities to determine the entry level of HND holders in university programmes.

In 2004, it became possible to upgrade the TVET qualifications to graduate and post-graduate levels. The 1990 policy had aligned TVET qualifications to the academic sector qualifications to enable their mobility from TVET to academic. A bill establishing the Zimbabwe Qualifications Authority (ZIMQA) was drafted in 2005, to feed into the requirements

of the SADC 1997 Protocol on Education and Training, which envisages the establishment of a Regional Qualifications Framework. The Bill is yet to go through parliament.

Funding for TVET is shared between Government, the private sector and students. The Manpower Planning and Development Act of 1984 provided for the establishment of a training fund, the Zimbabwe Manpower Development Fund (ZIMDEF), supported by a 1 percent levy on payroll administered by the Ministry of Higher and Tertiary Education. Donors helped build and equip a number of colleges. USAID, for instance, built

<sup>22</sup> **High attendance** is where pupils and teachers attended school throughout the academic year, **medium attendance** describes a case where teachers and pupils attended school for at least half the academic year while **low attendance** reflects the case where teachers and pupils attended school for less than half the academic year.

and equipped Belvedere Technical Teachers' College and Mutare Polytechnic, while GTZ equipped the Harare Institute of Technology, Msasa VTC and Masvingo Polytechnic, while the Chinese built Chinhoyi Technical Teachers' College. However, the departure of many donors, coupled with shrinking state resources, has resulted in infrastructure deteriorating due to a lack of routine maintenance. Equipment and library resources are out of date, and the quality of teaching and graduates has likewise fallen.

In 2006, the Ministry of Higher and Tertiary Education (2006) reported that in spite of the introduction in 2004 of the B-Tech Teacher Education (honours) degree programme for lecturers by the National University of Science and Technology (NUST), lecturers continue to be scarce owing to low remuneration levels that had resulted in out-migration. The Ministry report also notes that the absence of a clear mechanism for policy implementation, as well as the lack of a regulatory authority as recommended in the Nziramasanga Commission report (1999) threatens quality since vertical and lateral expansion is driven by ambition for status and expediency in both the private and public sectors institutions. For example, it observed that youth centres and VTCs were offering NDs and at times HNDs, while they did not have the necessary capacity in terms of teaching staff, equipment and infrastructure.

Furthermore, the lack of congruence between the policy recommendations contained in the 1990 policy, the Nziramasanga Commission recommendations (1999) and the Committee of Principals of Polytechnics of Zimbabwe (CPPZ) TVET Concept Paper for the 21st Century, as well as the enabling legislation (e.g., Education Act of 1987, the 1994 Manpower Planning and Development Act as amended in 1996) is also highlighted. For instance, the amendment of the 1994 Manpower Planning and Development Act of 1996 was so flexible that it allowed ZIMDEF to depart from its core business as envisaged in the 1984 Act. ZIMDEF has been funding non-core activities such as construction and procurement of assets, thus undermining TVET. The report strongly recommends the amendment of the 1994 Act so that ZIMDEF focuses strictly on funding TVET as was provided for in the 1984 Act, a position echoed by industry. The 1994 Act also gave the

prerogative over ZIMDEF to a single person, the Minister of Higher and Tertiary Education, who is its sole trustee. The report sees the absence of a review framework as resulting in the haphazard evaluation of policy implementation, and the attendant problems of enforcement, noting that 'The need for a clear framework accompanied by guidelines for future TVET policy review cannot be overemphasised' (2006: 19).

The report also found that stakeholder consultations in policy formulation processes were inadequate, with the bulk of respondents who indicated they were consulted (67 percent) coming from the Government sector, whereas 68 percent of the 37 percent who indicated they were not consulted came from the private sector and parastatals, clear evidence of the supply-driven nature of TVET in Zimbabwe. The report concludes that '...consultation is heavily skewed in favour of civil servants and against those driving the economy...Any policy, therefore, that does not involve a wide cross-section of the private sector is in itself a problem' (ibid: 20). The report highlights the fact that the curricula in use in institutions are continuously drifting from the needs of industry, in spite of the introduction of the Zimbabwe Occupational Standards Services (ZOSS) in 1999 which was aimed at producing occupational standards on which to base curricula in TVET. The report also points out that the National Manpower Council (NAMACO) does not adequately reflect the views of industry and highlights the need to implement the recommendation of the Nziramasanga Commission to transform NAMACO into a National Training Council.

Another major weakness of current TVET policy is that it fails to accommodate the needs of the informal economy, which is now the mainstay of the economy, and the source of livelihoods of large numbers of the poor. As a result, both the current and future integrability of these groups into the mainstream economy is compromised, and the dual and enclave segmentation of the economy is reinforced. This raises the need for a comprehensive TVET policy for Zimbabwe that takes cognisance of the specificities of both the formal and informal economies. To be in a position to do so requires greater flexibility and variety in the delivery of TVET, including informal and non-formal education.

The views of stakeholders in TVET, contained in the Ministry of Higher and Tertiary Education report cited above, once again shows the general malaise afflicting TVET. The problems identified by those interviewed ranged from funding constraints, lack of curriculum relevance, weaknesses in terms of research and planning, monitoring and evaluation, an inadequate qualifications framework, management shortcomings, and inappropriate or non-existent legislation.

Finally, it should also be noted that a price has been paid for the rapid expansion of tertiary education institutions. Quality has been compromised, resulting in the withdrawal of international recognition of Zimbabwean qualifications in many areas in recent years, and it appears that no consideration was given to the reality of limited available resources. The recent expansion of the country's university system to no less than nine such institutions is a case in point. The situation is compounded by a recent parallel development whereby technical colleges are also offering degrees.

## 2.3 INSTITUTIONAL, LEGAL AND POLICY CONSTRAINTS IN THE LABOUR ADMINISTRATION SYSTEM

### 2.3.1 Institutional Overlap and Fragmentation

#### *a) The role and functions of the labour administration system*

The ILOs Convention 150, and its Recommendation 158 of 1978, provide the generic definition and functions of labour administration systems. Labour administration refers to public administration activities in the area of national labour policy. The 'system of labour administration' covers public administration bodies including ministerial departments, parastatal and regional or local agencies, or any other form of decentralised administration and institutional framework for the coordination of the activities of such bodies, and for consultation with and participation of employers and workers and their organizations.

A well functioning labour administration system requires consultation, cooperation and negotiation

between public authorities and the representative organizations of employers and workers at the national, regional and local levels and within the various sectors. Because of the existence of a multiplicity of players, functions and responsibilities should be properly coordinated. The competent bodies are responsible for the preparation, administration, coordination, checking and reviewing of national policy, as well as the preparation and implementation of laws and regulations giving effect thereto. Qualified staff and institutions that are properly resourced are needed for an effective labour administration system (Kanyenze, 2007).

Labour administration can play an effective role in development if:

- It contributes to the maintenance of a healthy social climate that promotes inclusive development;
- The services that it offers are effective and correspond to the needs of users; and
- Social partners participate.

It is against this template that the labour administration system in Zimbabwe can be assessed.

#### *b) A fragmented labour administration system in Zimbabwe*

The key Ministries that have jurisdiction over labour market issues include the Ministry of Labour and Social Welfare, and the Ministry of Youth Development, Indigenization and Empowerment. While the Ministry of Labour and Social Welfare works through tripartite structures representing Government, employer and employee representatives, the Ministry of Youth Development, Indigenization and Empowerment does not have such consultative structures.

Other Ministries such as Higher and Tertiary Education, Small and Medium Enterprises and Co-operative Development, and Women's Affairs, Gender and Community Development also overlap into labour market issues, and in particular employment creation. The Government of National Unity formed in February 2009 has seen some Ministries being split, introducing further overlap

into labour market administration. For instance the previous Ministry of Public Service, Labour and Social Welfare has been split into two, namely, Labour and Social Services on the one hand, and Public Service on the other. This has taken place at a time when the International Labour Organisation's Standards Committee has raised concerns over the fragmentation of industrial relations in Zimbabwe where the Labour Act does not cover public sector employees.<sup>23</sup> In addition, the creation of these two ministries means that one, to all intents and purposes, is responsible for labour issues in the private sector, and the other for the public sector. In addition, the newly created Ministry of Public Works also has jurisdiction over employment issues within the public works domain.

Since the recent establishment of the Government of National Unity, difficulties have already emerged with respect to the jurisdictional and operational boundaries of these ministries, with a degree of confusion currently prevailing as to which ministry is to take the lead in terms of employment issues, this lack of clarity being compounded in grey areas such as the informal economy. During the course of the development of the National Employment Policy Framework for Zimbabwe in the second half of 2008, the ILO argued that issues of employment should be placed under the aegis of the Ministry of Labour, which has the tripartite structure as per the ILOs recommendations in terms of international best practice. This dispute over mandates has come to the surface clearly in the course of ongoing discussions on the coordination of the National Employment Policy Framework over which various ministries still claim coordination rights.

To the major weaknesses of various labour market interventions listed above may be added another key characteristic which has compromised performance in the past, namely that they have a predominantly supply focus, with ministries implementing programmes even where they do not have the requisite competencies (e.g., in the area of business development). Interviews with senior

Ministry officials carried out by this author revealed the lack of clarity on the limits in terms of the responsibilities of the various ministries dealing with labour issues, and in particular SME development and employment creation. The frequent rearranging of ministries since Independence has not helped matters. Neither has the historical tendency to create whole ministries to deal with specific challenges (e.g., SMEs, Indigenization, Youth Development, Gender, etc.), rather than to see them as a sub-set of wider issues or themes that would more appropriately be folded into the purview of existing structures. In addition, the proliferation of ministries is both a reflection of, and reinforces the impression, that it is the state that should both lead and resolve labour market issues rather than to act as a facilitator. Many labour issues are, by their very nature cross-cutting ones, and locating them in specific ministries cannot but lead to fragmented responses and sub-optimal responses at a time when public resources are extremely limited.

The focus, built up since Independence, on government institutions as the primary, if not sole, source of actions in the field of labour issues, has resulted in a highly centralized labour administration system such that decentralized bipartite structures such as the National Employment Councils (NECs), formed by unions and employers at the sectoral level, have a very limited role, restricted mainly to collective bargaining.

It is in this light that recommendations have been made aimed at improving the efficiency and effectiveness of the system of labour administration through the devolution of functions to decentralized structures (UNDP, 2008). NECs, for example, could be used for sector-specific training, as is the case with the Sectoral Education and Training Authorities (SETAs) of South Africa.<sup>24</sup> They can also play a role in collecting and collating sector-specific labour market information as part of an overall Labour Market Information System, especially on such variables as employment, wages,

<sup>23</sup> Prior to 2003, the Labour Act was called the Labour Relations Act.

<sup>24</sup> Sector Education and Training Authorities (SETAs) are bipartite organizations consisting of workers' and employers' representatives in a particular sector or amalgam of related sectors. They promote skills development and learnerships which combine a structured learning component and practical working experience. SETAs retain 80 percent of the contributions from the 1 percent levy on the payroll of firms in their sector, with the remaining 20 percent being remitted to central Government.

disputes/strikes, vacancies and occupational injuries amongst others.

Another area of potential reform concerns the labour inspection function, which is currently scattered across several ministries such as Labour and Social Welfare, Mines and Mining Development, Public Service, Environment and Natural Resource Management, Health and Child Welfare, Housing and Social Amenities and local authorities. Kenya and South Africa, amongst others, have led the way in reorganizing labour inspectorates into a unitary body, thereby improving promoting efficiency and effectiveness in the process (Kanyenze, 2007).

### 2.3.2 The Legal Framework

The segmented nature of the current system of labour administration may be partially attributed to a plethora of laws which have accumulated over time. For instance, the Labour Act [Chapter 28:01] applies only to the private sector, while in the public sector the Public Service Act [Chapter 16:04] applies. Even though the Amendments of 2002 had partially included the public sector under the Labour Act, the subsequent Amendment No. 7 of 2005 reversed the process.

The Public Service Act does not recognize the collective bargaining rights of public employees, and its structures for dealing with grievances and disputes are heavy-handed and unilateral as they are employer-driven. Independent structures, such as NECs that exist in the private sector, are non-existent. In fact the Public Service Act does not have provisions for unions, and the various associations in existence do not have trade union rights; although a Joint Negotiating Forum was established in 1998, its role is merely advisory. The Urban Councils Act [Chapter 29:15] offers procedures and conditions at variance with those in the Labour Act, resulting in a conflict of laws in that a party to a dispute may choose to take recourse via the Labour Act or via the Urban Councils Act.

The Labour Act also contains repressive provisions meant to curtail trade union activities, including the proscription of the right to strike. Apart from criminalizing participation in unlawful collective job action, Section 109 of the Act also empowers an affected party to claim damages from an employee or trade union for losses incurred as a result of the strike. Unions risk their registration being suspended for a period of twelve months, and cannot collect subscriptions during this period. Furthermore, the frequent recourse by the State to laws such as the Public Order and Security Act (POSA) [Chapter 11:17], the Access to Information and Protection of Privacy Act (AIPPA) [Chapter 10:27] and the Criminal Law (Codification and Reform) Act (No. 23 of 2004), curtails trade union freedoms, resulting in the setting up of a Commission of Inquiry into Human and Trade Union Rights Violations by the ILO Conference of June 2008 to investigate Zimbabwe.<sup>25</sup> Even though the High Court ordered the State not to interfere with trade union meetings in 2002, this ruling has often been ignored<sup>26</sup>.

National Employment Councils, which are best suited to dealing with disputes with regard to conditions of service in their sectors, are merely conciliatory bodies with no effective powers, and they still have to refer matters to the Ministry of Labour, resulting in a backlog of cases as a result of the centralized labour administration system. Despite the streamlining of the dispute/grievance procedures, and the introduction of a specialized Labour Court to deal with labour matters in 2002, long delays still characterize their resolution, though the situation is much better than in previous years. Furthermore, the Manpower Planning and Development Act [Chapter 28:02] grants the Minister of Higher Education unilateral powers to manage the Zimbabwe Manpower Development Fund (ZIMDEF) which is the country's national skills development fund as they deem fit, resulting in it being run in a non-transparent and unaccountable manner. The operations of ZIMDEF have been a recurrent bone of contention with industry, which feels let down by being unable to access the resources earmarked for skills training to which they have contributed.

<sup>25</sup> The Commission was supposed to visit Zimbabwe during the first half of 2009. Whether it will go ahead with the visit now that an Inclusive Government is in place is still to be seen.

<sup>26</sup> See Zimbabwe Congress of Trade Unions v The Officer Commanding Police Harare District and the Commissioner of Police, H-H 56/2002).

An overall feature of the current system is that existing regulatory frameworks only apply in the formal sector of the economy, entrenching enclavity (separate existence) in the economy and society. Given that the informal economy is currently the mainstay of the economy, this translates into a situation in which the majority of the country's workforce who currently operate in the informal segment are not protected, and suffer from huge decent work deficits.

### 2.3.3 Policy Constraints

While Zimbabwe inherited a dual economy at Independence, post-independence policies have only served to entrench this dual structure. The weak labour absorptive capacity of the economy referred to above can be traced to this dual and enclave structure whereby at Independence the formal sector employed only 20 percent of the labour force, the remaining 80 percent being located in the marginalized and vulnerable, mainly communal agricultural sectors, and the non-agricultural informal sectors in both urban and rural areas. Instead of the economy being formalized over time as was to be expected, a deepening of informalization of the economy has taken place, such that as of this writing the formal sector now accounts only for an estimated 13 percent of the labour force.

This informalization process is associated with the historically poor growth rates since Independence, coupled with unresponsiveness, which then degenerated into outright hostility, to the needs of the private sector as a key source of growth. In addition it reflects the lack of understanding regarding the need to diversify the economy, as well as the lack of attention to the imperative of international competitiveness. This informalization process became particularly acute with the onset of the crisis in 1997, and its deepening in the new millennium. The hyperinflationary environment that ensued, together with crippling price controls, lack of credit lines following the withdrawal of international partners and the isolation of Zimbabwe since 1999, all conspired to undermine the formal sector, with industrial productive capacity slumping to 18.9 percent by 2007.

The majority of the labour force therefore continues to be simultaneously marginalized and excluded from what was, until the onset of the crisis, the dynamic part of the economy, namely the formal sector, whose labour absorptive capacity has declined over time, as reflected in the negative employment elasticities of output referenced above. While government sought to protect workers through labour legislation during the first decade of independence, that protection proved to be cumbersome and constituted a serious disincentive for enterprises to expand their workforce, with unintended negative employment consequences. The determination of minimum wages by government, which characterized the 1980s, undermined the role of labour-market institutions by usurping the role of unions in wage negotiation processes.

The subsequent period of ESAP saw a rapid deregulation of labour laws aimed at achieving labour-market flexibility. Far-reaching changes were made to the law dealing with dismissals and disputes. Statutory Instrument 379 of 1990 required workplaces and employment councils/employment boards to establish employment codes (codes of conduct). Once an employment code was registered with the Ministry of Labour, the requirement for ministerial approval would cease to apply. However, Statutory Instrument 379 was silent in terms of what happens should both a workplace and employment council register an employment code. Through Statutory Instrument 356 of 1993, this issue was clarified. A works council was, through this amendment, allowed to register a code, notwithstanding that an employment council had applied or proposes to apply for the registration of a code. In the event that both the workplace and employment council have registered codes, the statutory instrument makes the code registered by the works council binding, implying the shop-floor level arrangement supersedes any arrangement at the industrial level.<sup>27</sup>

While the decentralization of industrial relations management was welcome, it was the nature and extent of that decentralization that presented problems. Both the Employers Confederation of Zimbabwe (EMCOZ) and the Zimbabwe Congress

<sup>27</sup> These changes are formally incorporated in the amendments to the Labour Relations Act of 1992.

of Trade Unions (ZCTU) might have preferred that authority be delegated from the Minister to the National Employment Councils (NECs), where structures were in place. Giving powers to the shop-floor level, where workers' committees were not trade union committees, effectively undermined the role of unions.<sup>28</sup> In addition, requiring codes at shop-floor level is an administrative nightmare, considering the multiplicity of organizations and firms involved. With the advantage of hindsight, it might be argued that under ESAP the pendulum swung to the other extreme, one result being a wave of retrenchments. Thus, neither extreme case – over-regulation and complete flexibility – helped the cause of employment creation and poverty reduction in Zimbabwe.

Finding a balance between the imperatives of flexibility and job security is an ongoing global challenge. But to the extent that lessons have been learned, it is that negotiations which bring together all stakeholders are a key ingredient of success, and that various forms of regulated flexibility that have been developed elsewhere may well be of some relevance to Zimbabwe. As the Commission on Growth and Development succinctly put it:

*'While creative destruction [the process through which new industries emerge and older ones disappear] is economically natural, it doesn't feel natural to those displaced in the process. If these casualties of growth are simply disregarded, they will seek to slow the economy's progress. In intervening on their behalf, governments should be guided by two principles. First, they should try as far as possible to protect people, not jobs. Unemployment insurance, retraining, and uninterrupted access to health care are all ways to cushion the blows of the market, without shutting it down. Second, if governments cannot provide much social protection, they may have to tread more carefully with their economic reforms. The speed of job destruction should not outstrip the pace of job creation.'* (2008: 44)

This position sums up the concept of flexicurity, first coined in the late 1990s to characterize a specific approach to labour market governance (Auer, 2007; de Gobbi, 2007). The first part of the concept refers to the flexibility required by employers to adjust their workforces based on market fluctuations, sector restructuring, technological change and changes in the business model. The second part refers to the security of workers, either in employment or making a transition to new employment. It is a model aimed at achieving a balance between flexibility and security, with the nature of the balance varying considerably. As a model, flexicurity is often associated with labour market security where key elements of security are 'socialised' through policies and programmes administered by the state (e.g., re-training or unemployment insurance). Where security is provided mainly by employers and policies focus on employment protection rather than transitions, such a system would be more correctly characterized as one of 'job or employment security' and not 'labour market security'.

Since the late 1980s, Zimbabwe has struggled to come up with a comprehensive national employment policy. It is only recently that a National Employment Policy Framework was crafted through the assistance of the ILO. The draft document was validated at a stakeholders' workshop held in January 2009, and presented to the new ministers of Labour and Social Welfare, and Youth Development, Indigenization and Empowerment, as well as the cabinet taskforce on employment creation on 2 March 2009. The employment policy framework is based on the decent work agenda, an international concept adopted by the ILO and its constituents in 1999 as a way of leveraging employment-intensive growth and placing employment at the heart of the national policy agenda. The document emphasizes the need to redress the dual and enclave nature of the economy by fully integrating the hitherto marginalized sectors (non-formal) and vulnerable groups (women, youths, people with disabilities and those living with HIV and AIDS) into the economy.

<sup>28</sup> The Amendments to the Labour Relations Act of 2002 now allow for the formation of trade union committees at the shop-floor level where a trade union commands 50 percent of the employees.

### 2.3.4 Financial and Capacity Constraints in the Education System – The Years of Paralysis

The multiplicity of institutions involved in the education sector and the costs associated with their existence and operations, and the rapid and massive expansion of education and training provision, have stretched available resources to the limit. The withdrawal of many donors, the downscaling of the activities of those who remained to humanitarian assistance programmes after 1999, coupled with the meltdown of the economy and a concomitant shrinking of the government's revenue base, resulted in serious resource constraints and a deterioration in both soft and hard infrastructure in the national education system.

It is against this background of an extremely restricted resource envelope that the need to rationalize the provision of technical and vocational education and training, and to promote stakeholder participation in funding, becomes an imperative.

The prevailing situation, which needs to be corrected, is a dismal one. Lack of resources has resulted in low and unattractive salaries in the public education and training systems. The index of real average earnings in the public sector collapsed from 119.8 in 1997 to 14.4 by 2004, while those in the education and health sectors fell from 98.5 to 18.1 and 115.3 to 18.6 respectively during the same period. Coupled with the brain drain which impacted all levels of the education system, it has effectively undermined its capacity to deliver an efficient and effective service.

These systems could not have been immune from the general macroeconomic instability that affected the country. During the period 2007–2009 hyperinflation rendered Zimbabwean dollar denominated salaries meaningless. Partial dollarization, and other compensatory measures, which was a response of some private enterprises as well as state institutions with access to resources such as the Reserve Bank, created enclaves within the labour market – labour aristocracies. Thus, the balkanization of the labour markets became a key characteristic of the economy during this period, with employers resorting to a cornucopia of payment systems

including fuel coupons, food hampers, and foreign currency in an attempt to retain staff.

But given that in national terms the scope for adopting such compensatory mechanisms was limited, wages and salaries failed to play their primary role of providing incentives for commitment, adherence to work ethics and a productivity culture. Inevitably moonlighting, multiple-jobbing, shirking, absenteeism and corruption became commonplace. The public sector in general, and the education and health sectors in particular, where alternative payment systems were not widely available, was the worst affected, with most schools and hospitals, especially in the rural areas, not functioning for the greater part of 2008. Where workers turned up for work, it was usually for the purposes of making use of the infrastructure for personal business, as the CZI 2008 Survey of the Manufacturing Sector pointed out.

The education sector was further undermined by the extensive application of price controls that set prices and fees way below costs. The problems were further exacerbated by the establishment of the National Incomes and Prices Commission (NIPC) in 2007, which required that prices and school fees be approved by that organization, with extensive delays in such approvals. Private schools would often challenge the NIPC and devise ways of circumventing the controls (such as charging fees in fuel coupons or 'units', which were denominated in foreign currency) thus allowing them to remain operational. These survival mechanisms were not available to the public sector. Without qualified staff, public examinations could not be held in 2008, resulting in the intervention of the central bank and military, the latter having to invigilate examinations in the latter half of 2008.

UNICEF has observed that 2008 was a 'wasted academic year' (see Box 1), while the Women of Zimbabwe Arise (WOZA) saw it as constituting 'a dream shattered'.<sup>29</sup> It is estimated that children in rural areas had an average of only 23 uninterrupted learning days during that academic year, while those in high density areas attended school for an average of 38 days in 2008. Teachers were on strike from the 24 January to 12 March

<sup>29</sup> Women of Zimbabwe Arise (WOZA), 2009: *The State of Education in Zimbabwe: a Dream Shattered, A WOZA perspective*, February.

2008. When they called off the strike, schools were only open until 19 March to allow for the presidential and legislative elections given that staff were deployed to run the elections. Given the absence of a clear winner in the Presidential elections, a run off of that election had to be done on the 27 June 2008. During the Presidential run-off, violence erupted, affecting schools throughout the country, but especially in the rural areas. From the third term of 2008 onwards, teachers were back on strike. The strike was only called off on 2 March 2009 after the payment of allowances of US\$100 to each of the teachers under the Inclusive Government.

Another indication of the extent of the malaise afflicting the sector lies in the fact that it has become clear that the relevant ministries do not have reliable data on their workforce. It became difficult to know who had left the service and which workers were available for work should the working environment improve. Evidence emerging suggests that ghost workers have become a major problem, in an environment where accounting officers in ministries had only a tenuous grasp about the actual staffing situation. For instance, it is emerging that only a third of the 93,000 on the Ministry of Education, Sport, Arts and Culture's payroll were actually at post. Under such conditions, a human resource audit is urgently required to verify the actual levels of public sector employees.

In an attempt to encourage civil servants to return to work, the budget statement presented to Parliament on 29 January 2009 proposed that they will continue to be paid their salaries in local currency with periodic reviews in line with the cost of living developments. In addition, a monthly allowance will be paid in foreign currency to facilitate access to a basket of goods and services now being charged in foreign currencies. This would initially be done through a voucher system pegged to a basket of goods for a family of six which the Monetary Policy Statement (MPS) of 2 February 2009 set at US\$100; this would be phased out in line with improvements in foreign currency inflows. In view of the challenges related to the lack of adequate foreign currency reserves to back up the voucher system, the new Minister of Finance announced that civil servants would, with effect from the end of February 2009, be given an

allowance of US\$100 in hard currency. However, a major challenge regarding the current 'multicurrency' system is that while those with access to foreign currency are now allowed to pay salaries in hard currencies, this effectively entrenches the balkanization of the labour market, creating enclaves that leave out the majority of workers.

A positive development in the 2009 budget was the liberalization of the pricing regime, with the role of the National Incomes and Pricing Commission (NIPC) reduced to monitoring price trends obtaining in the region and beyond and advising government on import parity based pricing. The responsibility to regulate school fees was returned to the Ministry of Education, Sport, Arts and Culture from the NIPC, with the latter focusing on compliance with the set fees.

In the hope of reviving training, the Ministry of Higher and Tertiary Education announced a fee structure ranging from US\$200 to US\$1,600 depending on education and institution. However, following disturbances – which highlighted the importance of undertaking consultations with stakeholders to enhance the broader ownership of policies – Government reversed this fee structure to between US\$100 and US\$400 per semester on 3 March 2009. These disturbances, which started at the University of Zimbabwe in January 2009 and led to its closure, underline the importance of Government explaining changes in policy and ensuring that in an attempt to attain viability, affordability of basic services is also taken into account as well. Once space is availed for stakeholder participation in decision-making, it will become easier to introduce changes in a sustainable manner. This is in line with the central tenet of the global development discourse namely that stakeholder participation is necessary to engender broader ownership of policies and programmes. The principle takes on even greater importance in a context of macroeconomic stabilization processes which are often characterized by radical and wrenching reforms required to reverse past decline. Therefore the importance of ensuring a sound framework for stakeholder consultations in the context of the proposed National Economic Council (NEC) as envisaged in the Global Political Agreement of 2008.

## Section 3

# The International Experience and Policy Implications for Recovery in Zimbabwe

### 3.1 THE DECENT WORK AGENDA IN THE INTERNATIONAL CONTEXT

The onset of the crisis in Zimbabwe in 1997 coincided with major changes in international development discourse and aid architecture. In September 1999 the International Financial Institutions (IFIs) abandoned the Structural Adjustment Programmes (SAPs) they had supported during the previous decade in favour of Poverty Reduction Strategy Papers (PRSPs), which emphasized the importance of integrating both social and economic objectives in national development strategies. Stakeholder participation and national ownership of development programmes assumed much greater significance within PRSPs compared to SAPs, and the former placed poverty reduction at the centre of global development policy.

Earlier in 1995, the World Summit on Social Development held in Copenhagen proclaimed the promotion of full employment as a priority of economic and social policies. In line with this new thinking, the ILO adopted the Decent Work Agenda at its 87th session in June 1999. The UN Millennium Summit of 2000 crystallized this new strategy into the Millennium Development Goals (MDGs), whose primary focus was the halving of poverty by 2015. Millennium Development Goal (MDG) 8 on global partnerships refers to the need to ‘develop and implement strategies that give young people everywhere a real chance to find decent and productive work’. The Youth Employment Network (YEN), a global alliance between the UN, World Bank and the ILO, was established in 2001 to support countries to develop National Action Plans on (youth) employment.

The institutionalization of the decent work agenda was further consolidated by the adoption of the Declaration on Social Justice for a Fair Globalisation at the ILOs 97th session in June 2008. This declaration places full and productive employment

and decent work at the centre of economic and social policies. The decent work agenda was fully embraced by African Heads of State and Government at the extra-ordinary meeting held in Ouagadougou in September 2004. At this summit, the African Governments expressed their concern at the rising levels of (youth) unemployment, the failure to treat employment creation as a major objective of economic and social policies and the inadequacy of current efforts to deal with the challenges of (youth) un- and under - employment and poverty. They committed themselves to place employment creation and poverty reduction as an explicit and central objective of economic and social policies.

The main vehicle for implementing the decent work agenda is the Decent Work Country Programme. Zimbabwe adopted its country programme (ZDWCP-Zimbabwe Decent Work Country Programme) in December 2005 covering the period 2006–2007. In the course of consultations, social partners highlighted the following main country priorities for Zimbabwe:

- Poverty reduction through employment creation;
- Social and labour protection and reduced impact of HIV and AIDS at the workplace;
- Enabling environment created through upholding and strengthening social dialogue; and
- Working out of poverty through promoting gender equality and empowerment.

This agenda is based on the prioritization of MDG Goals 1 (Poverty), Goal 3 (Empowerment of Women) and Goal 6 (HIV and AIDS) by Zimbabwe. Goal 8 (Developing Global Partnerships for Development) is taken as cross-cutting. Subsequently, the 2005 ZDWCP was revised, with the implementation extended to 2011 (2007–2011).

In this revised version, the three themes agreed in 2005 were rephrased as follows:

- Employment and poverty;
- Social protection and HIV and AIDS at the workplace;
- Tripartism, social dialogue and industrial relations; and
- Gender equality and women empowerment.

It is therefore in fulfilment of its obligations as agreed in Ouagadougou in 2004, and in line with own country decent work agenda, that Zimbabwe has drafted its National Employment Policy Framework, which is now awaiting the approval of cabinet. The decent work agenda is therefore fully entrenched at the global, continental and national level, with the focus now on its implementation as a cross-cutting issue. It needs emphasizing, however, that mainstreaming decent work remains a challenge at all levels of policy formulation.

A useful attempt to apply the concept in macro- and sectoral-policies has been attempted by the UNDP's International Poverty Centre (IPC, 2008). McKinley (2008) makes the case for structural policies to play a role in making growth more employment-intensive. The author cites a number of instruments available, such as fiscal policies that focus public investments in economic or social infrastructure where employment-intensive sectors are located, financial policies that provide banks with incentives to direct credit to SMEs, and trade policies that maintain tariffs to protect domestic food security.

The IPC study takes note of the South African government's Expanded Public Works Programme (EPWP), which provides temporary employment in labour-intensive public works schemes. The study notes, however, that the programme remains small and the jobs created are too temporary to make a dent on South Africa's high unemployment levels, but that if the EPWP were expanded and designed to have a large impact on sectors that are directly employment-intensive and/have a multiplier effect on employment in other sectors, the impact would be much more significant.

To make a large impact, public investment needs to be complemented by private investment to provide enough new jobs. The IPC study proposes a large scale programme of loan guarantees directed at sectors that can provide more formal sector jobs such as agro-processing, apparels and textiles, and tourism. The study shows that while more expansionary macroeconomic policies could accelerate growth in South Africa, structural policies, such as sector-targeted credit subsidies, could substantially enhance the impact of this growth on employment. If such macroeconomic and structural policies were supplemented by equity-focused policies, e.g., providing poorer households with greater access to quality education and training or to land and extension services, significant progress could be achieved in expanding poverty-reducing employment.

Heintz (2008) has argued that the dominant focus of current macroeconomic policies on economic stability, often restricted to price stability, is excessively narrow. He argues that the focus on price dynamics as the primary indicators of economic and social stability raises numerous concerns. Real economic performance has increasingly become subordinated to monetary and inflation targets. The dominant goal of monetary policy currently is to reduce inflation to the low single digits. As a result, the ability of fiscal policy to fully exploit its developmental potential is limited in the context of a narrow interpretation of macroeconomic stability. Heintz also argues that the low quality of employment in many developing countries should not be seen as a labour market problem, but rather as a developmental challenge. He proposes an alternative approach to macroeconomic stability which takes greater cognisance of the performance of the real economy. Emphasis is placed on the need to coordinate across a range of different policy areas – macroeconomic, financial sector, productive sector – including supportive and appropriate labour market regulation.

### 3.2 MORE DEMAND-DRIVEN TRAINING

Globalization has put a premium on how quickly national education and training systems adjust to

technological changes. This implies a need to transform supply-driven, and centrally controlled training in order to make it more responsive to market forces. Wholly supply-driven programmes generally suffer from bureaucratic inertia, inefficiency, and increasing irrelevance with respect to needs of the stakeholders, are costly, often under-funded, ineffective and ultimately unsustainable (Middleton *et al.*, 1993; World Bank, 1991). There is therefore a need for a re-orientation of education and training systems to match rapid changes in skills demand. This calls for a more demand-driven training system.

However, a word of caution is called for, as de Moura Castro rightly observed ‘...demand driven training is a good idea but needs to be taken with a grain of salt.’ (de Moura Castro, 1995: 1). This is so because on its own the private sector will tend to under-provide resources and may not be able to address issues of equity of access which should loom large in public policy. Thus a stakeholder, cooperative, and complementary approach may be required. As argued by Middleton *et al.*, ‘... co-operation between the government and the private sector is the cornerstone of the process through which the government’s role changes as development proceeds’ (1993: 129). As they elaborate further, ‘... the challenge is to move from policies dominated by social and supply objectives and programs financed and provided by governments to policies and programs that respond to market forces and promote employer and private training, and that establish appropriate complementary and supportive roles for the state’ (1993: 253).

This new thrust, whereby training is viewed as a shared responsibility, has implications for the structure of governance of any country’s publicly run vocational education and training institutions. According to the World Bank, ‘...to respond to the needs of the economy demands a degree of freedom from short-term bureaucratic control that is difficult to achieve in line ministries. National training authorities (NTAs) have been found to be effective in this respect in several countries’ (1991: 23). Although the structure of successful organizations varies from country to country, the key point is the need for a governance structure that involves the various stakeholders (employers, unions, etc.), that creates adequate and stable

funding and the freedom to use resources flexibly, as well as a high level of professional capacity (World Bank, 1991; Middleton *et al.*, 1993; Ministry of Higher and Tertiary Education, 2006).

Delivery patterns in technical vocational education and training (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 current trend is towards a more market-oriented approach since skills are required to respond flexibly to rapidly changing demands. Worldwide, the ongoing restructuring of TVET systems displays the following key features:

- 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;
- Greater autonomy is being granted to public TVET institutions;
- The involvement of all partners is encouraged;
- New financing and certification mechanisms are being introduced;
- The curricula for the training of trainers and apprenticeship are being revised;
- Dual forms of training where institutions and enterprises work closely are being developed (UNESCO-UNEVOC, 2004).

### 3.3 IMPLICATIONS FOR RECOVERY IN ZIMBABWE

#### 3.3.1 Strategic Objectives

In the introduction to the paper it was argued that while growth is an essential pre-condition for employment creation and poverty reduction, it is however not a sufficient one. What matters is both the quantity and quality of employment. Thus, ensuring that as many people as possible are

productively employed is as important as ensuring that the returns to employment are commensurate with the goal of poverty reduction. Employment provides the link (nexus) between growth and poverty reduction, and hence the relevance of the decent work agenda in informing national policies and any given country's recovery and growth trajectory. Most countries that have succeeded in reducing poverty have followed strong employment creation policies (IPC, 2008). It is on this basis that the current pro-poor discourse is based on the recognition of the need to enhance the link between growth and poverty reduction via employment.

Given the reality of globalization and the need to enhance the Zimbabwean economy's international competitiveness, it is imperative to ensure that there is a match between labour demand and supply, implying the need for radical reforms with respect to the existing governance and management of education and training, and to move it away from the current supply-bias in favour of a more demand-driven system. Given likely budget constraints as the country moves forward, it is clear that Government, on its own, cannot continue to fund education and training provision on the scale that it did in the past. In line with global trends, there is a need for a partnership with other players.

Against this backdrop, the key strategic objectives should therefore be to:

- Create a basis for an inclusive (shared) growth path thereby sustainably reducing poverty;
- Raise the employment intensity of growth;
- Promote decent jobs and improve the quality of employment; and
- Improve the match between labour demand and supply.

### 3.3.2 Strategic Thrusts

#### *a) Promoting pro-poor growth*

The problem of the dual and enclave nature of the economy inherited at Independence has not been resolved. If anything, due to the economic regression that has taken place and the explosion in the size of the informal economy, this key feature

of the economy has been reinforced. Only a small proportion of the population accounts for the country's output in the formal sector. The challenge therefore is to bring into the framework of the productive economy the majority of the population who are currently operating in the informal economy which is characterized by low levels of productivity, low levels of capital and high degrees of insecurity. Thus, by resolving enclavity and dualism and integrating the non-formal economy into the mainstream sector, a basis for a broader economic base will be established. This will enhance not only the growth factor, but also the elasticity and integrability factors, to unlock a virtuous growth process that maximally utilises all available national resources.

The need to resolve this long-standing structural feature of the Zimbabwean economy should lie at the centre of public debate and policy formulation as Zimbabwe plots its recovery trajectory. Overlooking this fundamental aspect can only lead to policies that miss the target and deliver sub-optimal results. Even the World Bank's 'performance audit' of the ESAP of the 1990s conceded that:

*'... the concerns, however, go beyond the issues of pace and design: the comprehensiveness of the program seems a fundamental issue, especially given the objective of reducing poverty. Given the highly dualistic nature of Zimbabwe's economy (where the white minority dominates formal sector economic activity and owns two-thirds of high potential land, and the black majority is concentrated in rural, communal areas and the urban informal sector), it would appear that some basic questions were not explicitly addressed at the outset. First, would ESAP, predicated on the formal sector acting as an engine of growth create sufficient jobs, quickly enough, to address the serious problems of employment? ... Even realisation of the most optimistic scenarios for formal sector growth will not provide a quick solution to the unemployment problem.'* (1995b: 11)

#### *b) Raising the employment intensity of growth*

As mentioned above, the employment intensity of growth, i.e., its elasticity, depends on three aspects

of the growth process; the sectoral composition of output, choice of techniques and terms of trade. All three can be influenced by public policy. Maximising the employment elasticity of growth requires leveraging growth in the more labour-intensive sectors (IPC, 2008). The regional (Southern Africa) tripartite conference on youth employment held in Harare from 17–19 October 2005 came up with a detailed framework for Action Plans on Youth Employment. The key areas of focus included the identification of among others economic sectors with the highest employment potential. The key priority sectors with the highest employment potential were identified as follows:

- i) Agriculture
- ii) Tourism
- iii) Mining (small-scale)
- iv) Manufacturing
- v) Enabling Interventions
  - Infrastructure development
  - Extension services.

Since for the majority of peasant households, their existing assets and incomes are insufficient to climb out of poverty, complementary income sources should be nurtured. In this regard, the importance of rural non-agricultural employment (RNAE) has received increased attention since the 1990s. Worldwide, RNAE is increasing and accounts for an estimated 35–45 percent of income among rural households. Creating new employment opportunities for underemployed rural labour forces helps to increase and smooth household income flows, and slows down rural-to-urban migration flows.

A few stylized facts about RNAE suggest that: i) on average, it pays better than agriculture; ii) it tends to be dominated by small-scale manufacturing

(mainly processing of food and other agricultural products), commerce, and various forms of services; iii) it is more prevalent among women than men. Access to RNAE is determined largely by two factors: the human capital endowment of the worker and proximity to markets in which non-agricultural goods and services are demanded. Therefore, the potential of RNAE for improving livelihoods depends to a greater extent on the proximity to buyers of non-agricultural goods and services. The key to better non-agricultural job prospects for the rural population is investment in education and infrastructure. It is in this respect critical to develop rural ‘nodes’ such as rural centres, towns, small cities as alternatives to the urban economy (Jonasson, 2008).

The choice of technique of production is critical for improving labour-intensity in the economy. Real exchange-rate depreciation is a powerful tool of changing relative prices in favour of tradable goods sector.<sup>30</sup> It raises the price of imported capital relative to labour, thus providing an incentive for more intensive use of labour. Apart from promoting labour-intensity, real exchange-rate depreciation also helps shift the terms of trade in favour of the tradable relative to the non-tradable goods sector, where profitability is expected to improve relative to that in the non-tradable goods sector. Whether producers are able to take advantage of these positive developments largely depends on supply constraints that would have to be addressed.<sup>31</sup>

### *c) Promoting decent jobs and improving the quality of employment*

Innovative employment creation programmes, such as those advanced below in section 4, can as part of an overall active labour market initiative, improve the creation of decent jobs.<sup>32</sup> Human capital formation can help raise the human capabilities of the labour force, raising the integrability of labour into growth processes. Crosscutting issues include

<sup>30</sup> Tradable goods are goods that have the potential to cross frontiers (both exportables and importables), while non-tradables are mainly services that are produced and consumed in the domestic economy.

<sup>31</sup> The suspension of the Zimbabwe dollar as legal tender for at least one year in favour of use of multiple foreign currencies implies that the tool of real exchange depreciation for changing relative prices in favour of the tradable goods sector would not be available. However, it is a price to pay for quicker stabilization of inflation.

<sup>32</sup> Active labour market policy interventions are measures that influence the quality of labour supply (employability) and enhance demand. These should be distinguished from passive labour market policies, which mainly take the form of transfer payments (e.g., unemployment benefits).

education and life-long learning, equal opportunity, HIV and AIDS, and the need to fully involve the marginalized and their representatives in the conception, implementation, monitoring and evaluation of policies and programmes that affect them. The involvement of the disadvantaged groups – giving them voice – is critical in order to ensure ownership and sustainability of interventions.

*d) Improving the match between labour demand and supply*

The need to restructure the education and training system in order to make it more demand-driven is not a new policy proposal in Zimbabwe. As this

paper has demonstrated, the issue has a long history, and the solution widely shared by interested parties revolves around the need to create a more demand-driven system. While the stakeholders have agreed to establish a National Council for Higher and Further Education and Training (NACHFET) following the GTZ-funded review of 2000, its implementation has stalled owing to internal resistance from entrenched interests imbued with a dirigiste approach to labour market issues. Given the reality of global competition, years of regression, as well as the need to play catch-up and highly constrained budgets going forward, the urgency of reforming the country's training system cannot be overemphasized.

## Section 4

# Recovery Policies and Policy Measures

### 4.1 TRANSITIONAL ARRANGEMENTS IN REBUILDING LABOUR MARKETS AND HUMAN CAPITAL

Within the context of collapsed labour and human capital markets, and against the backdrop of severe budgetary constraints, government will have to engage international partners to assist in resuscitating the critical sectors of the economy, from infrastructure to social sectors, and in particular education and health. While the immediate measures taken by the Inclusive Government involving payment of a US\$100 allowance to all public sector employees is laudable, it is a very short-term measure. It is therefore necessary that the Coalition Government moves with haste to revive growth in the economy which will enable it to expand its tax base, improve revenue flows and thereby meet its own recurrent expenditures.

In terms of harnessing the necessary human capital for recovery, dormant human capital should be targeted first, as is the case with the recent efforts made by the Ministry of Education to re-engage teachers that had left employment. The Zimbabwe Electricity Supply Authority (ZESA) has also recently made efforts to woo back skilled and experienced staff that left the country, taking advantage of the global recession. Anecdotal evidence suggests that while many workers have left the country others have not, and have simply left their posts in order to engage in survivalist strategies in the informal sector. Any policy designed to rebuild human capital must take account of the reality of this dormant capacity in-country. The latter has the potential to be easily and rapidly reactivated if certain conditions are met, and at much lower costs than a comprehensive returnee programme.

### 4.2 ECONOMIC TRANSFORMATION: REDRESSING ENCLAVITY AND PROMOTING EMPLOYMENT-INTENSIVE GROWTH

To sustainably address the problems of unemployment, under-employment and widespread poverty which have afflicted the Zimbabwean economy, it is necessary to fully integrate the non-formal sector into the mainstream of the economy through a broad-based, inclusive growth strategy. This can be achieved by consciously directing resources to uplift the marginalized groups (women, youths, and people living with disabilities among others) operating in underdeveloped sectors (informal and communal). A focus on the working poor in the informal economy and rural sector should be a central pillar of the commitment to decent work and productive employment.

Such an agenda must also take account of microeconomic considerations. More specifically, this requires a focus on strengthening backward and forward linkages within the economy through the exploitation of value chains and value systems among firms and sectors along the lines expounded by Porter (1980). A 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 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 of activities plays a key role in broadening the scope of a firm or industry's influence. Firms and sectors with coordinated value chains can trigger a broad-based, more inclusive and employment intensive growth path. Value chains, therefore, have the potential to integrate the informal economy into mainstream activities. Heintz argues that 'Policies for the productive sector must be crafted to leverage downstream and upstream linkages in order to take advantage of larger employment multipliers'. (2006: 7).

Various business linkage programmes, (including franchising, contracting, toll manufacturing and outsourcing), 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. A good example from Zimbabwe's own experience was the case of Kondozi horticultural farm which prior to its compulsory acquisition by government had established extensive linkages with its hinterland in such a manner that apart from direct employment in the concern, the communities were developed into out-growers (UNDP, 2008).

Hand in hand with a focus on the need to develop value chains must be an emphasis on a new industrial strategy that promotes value addition (processing of raw materials) to lock-in benefits internally. There is a great deal of potential for value-addition, especially in agriculture and mining where most of the commodities have traditionally been exported in raw form, and thereby extending employment opportunities.

Furthermore, as discussed in section 3, off-farm rural employment plays a crucial role in complementing incomes from agricultural activities. It is therefore important for Zimbabwe to fully maximize this potential by, among other things, improving the rural nodes (growth points), infrastructure in these areas so that they can tap more easily into markets and develop into alternative centres to urban areas. Zimbabwe could draw some useful lessons from the Spatial Development Initiatives (SDIs) in South Africa which are organized around transport corridors, which take advantage of the main economic activities in the hinterland. Clusters and value chains can also be utilized to unlock economies of scale amongst the SMEs operating in these growth nodes and linking them with larger firms in the formal sector (see below).

An active labour market approach, with some of the following interventions, will help integrate and mainstream hitherto marginalized groups and sectors:

i) **Employability: Improving the quality of labour supply**

The following should be established:

- Innovative, gender-sensitive training and skills development programmes, such as apprenticeship programmes, mentorship, business incubators, and the promotion of a culture of entrepreneurship;
- Vocational training programmes designed and implemented in partnership with the private sector; and
- Basic education programmes for school dropouts.

ii) **Improving labour demand: Employment creation**

Areas for job creation include the following:

- SME and cooperatives promotion and development;
- Labour-based public works;
- Business linkages;
- Self-employment programmes;
- Service provision in fields such as HIV and AIDS, waste management and environmental protection, through public/private partnership; and
- Community-based service provision such as access to microcredit.

iii) **Equal Opportunity**

- Promoting the employment of young women; and
- Programmes targeting people with disabilities and other vulnerable groups (ILO, 2005a).

The South African experience in terms of SME development is instructive. One key feature of the South African experience in this sub-sector is that it is demand-driven with the active participation of stakeholders, while Government provides overall policy oversight. The South African strategy for the development and support of small business was born out of a national consultative process, which started in 1995 with the President's Conference on Small Business. The conference reaffirmed the importance of small-, micro- and medium-sized

enterprises (SMMEs) in economic development and agreed to strengthen and coordinate support to activities of the sector.

Box 2 highlights the main features of a strategy for integrating the informal economy distilled from international experience.

### 4.3 CREATING AN ENABLING MACROECONOMIC ENVIRONMENT

Needless to say, one essential precondition for such a transformative agenda to be sustainable is an

enabling macroeconomic environment. The macroeconomic instability that characterized the recent past (high budget deficits, high levels of inflation and interest rates), translated into an anti-export, anti-private sector and anti-growth environment in Zimbabwe, with the disastrous effects on employment and the country's human capital base described above. Any national strategy that seeks to put the country onto a path of employment-friendly growth and recovery, while also seeking to resolve the problem of dualism in the economy, must recognize the key enabling role that macroeconomic stability will have to play. Coupled with an appropriate business environment that is conducive to higher rates of both domestic

*Box 2: An Integrated Policy Response to Informality*

Segments of the informal economy	Regulation	Protection	Promotion
Self-employment Micro-enterprises Own account operations	Registration Licensing Corporate taxes	Commercial law Property rights Social protection	Price policies Procurement Sector policies Infrastructure & services
Wage employment Informal employees	Labour regulations Payroll taxes Social security contributions	Minimum wages Non-wage benefits Social protection	Skills training Job matching

- *Regulation: focus on informal enterprises not jobs. What are 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. Focus on promoting the business, labour, and property rights of the working poor. Social protection is also back on the policy agenda. The current debate centres on how (not whether) to extend social protection: notably, on whether to de-link social protection from the employment relationship..*
- *Promotion: to enhance the productivity of informal enterprises not only through access to capital but also sector-specific business development services, infrastructure and inputs. Increasing the employability of workers requires skills training and job matching. There is need for an appropriate mix of policies for different sectors of the informal economy. To ensure the appropriate mix of policies is chosen and implemented requires the working poor to have representation in policy-making processes:*
  - *Representative voice: The working poor need to be organised into membership-based organisations and these organisations need to be represented in the relevant policy-making and rule-setting bodies or processes;*
  - *Legal validity: the working poor need legal identity and rights as workers, entrepreneurs, and asset holders. They need to be legally empowered through inclusive legal and policy reform processes and appropriate legal and policy reforms;*
  - *Official visibility: Measuring informal economy contributions and capturing these in labour force surveys and other economic indicators.*

Source: Chen (2008: 3)

and foreign investment, the establishment of new enterprises, and more efficient markets, an enabling macroeconomic environment will translate into increased employment opportunities subject to the implementation of purposive public policy aimed at removing obstacles to the integration of the informal economy into the mainstream, as well as revamped national policies on human capital formation that meet the needs of both the public and private sectors.

#### 4.4 LEVERAGING PRO-POOR RECOVERY: EMPLOYMENT-INTENSIVE INFRASTRUCTURE PROGRAMMES (EIIPS)<sup>33</sup>

Infrastructure development, rehabilitation and maintenance can play an important role in pro-poor growth through various channels. It can enhance economic activity by reducing both production and transaction costs which often weighs heaviest on the poor. In addition, the removal of infrastructure constraints in an economy can facilitate the accumulation of assets by the poor, increase the value of their assets, and more generally enable them to participate in the growth process through improved access to both product and factor markets. But beyond these indirect benefits, employment and income opportunities are also generated directly through the employment opportunities created in the course of the construction and maintenance of infrastructure.

The dilapidated state of infrastructure in Zimbabwe, ranging from health and education infrastructure to transport networks, coupled with the country's high rates of unemployment, together offer immense scope for the application of employment intensive maintenance and rehabilitation methods which have been developed and refined over time in a number of developing economies, and in particular in post-crisis situations, with encouraging results. Large-scale public sector investment programmes in the area of infrastructure offer great scope for action by both governments as well as their development partners who are interested in raising the employment intensity of growth.

The immediate objectives of EIIPs are to:

- Promote the development and application of employment-friendly policies for public investment in infrastructure at the national, regional and international levels;
- Promote small enterprises in the construction sector (labour-based contractors) and private sector execution of public works using locally available resources in an optimal manner, combining job creation in the infrastructure sector with improved and decent working conditions;
- Promote organizational and collective negotiation at the small enterprise and community levels in labour-based works in the urban and rural sectors, and improve access to productive resources and social services;
- Provide assistance to social safety nets and labour-intensive employment schemes for direct job and asset creation in reconstruction programmes following man-made or natural disasters (ILO, 2003: 3).

Labour-based technologies can be exploited in both physical infrastructure (roads, bridges, drainage systems and irrigation channels) and social infrastructure (housing, schools, health centres and water sources or facilities). Their competitive advantage lies in that labour-based approaches create 2–5 times more employment, are 10–30 percent less costly financially, and result in 30–50 percent saving of foreign currency given their greater reliance on domestic inputs (Sahle, 2009; ILO, 2003). Beneficiaries include labourers, enterprises, artisans and producers of tools or construction materials. The poorest of the poor (women and youths) can be targeted to benefit from labour-based approaches. According to Sahle (2009), these could create over four million worker days of employment opportunities per year and improve the livelihoods of over 30,000 households per year in Zimbabwe. They also create business opportunities for community groups and interested local entrepreneurs, and facilitate the transfer of essential skills through formal or on the job training.

<sup>33</sup> For an excellent and extended discussion of EIIPs, see Sahle, 2009 and ILO, 2003 among others.

Comparative studies carried out by the ILO in countries such as Burkina Faso, Cambodia, Ghana, the Lao People's Democratic Republic, Lesotho, Madagascar, Rwanda, Thailand and Zimbabwe show that without compromising the quality of the infrastructure, the labour-based option:

- Is between 10 and 30 percent less costly than more equipment-intensive options;
- Reduces foreign exchange requirements by some 50–60 percent;
- For the same investment, creates between two and four times more employment (ILO, 2003: 10).

A study by the Development Academy of the Philippines on the use and potential of labour-based technology showed that between 126,000 and 230,000 additional jobs could have been created in 1998 in various infrastructure sectors in that country had labour-based methods been more widely used. The Philippines study confirmed that the quality and costs of the assets would have been similar to that having been produced by equipment-based technology.

In Madagascar, the ILO supported the government in setting up a range of labour-based infrastructure projects in rural settings. The amount spent on labour-based infrastructure projects in 1995 amounted to about US\$20 million, creating 35,000 additional jobs, two-thirds indirectly through the multiplier effect of the injection of money into the local economy. Jobs created were equivalent to 30 percent of non-agricultural employment generated in the secondary and tertiary formal sectors. The government of Madagascar has since adopted the labour-based approach as part of its development strategy (ILO, 2003).

A wide range of social and economic issues can be addressed through infrastructure investment policies and programmes, including:

- The incorporation of employment and poverty considerations into mainstream investment policy;

- Promoting small enterprises in the construction sector (private sector execution of public works);
- Promoting the optimum use of local resources (human, material, financial, intellectual);
- Encouraging transparency of public resource allocation, particularly through public procurement processes;
- Development of public/private partnerships, through appropriate contract systems and procedures;
- Decent working conditions;
- Gender issues;
- Decentralization and related institutional reforms; and
- Community contracting and introduction of the principles of organization and negotiation in the non-formal rural and urban sectors.

While construction and maintenance should be labour-intensive under EIIPs, they should also be developed in such a way that they are competitive in terms of quality, cost and speed and allow for the participation of the local private sector. Such alternative employment-intensive approaches to infrastructure development and rehabilitation stimulate the local economies, develop community organization, and build skills and self-confidence. The cash injection (wages) into the local economies, combined with the productive use of the infrastructure itself, has many multiplier effects that contribute to sustainable development. EIIPs create wealth in several forms such as productive assets (irrigated fields, woodlots, water supply schemes, roads), social assets (schools, health centres), skills (managerial, supervisory, crafts), incomes (direct and indirect), and community cohesion (joint responsibility for the creation and upkeep of the facilities). They therefore possess considerable potential to contribute to poverty reduction and local development.

## 4.5 LEGISLATIVE REFORMS

To create an enabling environment for social dialogue between the private sector, organized labour and the State, there is need to repeal laws such as POSA, AIPPA, Criminal Law (Codification Act), as well as aspects of the Amended Labour Relations Act that violate international standards and conventions. Basic human and trade union rights should be reflected in a new Constitution.

At a more specific level, the current situation is such that certain national laws, regulations and by-laws that are in existence hamper the labour market entry of youths. For instance, stipulating that casuals be paid double the wage rate for permanent employees prices youth out of temporary jobs, which are often a gateway into permanent jobs or work experience that will stand them in good stead in the labour market. In addition, some health regulations and other by-laws may be seen as excessively onerous and hinder the establishment of SMEs. Where such regulations exist, they should be reviewed in order to create an enabling environment for the development of SMEs without detriment to workers safety and public health considerations.

There is a need to amend the Manpower Planning and Development Act of 1994 so that the governance of TVET is stakeholder driven through the proposed National Training Council (Ministry of Higher and Tertiary Education, 2006). As recommended by the Ministry of Higher and Tertiary Education, the review of the Manpower Planning and Development Act should be based on a comprehensive review of TVET by all key stakeholders. It is also important to ensure that the training levy, ZIMDEF, is managed by the proposed stakeholder body, and that it focuses solely on TVET and is not diverted to non-core activities.

## 4.6 INTEGRATED, COORDINATED AND INCLUSIVE APPROACH TO LABOUR ADMINISTRATION

The Ministries of Labour and Social Welfare and of Youth Development, Indigenization and Empowerment dominate the system of labour

administration in Zimbabwe. Key stakeholders, and in particular business and labour, are not integrated into policy oversight functions, with the tripartite committees largely convened on an *ad hoc* basis. This has created an unsustainable supply bias in both policy and its implementation.

Although a number of initiatives are currently underway to correct this problem, results are still to be seen, either because in most instances the programmes are still in their infancy, or there is a lot of duplication, competition and general lack of proper coordination. To ensure proper coordination and harmonization of labour market policies, a labour/employment chamber should be included in the proposed National Economic Council, or a restructured Tripartite Negotiating Forum (TNF). And at the same time, the direct involvement of the social partners in policy formulation, implementation and oversight must be ensured in order to promote both consensual decision-making as well as cooperative implementation.

## 4.7 IMPLEMENTING THE NATIONAL EMPLOYMENT POLICY FRAMEWORK

As mentioned above, at the 2004 extraordinary summit of Heads of States and Government in Africa in Ouagadougou, Burkina Faso, Regional Economic Communities (RECs) were directed to assist countries develop national plans of action on employment creation and poverty reduction. With the assistance of ILO-SRO, Zimbabwe, like other SADC countries has developed its National Employment Policy Framework. This was validated at a stakeholders' workshop held on 9–10 January 2009, but still awaits final approval by cabinet.

As is the case with all such frameworks, and given Zimbabwe's poor track record in terms of policy implementation of what are objectively often technically sound strategies, the production of the National Employment Policy Framework in and of itself must be seen as simply the first step. It must be followed by a public information strategy aimed at familiarizing all stakeholders with its content and objectives.

#### 4.8 DEVELOPING AN EDUCATION AND TRAINING SYSTEM GEARED TOWARDS EMPLOYMENT CREATION AND DEMAND-DRIVEN SKILLS

The present education and training systems are ill designed to satisfy the human resources requirements of the economy (both formal and informal sector). Rigid planning and management, over-expansion, inadequate funding and weak linkages between institutions have hampered publicly provided and supply-driven training.

It was also argued above that there is a need for the re-orientation of the education and training systems away from their current academic thrust towards a focus on the acquisition of practical skills such as carpentry, metal work and welding among others. This calls for a more demand-driven training system. The implementation of the two-pathway policy at the secondary level of education should be accelerated, with the requisite equipment provided through partnerships with the private sector.

Bureaucracy and inflexibility may be reduced through allowing stakeholder participation in the governance structures of colleges. Given then this new thrust, whereby training is viewed as a shared responsibility, has implications for the structure of governance of the publicly run vocational education and training institutions. The key issue here is how to transform the supply-driven, centrally controlled and bureaucratic public institutions to make them more responsive to market forces. Globally, the trend is centred on the establishment of stakeholder-driven National Training Authorities such as those currently operating in Zambia and South Africa. This is not a new proposal given that it features in the Ministry of Higher and Tertiary Education report of 2006, and was emphasized at the stakeholders' validation workshop of the National Employment Policy Framework held on 9–10 January 2009 in Harare.

Curricula should also be reformed so as to meet the specific demands of the informal and small-scale sectors. The skill requirements of small-scale enterprises and the informal sector might be addressed within the formal education and training systems, along the lines taken by the Informal

Sector Training and Resource Network (INSTARN) project in Zimbabwe. The backbone of the programme was the traditional apprenticeship system. In the system, apprentices were recruited from the unemployed. They had to find a host business and had to support themselves during the period of training. Those selected would undergo several weeks' formal training at Masvingo, and later, Mutare Technical College or a partner organization.

After training the apprentices were placed with a host business. This host business would automatically become a client of INSTARN and the owner received some business training, regular support and monitoring from an INSTARN Small Business Advisor. Upon graduation, the apprentices keen on going into business qualified for business training and could benefit from a tool hire-to-buy scheme which was operated by their local Informal Sector Association. Support for the host business was designed to create a good environment for training. These traditional apprentices could opt for trade testing after 12 months to get certified. However, this promising initiative, which had been adopted as a national programme, collapsed when the international partner that supported it, the GTZ, withdrew in 2000. There is therefore a need to revive this promising initiative.

Rebuilding human capital for recovery requires reforms that allow the formation of partnerships between the training institutions and the private sector, as was the case before Independence when the latter played an active role in the affairs of colleges, with many having been founded through private initiative. This is beginning to emerge in some areas such as woodwork technology at the Mutare Technical College, where the private sector in the area is now playing an active role as a partner. The hotel and hospitality department of the Bulawayo Polytechnic is another good example, where the private sector became actively involved in both the funding and governance structures, as is the School of Mining at the Bulawayo Polytechnic which benefited from the active participation of private sector mining houses.

National Employment Councils, which are bipartite sectoral structures, could play a more active role in training for their sectors, as was the case in the pre-independence period, as opposed to the current

focus on industrial relations and collective bargaining. Given externalities associated with skills training, NECs offer the best avenue for collective effort and partnership in training, especially to rebuild the human capital stock according to the priorities of each sector. In South Africa, for example, the Sectoral Education and Training Authorities (SETAs) provide training on the basis of the 1 percent levy on payroll. These SETAs also run learnerships for youths, where theoretical training at the colleges is complemented by attachments within companies in the relevant sector. The SETAs retain 80 percent of the levy collected for such purposes and transfer the remaining 20 percent to Government for training that the private sector may not be able to provide. This practice stands in sharp contrast to Zimbabwe, where all the money collected through the 1 percent payroll levy goes into the ZIMDEF Fund, which is solely controlled by the Minister of Higher Education and Training as sole trustee. ZIMDEF funds are currently being used for non-core (non-training) activities, which means that the body should therefore be restructured so that it is able to deliver on its core mandate.

#### 4.9 FACILITATING RETURN MIGRATION

Though the focus of a future specific paper in this UNDP working paper series, it is nevertheless worthwhile referring once again to the impact of the brain drain on the country's human capital base. Though precise figures are disputed, it is clear that out-migration has severely weakened national capacity in both the public and private sectors, the medium to short-term consequences of which are still to be assessed. While efforts at reforming the country's educational and training systems should aim to ensure that the supply side is able to respond to the country's need more efficiently and effectively, they should go hand in hand with effort to facilitate return migration of Zimbabweans in the diaspora.

The Government should participate in the design and implementation of programmes of voluntary assisted return, in conjunction with organizations such as the International Organization for Migration (IOM). Furthermore, it could also engage in co-development programmes with countries that have a high concentration of Zimbabweans, focusing on

migrants' return on short-term projects. The government could harness the potential for return migration by entering into beneficial arrangements with selected countries in order to formulate appropriate migration policies aimed at facilitating the mobility of skilled workers in ways that are beneficial to both the destination and sending country. For instance, this can be done in areas where SADC is promoting regional integration such as tourism, power generation, education and infrastructure development.

#### 4.10 IMMIGRATION POLICIES

Coupled with the revamping of the country's educational and training systems and the adoption of policies aimed at attracting its diaspora back to the country, Zimbabwe needs to put in place policies that make immigration compatible with economic, demographic, social and development objectives. This requires the development and implementation of policies that incorporate into the country's productive activities foreigners whose technical knowledge and expertise are indispensable for current and future economic and social development programmes, whether in government or in the private sector. Lessons learned elsewhere broadly classify such policies into three categories: selective immigration policies, directed immigration policies and spontaneous immigration policies.

Selective immigration policies target foreign professionals, scientists, technicians and skilled workers. Examples of countries that have successfully implemented such policies include Australia which has had an immigration policy that has been attractive to skilled workers whereby candidates are selected according to their prospective contribution to the Australian economy. New Zealand, the UK, Canada and the USA have adopted a similar approach, and have increased the share of highly educated people among selected immigrants. In mainland Europe, Germany has introduced a flexible migration policy that allows for both temporary and permanent labour migrants.

Directed immigration policies, on the other hand, involve the channelling of specific groups of immigrant specialists to specific geographical areas deemed to need their skills. Examples of directed

immigration policies include Canada's policy of tying the granting of landed immigrant status to medical doctors to them serving in remote, underserved areas for a fixed period of time. Spontaneous immigration policies, on the other hand, might be suitable to a developing country that cannot compete with developed countries in attracting skills. Such policies would allow the entry of those foreigners who come voluntarily at their own expense, as long as they have the means to support themselves and are able to contribute to the development of the country.

#### 4.11 ALLOW DUAL CITIZENSHIP

Under the current laws of Zimbabwe, an emigrant who acquires citizenship of another country, or alternatively who stays outside the country for seven years consecutively, loses his or her Zimbabwean citizenship. In addition, Zimbabwe migrants lose voting rights when resident outside the country. In order to tap the developmental potential of the diaspora effectively, these laws need to be changed to allow for dual citizenship and the granting of voting rights so that the attachment of the diaspora to the homeland becomes a permanent one.

#### 4.12 STRENGTHENING THE CAPACITY FOR POLICY RESEARCH, ANALYSIS AND CREATION OF A LABOUR MARKET INFORMATION SYSTEM

There is very little up-to-date, gender-disaggregated, accurate and reliable information on labour market indicators. The last Labour Force Survey was carried out in 2004, and the last detailed national poverty survey was undertaken in 2003. In addition, the quality of data has progressively deteriorated over time, yet the success of targeted employment strategies depends heavily on the provision of accurate, reliable and up-to-date information. There is therefore a need for more frequent and detailed labour force surveys. Regular tracer studies targeting key users of training services should also be undertaken to ascertain the

success or otherwise of training provision, micro-credit schemes and other interventions designed to combat unemployment and marginalization.

A detailed Labour Market Information System (LMIS) should be developed by all stakeholders under the aegis of the Central Statistical Office and where possible should take advantage of the evolving Information and Communications Technology (ICT). The ILOs Bureau of Labour Statistics has provided an appropriate framework for the development of such a system by defining the key labour market indicators that should be compiled.

#### A Final Word

This paper has argued for recognition of the centrality of the role of employment and human capital formation in national processes of growth, development and poverty reduction. As Zimbabwe designs appropriate sectoral and multi-sectoral recovery strategies, investing in the knowledge and skills of its people should play as central a role in the policy formulation process as investments in the rehabilitation of physical capital. And in a context of macroeconomic stabilization, with its attendant dangers of deflation and further contractions in employment levels, and in which public resources available for social protection programmes are likely to be extremely restricted, such economic reforms must ensure that the speed of job destruction does not exceed that of employment creation.

The final word should be granted to a panel of 19 eminent politicians, business leaders and economists who over a two-year-period, and under the aegis of the World Bank, sought to understand and explain the phenomenon of growth:

*'Getting the labor market right is vital to both the economics and politics of growth. In too many developing countries, a portion of the population has not enjoyed the benefits of economic advance, and does not anticipate enjoying them in the future. If they are forever blocked from employment, the economy will miss out on their labor and any growth strategy will lose their support.'* (World Bank, 2008:48)

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