

Constraints on the demand for youth labour in Zambia

Based on the ZIPAR report Understanding youth labour demand constraints in Zambia: The mining, manufacturing and construction sectors by Grayson Koyi, Gibson Masumbu and Albert Halwampa.

Zambia is one of many developing countries struggling to create adequate employment opportunities for its people, especially in the formal economy. Unemployment is highest among youths (15–24 years old) and particularly affects those without skills. Unless the challenge of youth unemployment is met, Zambia could face rising poverty levels in the future. Based on a survey of firms in the mining and quarrying, manufacturing, and construction industries, this study analyses constraints on the demand for youth labour and identifies five broad policy areas in which the government could help make it easier for firms to absorb more young people.

Youth unemployment in Zambia

A review of government statistics on youth employment reveals the following characteristics:

- **Unemployment rates for youths are five times higher than unemployment rates for older adults.** The highest unemployment rate for any age category is that for 20–24 year olds (15.3%).
- **The urban and rural youth unemployment problems are reflected differently in official statistics.** The official definition of employment used to capture employment data gives the impression that youth unemployment is concentrated in urban areas. In fact the majority of “employed” youths in rural areas are in unwaged informal agriculture.
- **The majority of youths considered employed are in informal employment.** As such, the youth unemployment challenge in Zambia is not only about quantity, but about quality as well. The question is whether informal jobs act as stepping stones towards permanent jobs, or traps that expose young people to a spiral of temporary employment.
- **Urban youth labour force participation is low.** This can be attributed to a combination of increased participation in full-time education and withdrawal from the labour market in the face of poor labour market prospects.

- **Youth unemployment is not spread evenly within the youth cohort.** Gender, location, skill levels and disability affect the likelihood of a young person being unemployed.

What stops firms hiring youths?

The main youth labour demand constraints are:

- **Skills and qualifications.** Across the three sectors, a university degree or a college level diploma or certificate was a prerequisite for employment in skilled work in over 70% of firms surveyed. Even for unskilled work, mining and manufacturing firms usually wanted a Grade 12 certificate. This raises the question of whether enough young people are getting qualifications commensurate with the demands of industry, especially the manufacturing and mining sectors.
- **Lack of work experience and the relevance of previous jobs held.** Over half the firms surveyed said that the lack of previous work experience greatly constrained demand for youth workers. Similarly, the majority of firms considered the relevance of previous jobs as a critical factor when making hiring decisions. Both factors were more important than “age”.
- **Attitudes and behaviours of youths.** Nearly half the firms surveyed felt that poor attitudes and behaviours among youths greatly constrained their hiring decisions. This finding was most significant for construction.

- **Cost of in-house training.** Although around 60% of firms offered some form of in-house training, cost was identified as the main reason for not having or not being able to expand in-house training provision.
- **Absence of a functional labour market information system.** The vast majority of firms felt unable to obtain any information on the skills available in the Zambian labour market. The absence of information on training outputs in different disciplines, for instance, means that the right signals on the supply side are not being transmitted to the demand side of the labour market, and vice versa. New labour market entrants transitioning from the schooling system enter the labour market with skills mismatched to industry demand.
- **Access to domestic credit.** Many firms report problems accessing domestic credit, which in turn affects their ability to grow. Over 80% of wholly Zambian-owned firms reported that this significantly constrained their decision to hire young workers.
- **Operational costs.** High operational costs, especially the high cost of energy, were rated as more important constraints on operational expansion than labour regulations.
- **Lack of fiscal incentives to support youth employment creation.** Only 10% of the surveyed firms reported receiving a high level of government fiscal support to enable them to create more opportunities for young people. Half thought they received no such support at all.

Policy recommendations

Supporting work-based learning (internships, apprenticeships or learnerships) and work-experience schemes. Specifically, this should entail:

- A youth training subsidy for companies providing youths with work-based learning.
- Systems for recognising prior learning, non-formal education and skills acquired on the job, along the lines of the South Africa National Qualification Framework.

Enhancing the role of technical and vocational training. The government should ensure the availability of quality

education up to Grade 12 and enhance the role of technical education and vocational training. Specifically, this entails:

- Improving the links between education, training and the world of work, and standardising qualifications in response to changed labour market needs through an institutional mechanism for dialogue between training providers and industry.
- Introducing a youth training tax rebate in order to support a substantial increase in private sector expenditure on work-based learning.
- Expanding the reach of formal education and training through distance learning strategies.

Responding to the gender dimensions of construction and manufacturing in the youth employment strategy.

Noting that the construction sector employs more male youths than the other sectors, the government should consider more employment-intensive long-term infrastructure projects in this sector, while also targeting interventions in manufacturing and other value-added industries with more absorptive potential for both male and female youths.

Designing and implementing a comprehensive labour market information system. This could provide clear labour market signals and facilitate firms' decision-making on wages and employment.

Enabling access to domestic credit for wholly-owned Zambia firms. This could include:

- Allowing more trade finance instruments (such as receivables-backed financing and inventory receipt financing) to be used to by-pass commercial banks' requirements for collateral.
- Monetary and financial policies that promote domestic credit expansion and infrastructure investment. In this regard, the role and mandate of the Central Bank should be broadened to include the promotion of sustainable employment by making the cost of capital more affordable.

For more detail, full references and sources refer to the full-length report, cited above.

Zambia Institute for Policy Analysis & Research

CSO Annex Building, Cnr John Mbita & Nationalist Roads, PO Box 50782, Lusaka, Zambia
Tel: +260 211 252559 / Fax: +260 211 252566, Email: info@zipar.org.zm
Web: www.zipar.org.zm