



REVISITING THE JOBS STORY: EMPLOYMENT TARGETING IN THE MACROECONOMIC FRAMEWORK

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Key Highlights

Primary Objective

To determine whether and how Zambia should establish employment targeting and tracking, particularly on formal employment, in order to increase the country's ability to measure progress and achievements at the macroeconomic level.

Main Findings

Over the past decade and a half, Zambia has been quite inconsistent in the way it paid attention to measuring performance on job creation, especially at the macroeconomic level.

Momentum for measuring progress and achievements has frequently risen and fallen as a result of a noncommittal attitude underpinned by start-stop policy positions on jobs.

International experiences show that employment targeting and jobs tracking are both feasible to do and are a joint salient undertaking for measuring our human development progress.

Zambia is still not decided about whether jobs creation – the actual act of creating jobs – should primarily be a responsibility of the private sector or public sectors.

The authorities need to lead the debate on the above issues that surround jobs and take firm and consistent policy positions to ensure full implementation, monitoring and reporting.

The Central Statistical Office (CSO) has capacity to track jobs and provide data and information that inform both the microeconomic and macroeconomic levels of policy-making; it can play a critical role in building understanding about jobs in Zambia. However, CSO does not have sufficient resources as well as consultative, transparency and accountability mechanisms to foster broad-based inclusivity in the design and use of jobs tracking tools and methods.

Policy Suggestions

The authorities should undertake a high-level policy decision, at the level of the Cabinet, to incorporate quantitative jobs targeting as a permanent feature on Zambia's short-term, medium-term and long-term macroeconomic frameworks;

Subject to high-level approval of employment targeting, the technical functions of apex institutions (MNDP, MOF and Cabinet Office) with their respective technical agencies such as CSO should ensure the inclusion of specific indicators and quantitative targets on employment creation in the Annual Budget, MTEF and ESGP, in order to measure the aggregate progress and achievements of Government programmes cumulatively (as well as to foster greater alignment between these instruments and the 7NDP).

The authorities should initiate systematic, robust and inclusive debate to establish or affirm Zambia's economic ideology on employment creation. This should lead to a categorical documented statement on whether the public sector will be primarily responsible for direct job creation or will be primarily responsible to facilitate private sector led job creation.

The authorities should legally establish the Labour Force Survey as the primary exercise for informing jobs targets and for tracking job performance in the macroeconomic frameworks, establishing it with a stable and time-consistent or comparable methodology. Within this, annual reporting on job creation for measuring short-term progress and achievement of programmes.

The CSO should be obligated or compelled to establish a transparent, accountable and inclusive consultative mechanism for designing or revising labour force and job creation measurement methodology.

The CSO should be compelled to establish full comparability and compatibility between the Labour Force Survey 2012 and 2014 datasets on the one hand and the Labour Force Survey 2017 dataset on the other, in order to maintain the intermittent time-series record of Zambia's jobs performance. Comparability should be fostered through CSO working backwards in terms of applying the new (2017) data definitions and data handling methods to the 2012 and 2014 Labour Force Survey datasets.

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1. Introduction

All around the world, labour employment is seen as a fundamental activity for earning incomes and securing livelihoods for people and families. Economies are therefore often preoccupied with the business of creating of jobs. They are also usually equally preoccupied with measuring and tracking the progress with which they create the jobs. This is largely done towards building an understanding about how to enhance the welfare of workers and their families.

In Zambia, 42% of the total 2014 population – estimated at 15 million inhabitants – formed the labour force (CSO and MLSS, 2015). The unemployment rate – defined based on the Central Statistical Office (CSO) methodology applied at that time – stood at 7.4% of the labour force, implying a relatively high rate of employment (92.6% for formal and informal employment combined). However, only 16.1% of those employed held formal jobs or were formally employed.

Despite the obvious importance of jobs to Zambia's socio-economic situation, after the 2014 Labour Force Survey, it took over three years for new employment statistics to start trickling into the public domain. In mid-2017, CSO published a preliminary Quarter One 2017 Labour Force Survey report, but this saw very limited circulation, and was not even uploaded on to the reasonably well-updated CSO website (www.zamstats.gov.zm). The dearth of employment data and information meant that in the interim, the country, at best, only had a vague idea about its actual job creation performance. Therefore, the national authorities found themselves setting various job creation targets without any real empirical basis. Moreover, they ended up readily dropping those targets, sweeping them under the carpet and forgetting about them (ZIPAR, 2017) partly on account of a failure to record the job creation story. This failure was also underpinned by limited national accountability mechanisms to prompt effective reporting.

The objective of the study that yielded this policy brief were therefore threefold: (a) to review the time-consistency of jobs targeting in the short-, medium-, and long-term instruments and of progress measurement in job creation; (b) to comment about the relevance, effectiveness and sustainability of targeting and tracking job creation at the macroeconomic level; and (c) to propose a solution for establishing comparability between the 2012 and 2014 Labour Force Survey datasets on the one hand and the Labour Force Survey dataset for 2017 on the other.

This policy brief puts forth an empirical case for the inclusion of *employment targeting and tracking* into Zambia's macroeconomic frameworks. We propose that these elements be incorporated as a permanent feature of the Annual Budget for the short-term, the Economic Stabilization and Growth Programme (ESGP) and Medium Term Expenditure Framework (MTEF) for the medium-term) and the Seventh National Development Plan (7NDP) for the long-term. We also offer recommendations for CSO, towards the recovery of comparability and compatibility of the Labour Force Survey 2012 and 2014 datasets with the new 2017 dataset (which is based on a significantly revised methodology). Ultimately this policy brief offers a set of policy options and strategies for permanently including jobs targeting and tracking onto Zambia's macroeconomic framework. This will be an integral step in fostering the creation of more, better and more sustainable jobs in Zambia.

The rest of the brief is organized as follows: Section 2 describes the main features of Zambia's macroeconomic framework (in the short-, medium- and long-term) and highlights their

record of tracking and reporting on the job creation performance of the economy; Section 3 explains what employment targeting is in principle and offers practical lessons on how this has worked in other economies; Section 4 describes the old and new methodological aspects of employment measurement, tracking and reporting, and explores some of the key implications of the changing perspective; and finally Section 5 closes the brief with a few policy suggestions.

2. Zambia's Macroeconomic Frameworks

A macroeconomic framework is a broad instrument that presents and describes the policy objectives and targets that an economy commits to achieving at the macro or aggregate level. The framework encourages the establishment of underpinning policies, programmes and strategies to achieve the targets. It uses quantitative (and sometimes qualitative) indicators to establish baselines and targets, and to measure progress. Over time, it is also used to monitor trends in the macroeconomic performance of a country against the set objectives or targets.

In the Zambian case, the macroeconomic framework is contained in three sets of overarching national frameworks, namely: Annual National Budgets (the policy version of which is the Minister of Finance's Budget Address or popularly, the Budget Speech), which apply over the *short-term* or one year; intermediary expenditure frameworks (the Medium Term Expenditure Framework (MTEF) and the Economic Stabilization and Growth Programme (ESGP)), which cover the *medium-term* or three-year periods; and National Development Plans (NDPs) which run over the *long-term* for five-year periods, with the Seventh NDP (7NDP) 2017-2021 currently being in effect. Box 2.1 presents the macroeconomic (objectives and policy) framework for the short-term during 2018.

To different degrees of detail, the macroeconomic framework – whether structured as a short-, medium- or long- instrument – reflects four different aggregate thematic areas, notably: the real, monetary, fiscal and external sectors of the economy. A review of Zambia's macroeconomic frameworks (covering the four thematic areas across the three timeframes (short-term, medium term and long-term)) is telling about the country's past commitment to targeting and tracking jobs.

2.1 Annual Budget Speeches

Targeting and tracking employment in Zambia's budget framework has been fraught with start-stop policy behaviour. In the post-liberalization (post-1991) era, the notion of targeting and tracking the creation of jobs only appeared as a macroeconomic objective in the Annual Budget Speeches in 2013. For the 21 years before that, the authorities simply did not view jobs as a macroeconomic objective or concern. However, since 2013, the authorities have paid some attention to jobs at the macroeconomic level, even though the evidence below suggests that in most instances, the attention was rhetorical at best. The level of explicit attention to jobs in the Budget framework between 2013 and 2018 is summarized in the two bullet points below:

- The 2013 Budget Speech (read in October 2012) committed to "(f) create at least 200,000 decent jobs" as part of the macroeconomic objectives; the 2014 Budget Speech (read in October 2013) targeted to "(b) create at least 200,000 decent jobs", but said nothing about what had been achieved against the previous year's target; and finally, after an intermittent two-year pause, the 2017 Speech reintroduced a

quantitative jobs objective to “(vii) support the creation of at least 100,000 decent jobs”.

- On the other hand, in the 2015 Budget Address only specified an unmeasurable qualitative target to “(f) accelerate the diversification of the economy, and continue the drive to create decent jobs, especially for the youth”; the 2016 Speech likewise pronounced an unmeasurable qualitative target on decent jobs, notably to “(g) create employment opportunities through accelerated implementation of programmes such as the Industrialisation and Job Creation Strategy and the Youth Empowerment Action Plan; and finally, the 2018 Budget Address did not make any mention of job creation as a macroeconomic objective nor did it report on the performance against the 2017 target.

Box 2.1: Macroeconomic framework in 2018 Budget Address

- i) Achieve real GDP growth of at least 5.0 percent;
- ii) Maintain single digit inflation in the range of 6.0 to 8.0 percent;
- iii) Maintain international reserves of at least 3 months of import cover;
- iv) Attain domestic revenue mobilisation of at least 17.7 percent of GDP;
- v) Limit the fiscal deficit, on a cash basis, to 6.1 percent of GDP;
- vi) Limit domestic financing to no more than 4.0 percent of GDP;
- vii) Accelerate implementation of measures towards diversification of the economy;
- viii) Reduce the stock of arrears and curtail the accumulation of new arrears; and
- ix) Slow down the contraction of new debt to ensure debt sustainability.

As noted in ZIPAR (2017), even though in 2013 Zambia took on a new attitude towards creating jobs and tracking jobs performance, in the period since the country has suffered from a considerable degree of mysteriously shifting and vanishing policy pledges. These start-stop policy behaviour undermines the credibility of the apex Government institutions responsible for the various macroeconomic frameworks, and erode the general public’s confidence in them.

2.2 Medium Term Expenditure Frameworks

Since the notion of the MTEF was introduced in 2004, medium-term policy objective setting and reporting on jobs in particular has seen start-stop behaviour similar to that observed in relation to the Budget Framework. The first MTEF to include a measurable quantitative objective on employment creation as part of its macroeconomic framework was for the period 2014-2016. In line with the pronouncements of the 2013 National Budget Address and the institutionalization of the Industrialization and Job Creation Strategy (2013-2017), the policy target in the MTEF was to: “Create at least 200,000 formal sector jobs per annum up to 2016”.

On the other hand, the successor 2015-2017 MTEF did not make any mention of job creation as part of its macroeconomic policy objectives. Instead, it simply highlighted that Government policies would continue focusing on the creation of jobs by investing in sectors identified to best promote employment.

The 2016-2018 MTEF had a somewhat evasive quantitative job creation target in its framework to “(h) create employment opportunities in the economy which will include the vigorous implementation of the Youth Empowerment Action Plan that targets 500,000

jobs over the medium term". The target is described as evasive because the MTEF did not pronounce a specific target, but simply deferred the targeting and therefore accountability to the Youth Empowerment Action Plan, which had its own measurement and reporting limitations.

Lastly, the 2018-2020 MTEF did not make mention of job creation as a macroeconomic objective in relation to its reference period. The expenditure and policy strategy of the MTEF explains, however, that expenditure during the 2018-2020 period will be focused on areas that contribute to economic diversification and job creation, which is pillar one of the 7NDP. Again, a level of targeting evasion is evident here in that the MTEF adopted a framework under the 7NDP which is ill-understood and did not properly integrate from a measurement and reporting point of view.

2.3 Economic Stabilisation and Growth Programme

The ESGP 2017-2019 – dubbed *Zambia Plus* – is considered by many commentators as a special case of macroeconomic framework, given its close resemblance to the MTEF. However, the ESGP was specifically crafted for the period 2017-2019 as a deliberate effort to refocus the country on prudent fiscal governance, sound economic management and fiscal fitness. It focuses on policies, reforms and strategies for fiscal and macroeconomic stability, on the assumption that stability is a critical precondition for sustainable inclusive growth and development.

Regarding employment, the ESGP does not mention job creation in its macroeconomic framework. Pillar four of the ESGP, however, is "ensuring greater economic stability, growth and job creation through policy consistency to raise confidence for sustained private sector investment". Therefore the macroeconomic measurability of the implicit jobs target in the pillar-level pronouncement remains an issue worth paying attention towards specifying how exactly *Zambia Plus* will account for its contribution (or lack thereof) in creating employment.

2.4 Seventh National Development Plan

The 2017-2021 macroeconomic framework in the 7NDP is guided by a paradigm shift from a sectorial to an integrated (multi-sectorial) development approach. Among a number of other things, the Plan aims to achieve economic transformation for improved livelihoods and creation of decent, gainful and productive employment, especially for the youthful population (MNDP, 2017⁴). The notion of job creation has thus been well-incorporated into the Plan conceptual thinking and design.

The 7NDP's macroeconomic framework specifies an overarching qualitative macroeconomic objective on job creation, to: "create productive and gainful job opportunities while improving the country's competitiveness" (MNDP, 2017; p.41). The macroeconomic framework of the 7NDP also specifies that over the implementation period of the Plan, three job-related macroeconomic indicators out of the 14 on the framework will be used to target and track (Figure 2.1). This shows a healthier and higher level of attention and commitments to targeting, tracking and reporting on jobs over the long-term than in the short- and medium-terms. Considerable work is therefore required to infuse the thinking around jobs that is reflected in the long-term instrument into the macroeconomic frameworks in the Budget, MTEF and ESGP.

Figure 2.1: 7NDP Macroeconomic framework illustrated

Table 5-1: Selected Macroeconomic Indicators – Baseline and Projections, 2017-2021

	Baseline					Projections
	2011-2016	2017	2018	2019	2020	2021
Real GDP growth	5.0	3.9	4.6	5.2	5.4	5.5
GDP at constant prices (ZMW, millions)	122,662	134,095	140,255	147,525	155,537	164,038
Nominal GDP (ZMW, millions)	181,276	240,123	271,728	309,659	354,571	406,072
CPI inflation (end of period)	21.1	7.0	7.0	7.0	7.0	7.0
CPI inflation (annual average)	11.0	7.0	7.0	7.0	7.0	7.0
Domestic borrowing (% of GDP)	2.3	<2	<2	<2	<2	<2
Domestic revenue to GDP ratio (%)	17.5	>18	>18	>18	>18	>18
Overall fiscal deficit, including grants (% of GDP)	(5.3)	<(3)	<3	<3	<3	<3
Gross international reserves (months of current cover)	>3	1.9	1.7	>2	>3	>4
Share of non-mining to GDP (%)	79.8	>80	>80	>80	>80	>80
Current account balance, including grants (% of GDP)	2	(3.8)	<(2.4)	<(2.4)	<(2.4)	<(2.4)
Formal employment (% of total employment)	16.1	18.3	19.5	21.8	23.5	25.0
Working poverty rate (%)	37.8	35.9	35.0	34.0	33.0	32.0
Youth unemployment rate (%)	14.9	13.9	12.8	11.7	10.6	10.0

Source: adopted from MNDP (2017; p.41)

At another aggregate level outside its macroeconomic framework, the 7NDP captures an indicator on “unemployment rate among persons 12 years or older” as one of its Key Performance Indicators (KPIs). Similarly, the percentage of jobs generated by investments in agriculture (formal and informal) and non-agriculture (formal and informal) are also included as KPIs under the job creation pillar in the 7NDP. This is progressive.

However, something to look out for and possibly resolve in that a key mismatch exists between the definition and treatment of overall unemployment in the 7NDP and that applied by other agencies such as CSO and UNDP; the latter both definite unemployment as being among *persons 15 years or older* and not *persons 12 years or older*. This has potential implications in the future because of the comparability problems the divergent definitions create.

In a similar context on definitions and measurement, the KPIs on the proportions of jobs generated by agricultural and non-agricultural investments are likely to face some level of measurement difficulty when it comes to gathering and summarizing the underpinning data. The authorities will do well to re-look at these issues with a view to updating and refining the indicators. Fortunately, these are not major issues and only require technical revisions.

Beyond the macroeconomic framework and KPIs in Volume I of the 7NDP, in Volume II (the Implementation Plan) of the Plan, some innovative indicators of job creation are specified. For stance, under Results Area 9 on Enhanced Decent Job Opportunities in the Economy, the Implementation Plan looks forward to implement programmes on “Cross sector job creation partnership promotion” which will ensure that 30 job creation partnerships are brokered by 2021 from four at baseline (2016) (MNDP, 2018⁵). The attention to targeting and tracking jobs in the 7NDP is therefore relatively sound.

However, the ideological perspective of whether jobs in Zambia, in the 7NDP context or otherwise, should primarily come from the public sector (Government) or from the private sector (with the Government playing mainly a facilitation role) remains somewhat unclear. The country lacks a national philosophical guidance document on where jobs should come from or who should be in the driver’s seat of the actual act of creating jobs. This is a fundamental issue from the point of view of jobs targeting as it raises the question: principally whose responsibility is the actual act of creating new jobs as employers, is it the State or the private for-profit sector or indeed, other non-state actors like non-

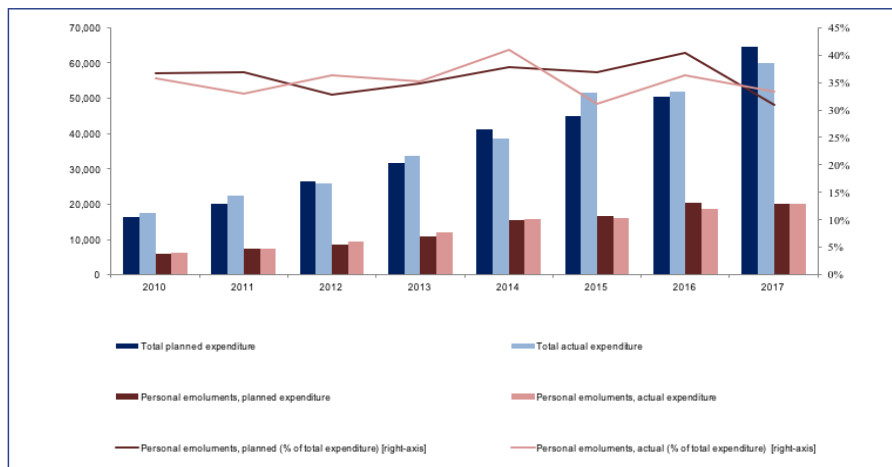
governmental organizations (NGOs), faith-based organizations (FBOs), associations and development partners? In the absence of a clear and explicit assignment of job creation responsibilities, even the target setting exercise becomes hazy and noncommittal. In the past, the government has maintained a considerably large workforce, ranging between 35% and 42% of total formal employment during 2008-2014. This created a large wage bill, which was later constitutionally protected from underfunding through Amended New Constitution of 2016. This meant that, going forward, even in time of fiscal constraints when austerity might be justifiable, the Government will not have options to downscale its workforce. From Figure 2.2, which shows that actual personal emolument expenditure oscillated around 35% of total budgetary expenditure during 2010-2017, the emoluments component of the budget will most likely maintain or increase its current share; it is unlikely to reduce the share.

Table 2.1: Formal and government employment profile in Zambia

	2008		2012			2014		
	No.	% of total	No.	% of total	Annual avg. growth (%)	No.	% of total	Annual avg. growth (%)
Total formal employment	511,338	100%	847,429	100%	16%	944,256	100%	6%
Total formal government employment	216,625	42%	322,646	38%	12%	331,587	35%	1.4%
o/w Central government	172,876	34%	237,846	28%	9%	243,277	26%	1.1%
o/w Local government	14,686	3%	29,304	3%	25%	29,729	3%	0.7%
o/w Parastatals/ State Owned Enterprises	29,063	6%	55,496	7%	23%	58,581	6%	2.8%

Source: constructed from Labour Force Survey reports for 2008, 2012 and 2014

Figure 2.2: Plan and actual total and personal emolument expenditures



Source: constructed from Annual Economic Reports (Ministry of Finance)

Revisiting and settling the ideological perspective of job creation will be imperative in order to send the right signals to the public and private sectors in Zambia, towards securing firm commitments.

Finally, satisfying the reporting requirements in the 7NDP (as well as in the Budget, MTEF and EGSP, should they be revised accordingly to accommodate jobs more explicitly and consistently) will require a robust and consistent data collection and handling mechanism such as periodic Labour Force Surveys backed by a regularized schedule. Some of the key constraints faced in the previous national development plans (FNDDP, R-SNDP) included, among others: limited formalised data capturing mechanisms for jobs created in sectors earmarked for employment generation; and job losses on the mines and lack of programme performance data from identified strategic sectors. These constraints made it difficult to establish the employment-growth response of the targeted interventions in those plans. Without careful consideration in terms of adequately supporting CSO's Labour Force Survey exercises, the past shortcomings will remain and establishing jobs targeting and tracking as permanent features at the macroeconomic level in Zambia will continue to be problematic.

3. Employment Targeting in Principle: Literature Review Perspective

Establishing sustained high employments (or conversely maintaining low rates of unemployment) is a key macroeconomic objectives in economic theory, along with the objectives of maintaining price stability (usually measured as low and stable inflation), fostering high and sustainable real economic (usually GDP) growth rates, keeping external (balance of payments) stability, and achieving equity and low or no poverty. A "residual" or neglected area for many decades in the past, employment is now becoming a key

component for evaluating the success of macroeconomic policy. The global economic crisis of 2008/2009 became a major jobs crisis in many economies around the world and set the turning point toward setting explicit employment targets for a growing number of countries (Campbell, 2017). The International Labour Organization (ILO) posits employment targeting as a tool for helping governments to address issue of stagnant or high unemployment rates (ILO, 2011; Janine, 2006).

Naturally, an important question for a country like Zambia as it contemplates establishing employment targeting and track at the macroeconomic level is: would it be feasible to effectively target and track jobs? A review of a few country experiences with employment targeting offers some important insights and lessons for Zambia on the feasibility of employment targeting:

The **United Kingdom (UK)** Government includes employment targets as part of its core macroeconomic objectives and policies. The main macroeconomic objectives in the UK in 2016 were (Pettinger, 2017⁹):

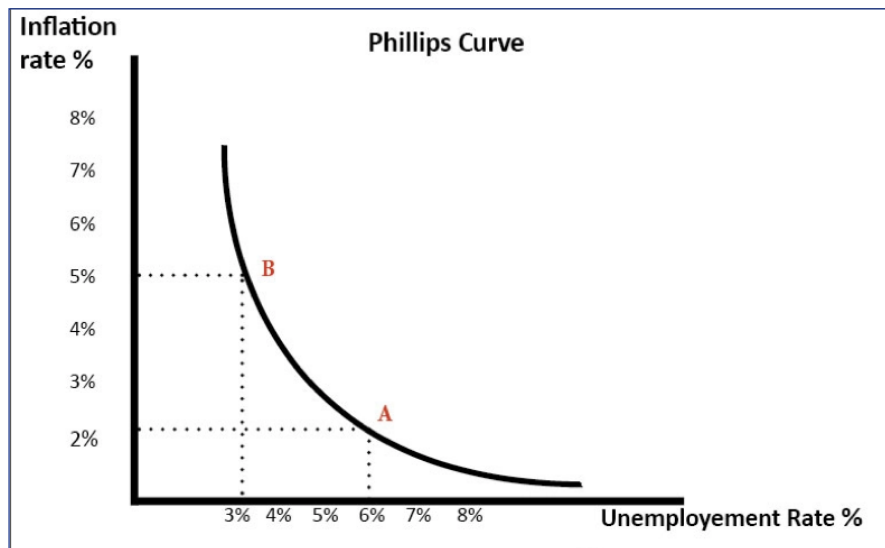
- Economic growth: to achieve positive and sustainable growth, with the economy's long-run trend rate around 2.5% per annum on average;
- Price stability: maintain low inflation, targeting 2% (+/-1);
- Full employment: keep low unemployment around 3% maximum;
- Balance of payments stability: maintain a satisfactory current account position, avoiding unsustainable current account deficit;
- Fiscal discipline: keep low government borrowing and public sector debt; and
- Currency stability: ensure exchange rate stability.

Some policy-makers and economists in the UK also consider the following as macroeconomic objectives; although they have been somewhat intermittent on the formal macroeconomic framework:

- Address issues of equity (to avoid inequality); and
- Attend to environmental factors (for long run environmental sustainability).

The UK Government is mindful about the trade-offs and conflicts that often plague macroeconomic policy making and execution. One of the five main policy-making balances in the UK has to do with managing the conflict between unemployment and inflation. This comes from the observations that there is often a trade-off (at least in the short run) between unemployment and inflation. That is, in a period of high growth, jobs are created, causing unemployment to fall. But, as unemployment falls, it can put upward pressure on wages, leading to inflation. This is the typical Phillips curve phenomenon (Figure 3.1), which is common in advanced economies but less likely to occur in developing economy contexts. The main point here is, however, that a strong conceptual foundation coupled with keen attention in practice work together to strengthen the UK Government's commitment to employment creation through targeting and tracking jobs, and reporting on macroeconomic performance on jobs.

Figure 3.1: example of the inflation-unemployment trade-off



Source: adopted from Pettinger (2017)

In similar fashion, the Government of the Republic of **South Africa** tracks employment creation at the macroeconomic level. For instance, the 2017 South African Budget Speech⁷ reports that:

- “Income growth has been uneven – the bottom 20 percent have benefited from social grants and better access to services, the top 20 percent have benefited from the rising demand for skills and pay increases. Those in the middle have been left behind.
- “Wealth remains highly concentrated – 95 per cent of wealth is in the hands of 10 percent of the population.
- “35 percent of the labour force are unemployed or have given up hope of finding work.
- “Despite our progress in education, over half of all children in Grade 5 cannot yet read adequately in any language.
- “More than half of all school-leavers each year enter the labour market without a senior certificate pass. 75 percent of these will still be unemployed five years later.
- “Our towns and cities remain divided and poverty is concentrated in townships and rural areas.
- “Our growth has been too slow – just 1 per cent a year in real per capita terms over the past 25 years, well below that of countries such as Brazil, Turkey, Indonesia, India or China.” [p.4]

Within the National Budget context, South Africa is therefore considerably focused on per capita income growth, wealth distribution and unemployment reduction. A similar position is observed in terms of medium- and long-term frameworks. For instance, in

2012 South Africa pledged, in an economic blueprint, to reduce unemployment to 14% by 2020 and 6% by 2030 (Daniel et al, 2001). Against these ambitions, in the interim, South Africa's unemployment rate was at 27.7% in the third quarter of 2017, the same as in the previous two quarters and remaining the highest rate in 13 years. The transparency and accountability with which employment targets are pursued even when they go off-track arguably reflects a strong explicit political commitment to the achievement of desired employment outcomes within specified timeframes.

Like several countries the world over, the **United States of America (USA)** faces an immediate challenge of finding employment for the millions of people out of employment from the 2008-2009 recession and creating jobs for the unemployed in its growing population.

The Federal Reserve conducts the nation's monetary policy by managing the level of short-term interest rates and influencing the availability and cost of credit in the economy. Monetary policy directly affects interest rates; it indirectly affects stock prices, wealth, and currency exchange rates. Through these channels, monetary policy influences spending, investment, production, employment, and inflation in the United States. Effective monetary policy complements fiscal policy to support economic growth.

Employment objectives in the central bank policy are not new for the country. The US Federal Reserve is subject to the Humphrey-Hawkins Full Employment and Balanced Growth Act of 1978, which specifies policy goals as full employment, balanced growth and price stability and sets interim targets of 4% unemployment and 3% inflation. The Act has been instrumental in ensuring the Federal Reserve pursue its dual mandate (Epstein, 2005).

In the USA, job targeting and performance help the electorate to see if the President and Federal Government are acting according to promises made to them on the creation of jobs (CATO Institute, 2017).

The foregoing examples simply underscore that employment targeting, tracking and reporting is technically feasible to normalize and fully integrate within a country's macroeconomic framework, particularly in instances where political commitment is well-established.

4. Implications of CSO's Labour Force Survey Methodology Change

As noted in Section 2, making political and policy commitments to targeting, tracking and reporting on employment aggregates like the number of new jobs, formal employment growth rates, unemployment rates and so on is only one step in a series of many that are required towards the actual creation of more, better and more sustainable jobs. Another important step is the establishment and application of a sound and robust mechanism of regular data collection and handling, which captures all the desired attributes for effective jobs tracking and reporting.

In Zambia, the Labour Force Survey is the main tool that has been used to measure the various dimensions of the labour force, including employment creation (or the formation of new jobs) and unemployment. To date, the CSO has conducted about six Labour Force Surveys, in 1986, 2005, 2008, 2012, 2014 and the most recent, 2017.

Over time, the methodology for the surveys – including the conceptual design aspects (such as the philosophical tenets and definitions of the survey), sampling design, collection and handling of data, and presentation of summary descriptive reports – has changed markedly. As such, only the 2012 and 2014 Labour Force Surveys are properly comparable at the micro or granular level of the datasets. The 1986 dataset used a very different methodology from the others. After the break from the 1986 approach, from 2005 onward, each successive survey saw various modifications and improvements. The only exception was with the 2012 and 2014 surveys, which reportedly used exactly the same methodology. The most recent Labour Force Survey (2017) adopted a new approach that entailed a fundamental break from the past surveys. This has resulted in a notable structural break in the data, which has important implications for tracking Zambia's labour market performance in general and the employment creation performance in particular. This section considers the implications of CSO's shift to a new Labour Force Survey methodology.

The profile of Zambia's labour force is reflected in Figure 4.1. This was created based on a synthesis of summary data from the 1986, 2005, 2008, 2012 and 2014 Labour Force Surveys. The statistics give the false impression of a significant drop in overall (total) employment between 2014 and 2017. Similarly, the growth rates of informal jobs give the false impression of a massive 19.3% decline per year between 2014 and 2017 (Table 4.1). These are false impressions because the exaggerated drops are actually statistical artefacts underpinned by the fundamental change in the methodology in the 2017 Labour Force Survey.

Essentially, the Central Statistical Office (CSO) will now use new standards to measure labour statistics, as agreed at the 19th International Conference of Labour Statisticians (ICLS) of 2013. The revision of the 18th ICLS on which the 2014 Labour Force Survey and previous years were founded was in response to calls to address limitations of unemployment statistics (2003 job crisis; 2008 financial crisis), provide measures of labour underutilization beyond unemployment, respond to emerging social and economic information needs beyond GDP indicators among others (ILO,2017).

A number of definitional and other methodological changes are noteworthy. Firstly, the labour force as defined in the 2014 Labour Force Survey and its predecessors refers to 'the total number of employed + unemployed in a population'. The Labour Force is also referred to as the 'economically active population' (CSO and MLSS, 2015).

Figure 4.1: Employment trends in Zambia



Source: constructed from CSO Labour Force Survey reports and CSO Monthly Bulletins (various)

Table 4.1: Employment intertemporal growth trends in Zambia

	1986	1986-2005	2006-2008	2009-2012	2013-2014	2015-2017
Formal annual growth	n.a	-0.41%	1.05%	16.43%	5.71%	2.88%
Informal annual growth	n.a	5.21%	4.22%	3.41%	2.81%	-19.28%

Source: constructed from CSO Labour Force Survey reports and CSO Monthly Bulletins (various)

Deviating from the old definitions depicted above, the terms 'active' and 'inactive' were dropped from the (new) 2017 approach and replaced with 'employed' and 'unemployed'. Moreover, the definition of a labour force as used in the 2017 Labour Force Survey framework is adopted from the new ILO standards. Whilst the labour force definition still refers to 'all persons in employment + the unemployed in a population', the classification of 'employed' has changed. These changes are illustrated in Table 4.2.

Another important change is that the 'employed' now refers to all persons who work for profit or for pay (these include employers, own account workers in market units, contributing family workers and members of market producer co-operatives). In the previous standards, the 'active' or 'employed' was defined as "all persons in employment who: work for pay; for profit; all in unpaid training; all who produce goods for own final use; all who volunteer for organisations; and all who volunteer to produce goods for households", but in the new approach all unpaid persons who volunteer to work in households, organizations, etc. are excluded from the employed (ILO, 2017).

Table 4.2: Old and new classifications of the employed

OLD CLASSIFICATION OF 'ACTIVE'	NEW CLASSIFICATION OF 'EMPLOYED'
All who work for profit	All who work for profit
All who work for pay	All who work for pay (employers, own account workers in market units, contributing family workers & members of market producer co-operatives)
All in unpaid training	
All who produce goods for own final use	
All who volunteer for organisations	
All who volunteer to produce goods for households	

Source: Authors construction from 19th ICLS Resolution, ILO, 2017

According to the 2017 Labour Force Survey first quarter report, the labour force appears to have shrunk significantly alongside the 'employed' within the population. In addition, the percentage distribution of the population in the labour force appears to have declined severely. This decline however is not comparable with the previous years. Based on the new definition, the categories and number of people participating in the labour force has significantly reduced with a larger proportion of the population now being excluded from the 'employed' category and now being classified under the 'unemployed but seeking and available for work' category⁸.

In contrast to the previous measurement of employment, the new standard of measurement defines the employed population as constituting of individuals engaged in activities aimed at producing goods and services for profit or for pay such as farming mainly for sale. The previous measurement of employment included individuals engaged in own-use production work, such as subsistence farmers that produce mainly for own consumption.

This means that individuals who produce goods and services mainly for own consumption will not be considered as employed as shown in the Table below. The 2014 Labour Force Survey reveals that 1.4 million people are own-use production workers – mainly subsistence farmers – representing 25% of the employed population. This means the employed population measured on the basis of the new standard would reduce roughly by 25%.

Table 4.3: Old and new classifications of unemployed

OLD CLASSIFICATION OF 'UNEMPLOYED'	NEW CLASSIFICATION OF UNEMPLOYED-'SEEKING + AVAILABLE FOR WORK FOR PAY OR FOR PROFIT'
Provide services for own final use; and Volunteer providing services for households.	Provide services for own final use; Volunteer providing services for households; Work unpaid for training; Produce goods for own final use; Volunteer through organisations; and Volunteer producing goods for households;

Source: Authors construction from 19th ICLS Resolution, ILO, 2017

Following the 19th ICLS resolution, an unemployed person is a person who is:

- i.) Not in employment (not in work for pay or for profit)
- i.) Actively Seeking for work for pay or profit
- ii.) And is available for work for pay or profit.

As a result of the 19th ICLS resolution, the labour force is now divided into two: the actual labour force and the potential labour force. The Potential Labour Force refers to those who are either:

- i.) Exclusively seeking work
- ii.) But not available

OR

- i.) Exclusively available for work
- ii.) But not seeking

A combination of the unemployed and the potential labour force gives a true reflection of national unemployment rate classified as Labour Underutilisation (LU-3) in the 19th ICLS resolution of 2013.

Clearly an extensive array of changes was made to the Labour Force Survey methodology in 2017. A limitation of this is that, the CSO's decision to change the methodology was not widely consulted, least of all with key data end-users (e.g. academic and research institutions, think tanks, private sector associations, etc.). The cursory review presented above suggests that the changes caused comparability structural breaks in the data and are likely to result in misuse, misrepresentation and erroneous interpretations in terms of intermittent trend analysis.

A few important positives are also noteworthy in relation to the change in the methodology. Firstly, whilst there has been a change in the definitions of the labour force, informal employment and unemployment, there has been no change in the definition of formal employment. Tracking of formal jobs therefore, is still possible as they have not been affected by a definition change. This is important and useful, particularly from the point of view of the macroeconomic framework as it will also for the formal job creation performance in aggregate to be tracked.

Secondly, the 2017 Labour Force Survey began to be conducted quarterly surveys as opposed to every two years. This help to increase the frequency of tracking and reporting on labour market performance at an aggregate level. However, the design of the quarterly Labour Force Survey is such that it provides results that cannot be compared from one quarter to the other within the same year, as it only gives a snapshot (macro perceptive) of prevailing labour market conditions of a particular quarter. This is because the sample areas and households enumerated are different for each quarter. The sample design is limited by resource limitations.

Thirdly, by adopting modern labour force survey nomenclature and principles, the Zambian Labour Force Survey datasets will become more internationally comparable and reputable going forward. This will be important when it comes to benchmarking Zambia's labour market performance against comparator countries.

A final point of caution on the issue of the changing methodology is that without careful coaching of data-users on the linkages and “de-linkages” between the old and new nomenclatures, the Labour Force Survey framework risk frequent misrepresentation and erroneous analysis. It also poses the risk that comparability between the old and the new variants of the survey will be lost.

5. Conclusion and Policy Suggestions

This policy brief sought to review Zambia’s time-consistency in targeting and tracking jobs in its short-, medium-, and long-term budgeting and planning instruments. It also sought to comment about the relevance, effectiveness and sustainability of targeting and tracking job creation at the macroeconomic level. Finally it sought to explore options for establishing comparability between the 2012 and 2014 Labour Force Survey datasets on the one hand and the Labour Force Survey dataset for 2017 on the other, in view of the fundamental methodological shift in 2017.

The brief has established an empirical case for the inclusion of employment targeting into Zambia’s macroeconomic frameworks, broadly proposing that jobs targeting be incorporated into the Annual Budget, the MTEF (and the ESGP-type instruments) and the 7NDP as a permanent element. It also offers recommendations for CSO, towards recover the comparability and compatibility of the different Labour Force Surveys. In view of the forgoing, the policy brief proposes the following specific measures:

- The authorities should undertake a high-level policy decision, at the level of the Cabinet, to incorporate quantitative jobs targeting as a permanent feature on Zambia’s short-term, medium-term and long-term macroeconomic frameworks;
- Subject to high-level approval of employment targeting, the technical functions of apex institutions (MNDP, MOF and Cabinet Office) with their respective technical agencies such as CSO should ensure the inclusion of specific indicators and quantitative targets on employment creation (e.g., formal private sector employment rate by rural/urban divide; unemployment rate in the formal sector, by rural/urban divide; etc.) in the Annual Budget, MTEF and ESGP, in order to measure the aggregate progress and achievements of Government programmes cumulatively (as well as to foster greater alignment between these instruments and the 7NDP).
- The authorities should initiate systematic, robust and inclusive debate to establish or affirm Zambia’s economic ideology on employment creation. This should lead to a categorical documented statement on whether the public sector will be primarily responsible for direct job creation or will be primarily responsible to facilitate private sector led job creation.
- The authorities should legally establish the Labour Force Survey as the primary exercise for informing jobs targets and for tracking job performance in the macroeconomic frameworks, establishing it with a stable and time-consistent or comparable methodology. Within this, annual reporting on job creation for measuring short-term progress and achievement of programmes.
- The CSO should be obligated or compelled to establish a transparent, accountable and inclusive consultative mechanism for designing or revising labour force and job creation measurement methodology. This must include an assured inclusion of key data users (public sector technocrats, academic and research institutions, think tanks,

private sector associations, etc.) at every stage of measuring job creation (from design through dissemination of data and findings).

The CSO should be compelled to establish full comparability and compatibility between the Labour Force Survey 2012 and 2014 datasets on the one hand and the Labour Force Survey 2017 dataset on the other, in order to maintain the intermittent time-series record of Zambia's jobs performance. Comparability should be fostered through CSO working backwards in terms of applying the new (2017) data definitions and data handling methods to the 2012 and 2014 Labour Force Survey datasets.

Notes and References

- 1 CSO and MLSS. 2015. "2014 Labour Force Survey Report," Republic of Zambia: Central Statistical Office (CSO), Lusaka and Ministry of Labour and Social Security (MLSS), Lusaka; September
- 2 'Formal employment' is the type of employment in which employees are entitled to social security coverage and contract in addition to annual paid leave or any such entitlement (2017 Labour Force Survey First Quarter Report). It is only found in the formal sector. It should not be confused with 'Formal Sector Employment' which is employment whether formal or informal, in a registered business establishment. This is irrespective of whether they are paid employees, employers, self-employed and contributing family workers or not.
- 3 ZIPAR. 2017. "Staying the Course of Fiscal Fitness: Analysis of the 2018 National Budget". Zambia Institute for Policy Analysis and Research (ZIPAR); October
- 4 MNDP. 2017. "7 National Development Plan 2017-2021: Accelerating Development Efforts towards Vision 2030 without Leaving Anyone Behind – Volume I." © Ministry of National Development Planning, Republic of Zambia; June.
- 5 MNDP. 2018. "7NDP Implementation Plan 2017-2021: Accelerating Development Efforts towards Vision 2030 without Leaving Anyone Behind – Volume II." © Ministry of National Development Planning, Republic of Zambia; April.
- 6 Pettinger, T. 2017. "Macroeconomic objectives and conflicts", © copyright EconomicsHelp.org 2016 (<https://www.economicshelp.org/blog/419/economics/conflicts-between-policy-objectives/>); July
- 7 Pravin Gordhan. "2017 Budget Speech", Pravin Gordhan, Minister of Finance, 22 February 2017 (www.treasury.gov.za).
- 8 A summary of the differences in definition and methodology of the 2014 and 2017 Labour Force Survey First quarter report is attached in the appendix



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