Understanding youth labour demand constraints in Zambia

The mining, manufacturing and construction sectors

Grayson Koyi

Gibson Masumbu

Albert Halwampa

ZIPAR

Zambia Institute for Policy Analysis & Research

Working Paper No.10

December 2012

Zambia Institute for Policy Analysis & Research (ZIPAR)
CSO Annex Building
Cnr John Mbita & Nationalist Roads
PO Box 50062
Lusaka
Zambia

Tel: +260 211 252559
Fax: +260 211 252566

Email: info@zipar.org.zm
Web: www.zipar.org.zm

Contents

Figures

Tables

Acronyms

DDIT	Double Deduction Incentive Scheme
HRDT	Human Resource Development Fund
YES	Youth Employment Strategy
ZAR	South African Rand

1 INTRODUCTION

Zambia is among many developing countries struggling to create adequate employment opportunities for its people, especially in the formal economy. There is high youth unemployment, especially in urban areas where it has surged to 40.4% for females and 35.6% for males (CSO 2011, 95). Sender et al. (2005) attribute the high youth unemployment rates in Zambia to the socio-economic crisis of the past two decades and the young and increasing population that is producing an ever bigger youth labour force. Mayaka and Moyo (1999) further observe that youth unemployment mainly affects those without skills.

A new challenge is the revised minimum wage legislation, which could influence youth employment levels if formal sector employers opt to lay off excess labour in order to contain labour-related costs of production.

Unless the challenge of youth unemployment is met, Zambia could face rising poverty levels in the future. The new government has made pronouncements about expanding employment opportunities for youths, but without good data and information about labour demand dynamics, the government's good intentions are likely to face severe challenges. Closing this knowledge gap is a necessary step in identifying corrective policy measures.

1.1 Objectives

The overall objective of this study was to provide an analysis of youth unemployment and undertake a labour demand constraint analysis in order to understand key youth unemployment issues and factors influencing the demand for youth labour in Zambia. The underlying aim was to proffer policy recommendations for increasing this demand and creating more youth employment. More specifically, the study objectives were:

1. To profile and analyse the youth unemployment challenge in Zambia.
2. To identify and analyse demand side factors influencing youth employment in selected sectors in Zambia.
3. To examine strategies for increasing youth labour demand undertaken in other countries and identify best practices that can serve as lessons for Zambia.
4. On the basis of the above, to make policy recommendations for increasing the demand for youth labour in the Zambian labour market.

1.2 Scope of the study

Because the subject of youth unemployment is very broad and a comprehensive analysis would be beyond the time and resources available, this study focused on three economic sectors that have been major contributors to Zambia's economic growth – mining and quarrying, manufacturing, and construction – and was restricted to urban areas of Lusaka and the Copperbelt regions.

1.3 Methodology

The study deployed three research instruments to collect data on the above issues: a literature review; a firm-level questionnaire; and key informant interviews with key stakeholders in government and industry.

Based on the Central Statistical Office's (CSO) economic census frame,[1] the study selected 100 firms (based in Lusaka and Copperbelt provinces) out of a target population of 849 firms to participate in the survey. The sampling approach was based on quota sampling with further proportional stratified sampling to ensure balanced representation. Accordingly, firms were first put into three clusters (mining, construction and manufacturing) and quotas allocated to each of the sectors: mining 20%, construction 40%, and manufacturing 40%. A 92% response rate was recorded (Table 1).

Table 1. Sampled firms by sector and location

	Lusaka	Copperbelt	Total
Manufacturing	17	26	43
Construction	18	14	32
Mining	0	17	17
Total	***35***	***57***	***92***

[1] A listing that captures 849 firms in the three sectors of mining (22), construction (228) and manufacturing (599).

Table 2 shows the coverage of the firms by industry and size. It shows that the 92 firms employed a total of 27,584 employees. The firms were classified on the basis how many employees they had. Large firms were those with 100 or more employees; medium firms were those with 20–99 employees; small firms were those with fewer than 20 employees. Though the large firms accounted for 49% of the firms surveyed, they accounted for 94% of the total employment. The medium firms, which accounted for 32% of the firms, accounted for 5% of the total employees. Small firms accounted for only 1% of the total employees even though they represented 20% of the total number of firms. The table also shows that even though mining firms accounted for one-fifth of the surveyed firms, it accounted for two-thirds of the total number of employees in the survey.

For each firm, a structured questionnaire (see Annex 1) was used to collect the data. The research subjects included chief executive officers or their management representatives. Discussions and interviews were also held with key informants in key stakeholder institutions in government and the private sector to elicit their views on demand-side factors influencing youth employment in Zambia.

Table 2. Survey coverage by industry and size of the firms

	Size	Employment	Total number of firms
Mining & quarrying	Large	18,051	13
	Medium	122	2
	Small	24	3
	Sub-total	*18,197*	*18*
Manufacturing	Large	5,814	22
	Medium	661	13
	Small	60	7
	Sub-total	*6,535*	*42*
Construction	Large	2,064	10
	Medium	689	14
	Small	99	8
	Sub-total	*2,852*	*32*
Total	Large	25,929	45
	Medium	1,472	29
	Small	183	18
Grand total		***27,584***	***92***

1.4 Structure of the report

The report is organised into five main sections. The first section has provided a background and rationale of the study. The second section profiles and analyses the youth unemployment challenge confronting Zambia. The principal implications of the findings and discussions in this section justify the growing concern that the youth unemployment situation, especially in urban Zambia, has reached alarming proportions and requires urgent attention.

The third section takes a more micro-level approach and presents and discusses findings specific to the firm in terms of youth labour market demand constraints. For example, which factors increase or reduce the chances of youths being employed or unemployed in Zambian industry? What difficulties do employers face in recruitment and does the lack of functional labour market information contributes to these difficulties? The fourth section presents some lessons from other countries regarding demand-focused employment strategies for youths. Section five concludes the report with policy recommendations.

2 YOUTH UNEMPLOYMENT: A PROFILE

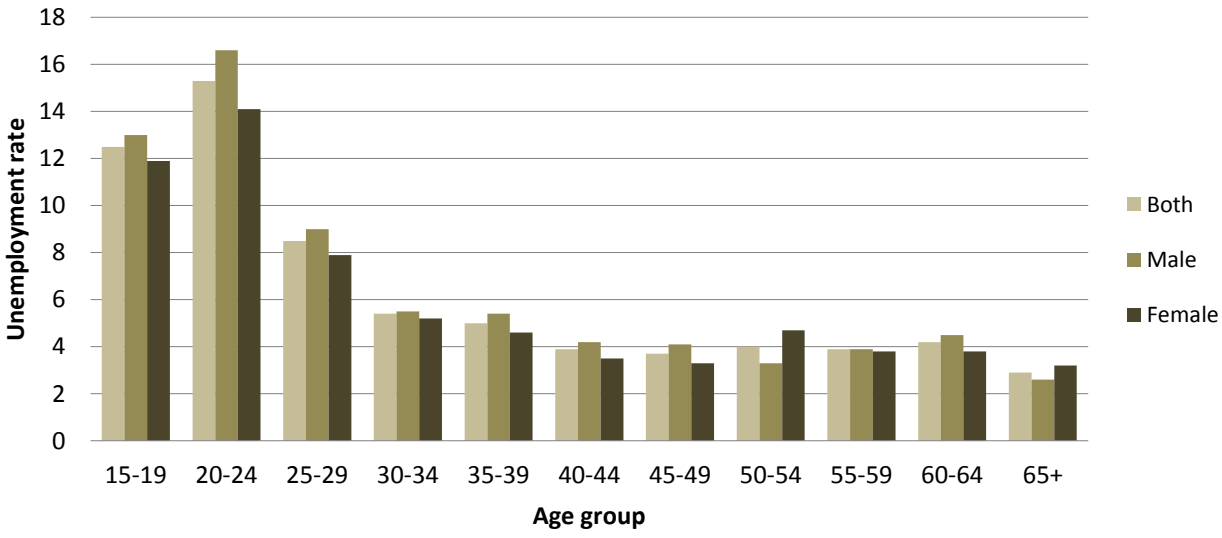
2.1 Definition of youth

According to the standard UN definition, the youth are those people aged between 15 and 24.[2] The CSO's Labour Force Survey also defines youth as persons aged 15 to 24 years (CSO 2011, 20), so for the purposes of this paper, we adopt the same definition. Youth unemployment, then, refers to the proportion of the labour force aged 15 to 24 years who had no jobs, were available for work, and were seeking work during a specified period (CSO 2011, 20).

2.2 Salient characteristics of youth unemployment in Zambia

The unemployment rate for youths in Zambia is higher than the rate for adults. Among all age groups: 20–24 year olds have the highest unemployment rate (15.3%), followed by the 15–19 year olds (12.5%). The unemployment rate is lowest among the 65+ age group (2.9%). In relative terms, the unemployment rate of 15.3% for youths aged 20–24 years is five times higher than the unemployment rate of 2.9% among adults aged 65 years and above. As illustrated in Figure 1, youth unemployment is concentrated among the 20–24 year age group.

Figure 1. Distribution of unemployment by age group



Source: Author computations based on CSO data (CSO 2011, 95)

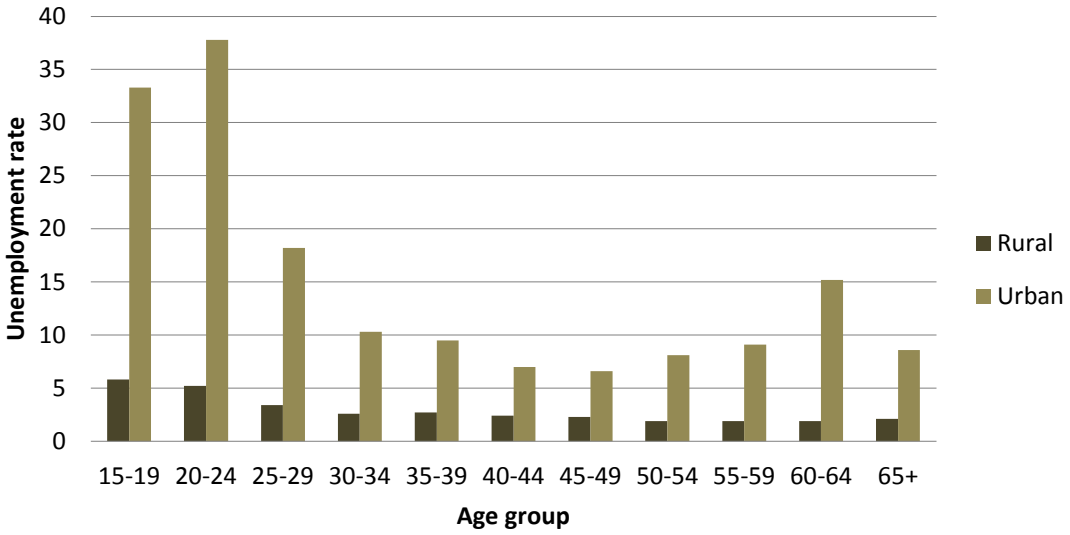
Another dimension of the youth unemployment problem is that it is formally concentrated in urban areas (Figure 2). The Labour Force Survey 2008 reports that youth unemployment for the 15–19 age group is much higher in urban areas (33.3%) than in rural areas (5.8%). Among

[2] In practice, the operational definition of youth varies widely from country to country and from time to time depending on cultural, institutional and political factor. In most countries, the lower age limit usually corresponds to the statutory minimum school-leaving age whilst the upper limit tends to vary more widely. In Zambia, the National Youth Policy generally refers to policies targeted at the 18–35 year-old age group.

20–24 year-olds, the key is even wider: 37.8% in urban areas compared to 5.2% in rural areas. Within urban areas, young female adults (20–24) experience higher unemployment rates (40.4%) than their male counterparts (35.6%).

An important factor that needs to be taken into account in regard to the reported concentration of youth unemployment in urban areas is the definition used to capture who is employed. Much of rural activity is classified as informal agricultural work. Therefore, a narrow definition such as the one used by the CSO in its Labour Force Survey classifies many of the youths based in rural areas as informally employed in agriculture. This may give an impression that the youth unemployment rate is low in rural areas, when in fact most rural youths remain unemployed in real terms. The definition being used may need to be interrogated further in order to give a true picture of youth unemployment in rural areas.

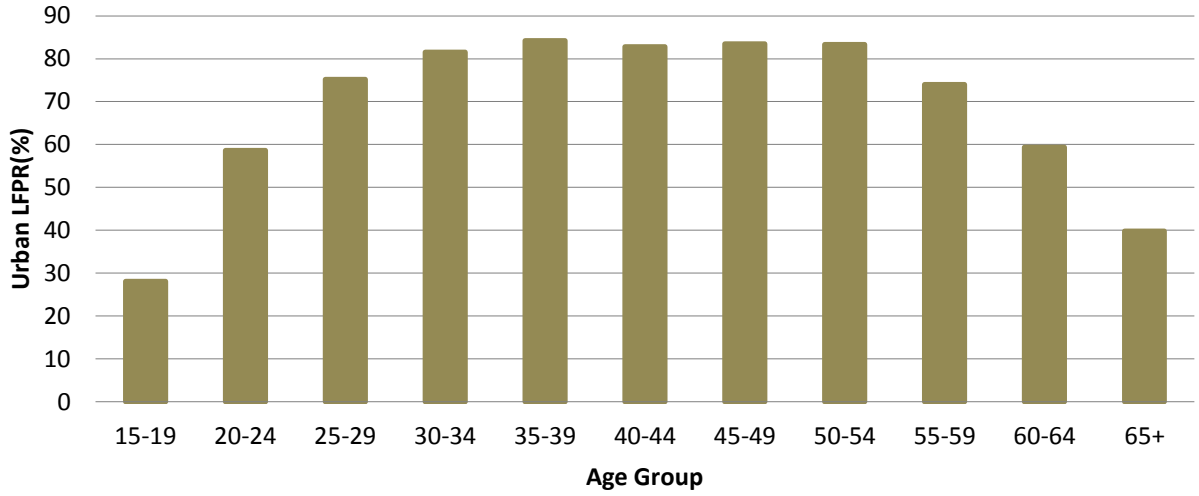
Figure 2. Distribution of unemployment by rural and urban areas



Source: Author computations based on CSO data (CSO 2011, 95)

A related dimension of the youth unemployment challenge in Zambia is that urban youth labour force participation is on the low side (see Figure 3). 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.

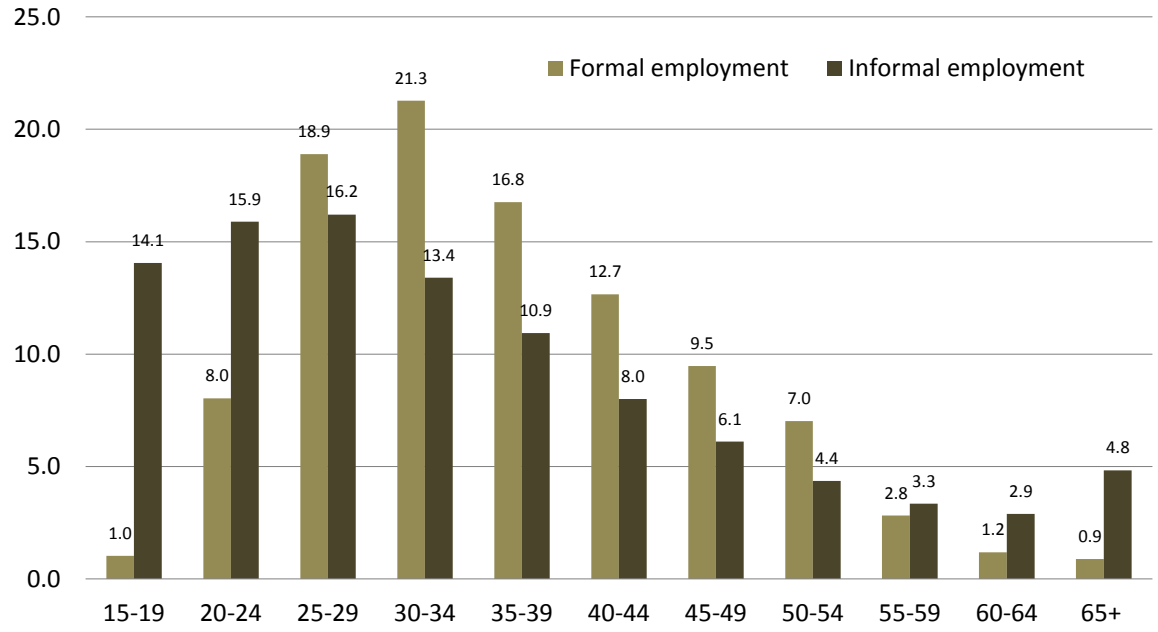
Figure 3. Urban labour force participation rates by age group



Source: Author computations based on CSO 2011.

An important dimension to the youth unemployment challenge is that the majority of youths considered employed are in informal employment. Figure 4 shows the share of employed persons in each age group for the formal employment and informal employment. Of all employed persons in the informal employment, 30% were in the age group 15–24. As such, the youth unemployment challenge in Zambia is not only about quantity, but about quality as well. The poor quality of jobs available to young workers is visible in the incidence of informal youth employment. The question is whether these types of jobs act as stepping stones towards permanent employment, or traps that expose young people to a spiral of temporary employment.

Figure 4. Percent share of employed persons in each age group in the formal/informal employment, 2008



Source: CSO 2011, 73

In concluding, it should be noted that youth unemployment is by no means spread evenly amongst young people. Gender and location – as we have seen – but also skill levels and disability affect the likelihood of a young person being unemployed.

2.3 Summary

In summation, the paper finds a large variety of characteristics associated with the youth unemployment challenge in Zambia. Of particular note and relevance to immediate policy commendation was that:

1. Youth unemployment rates are five times higher than older adult unemployment rates in Zambia
2. The official definition of employment used to capture employment and unemployment data by authorities gives an impression that youth unemployment is concentrated in urban areas, when in fact the majority of youths considered employed in rural areas are in informal agriculture and are without waged employment
3. The majority of youths considered employed are in informal employment
4. Urban youth labour force participation is comparatively low
5. Youth unemployment is not spread evenly within the youth cohort.

Attempts to deal with the youth unemployment challenge, therefore, must be anchored in a comprehensive situational analysis of the youth unemployment challenge that must bring out characteristics that tend to increase or reduce the likelihood of a young person being employed (e.g. regional dynamics, skill and competence levels, gender and disability).

3 YOUTH LABOUR DEMAND CONSTRAINTS

This is the main section of the report and provides findings on youth labour demand constraints. The results are at firm level and were based on a survey of 92 firms in the mining, construction and manufacturing sectors in the Copperbelt and Lusaka provinces. The survey was conducted in September and October 2012. A stratified sample of respondents was interviewed using a structured questionnaire designed to investigate firm level factors that constrain the demand for youth labour. In addition, key informant interviews with relevant stakeholders and business associations were conducted. The results of the survey are important for understanding the factors hampering industry from absorbing more youths.

The main topics addressed concerned the individual characteristics employers were looking for when employing youths, the availability of relevant labour market information, the economic and business environment, and the extent to which the policy and regulatory regime supported or impeded the demand for youth labour. Specific questions focused on the factors influencing hiring decisions (skills and competences, work experience, relevance of previous jobs held, attitudes and behaviours); work-based learning programmes and associated fiscal incentives for influencing employers' expenditures on skills development; the functionality of the labour market information system; and the influence of operational costs, access to domestic credit and labour regulation on youth labour demand.

3.1 Distribution of respondents

The distribution of firms participating in the survey was as follows: 46.7% came from the manufacturing sector, 34.8% from the construction sector and 18.5% from the mining sector. This distribution was based on a sampling framework ensuring a fair representation in the target population of registered firms in the three sectors. In terms of geographical distribution, 62% of the firms were based in Copperbelt province and 38% in Lusaka province.

The ownership structure of the firms surveyed indicate that on aggregate 47.3% where wholly Zambian owned, 22% jointly owned by Zambian and foreign nationals, while 29.7% were wholly owned by foreign nationals (see

Table 3). The sector where wholly Zambian owned firms were most strongly represented was the construction sector (62.5%), followed by the manufacturing sector (45.2%) and then mining and quarrying (23.5%). Conversely, the highest proportion of wholly foreign owned firms was recorded in the mining and quarrying sector (41.2%), followed by the construction sector (28.1%), with manufacturing having the fewest firms wholly owned by foreign nationals (26.2%).

Table 3. Distribution of firms by ownership structure

		Wholly owned by Zambian nationals	Jointly owned by Zambian and foreign nationals	Wholly owned by foreign nationals	Total
Manufacturing	% within sector	45.20	26.20	26.20	100.00
	% of total	20.90	12.10	12.10	46.20
Construction	% within sector	62.50	9.40	28.10	100.00
	% of total	22.00	3.30	9.90	35.20
Mining	% within sector	23.50	35.30	41.20	100.00
	% of total	4.40	6.60	7.70	18.70
Total		**47.30**	**22.00**	**29.70**	**100.00**

3.2 Age distributions

Firms were asked to indicate the proportion of youths they employed. The construction sector reported the highest percentage (11.4%), closely followed by the manufacturing sector (10.2%), while the mining sector reported just 4.7% (see Table 4).

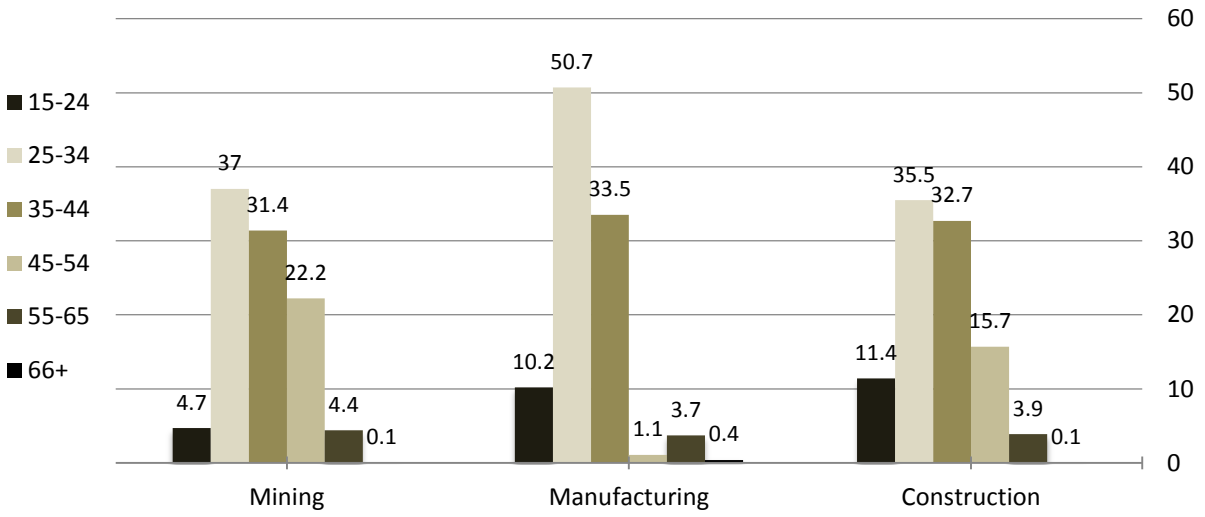
Table 4. Employment profile of mining, manufacturing and construction

	Total employed in surveyed firms	Youth employees in surveyed firms
Mining and quarrying	18,197	4.7%
Manufacturing	6,535	10.2%
Construction	2,852	11.4%

Source: Survey questionnaire, Economic Census Frame 2012.

Broadly the age distribution suggests that, across the three sectors, the workforce is concentrated in the 25–34 and 35–44 age groups (Figure 5). This pattern mirrors the finding of the Labour Force Survey 2008 at the national level.

Figure 5. Age distribution of employees by sector (%)



Source: Survey questionnaire on youth labour demand constraints in selected sectors in Zambia

The higher proportion of youths in the construction sector may be attributed to a number of factors, but as one stakeholder in the construction industry noted, a key reason might be that "the construction sector comparatively places less emphasis on Grade 12 qualification as a key prerequisite for employment of youths in unskilled work categories than does, for instance, the mining and manufacturing sectors". This, coupled with the physical nature of construction work, means that the sector can absorb more youths who may not have the educational credentials required in other sectors but do have the energy to meets the physical demands of construction work.

The study also sought to understand the staff categories in which youths were concentrated. The findings indicate that most firms had no youths in managerial positions: 88.2% of mining and quarrying firms, 80.5% of manufacturing firms, and 67.7% of construction firms reported having no youths in their management. Most of the youths employed in each sector were in non-managerial positions.

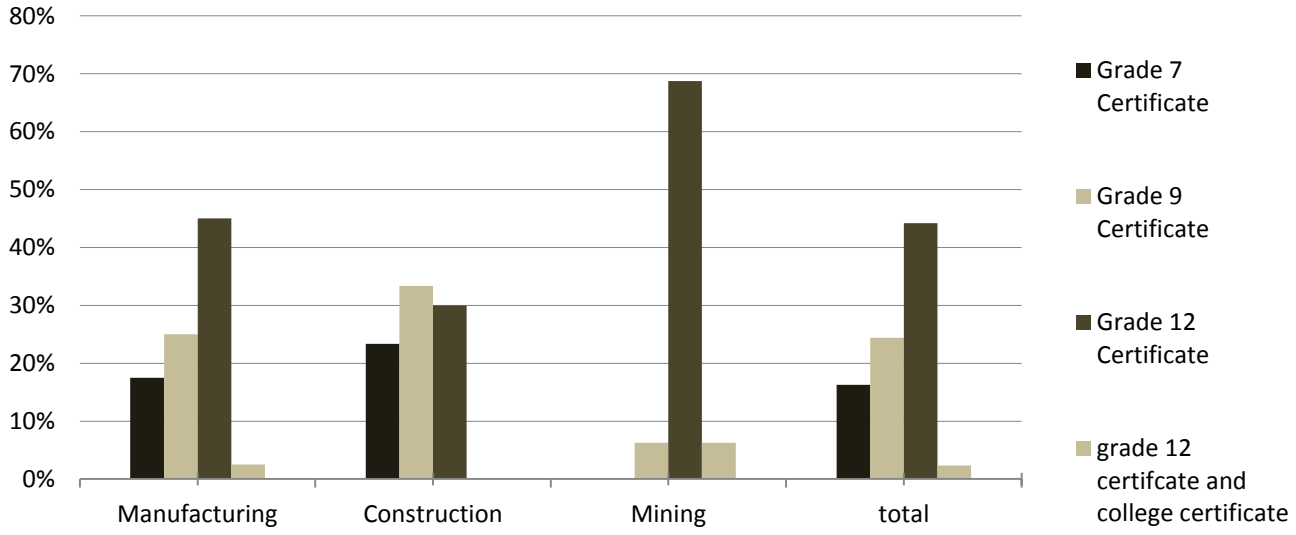
3.3 Skills and competence gaps

Turning to skills and competences, the study asked firms to indicate their minimum requirement when employing both skilled and unskilled new entrants.

The study found that the most common minimum requirement for unskilled job categories was a Grade 12 certificate (Figure 6). The construction sector exhibits the most flexibility in absorbing youths with either Grade 7 or Grade 9 qualifications. In the mining sector, on the other hand, 68.8% of firms reported that a Grade 12 level qualification was the minimum requirement for employment as an unskilled worker. The policy implication is clear: the government needs to re-examine the relevance of Grade 7 and 9 qualifications in response to

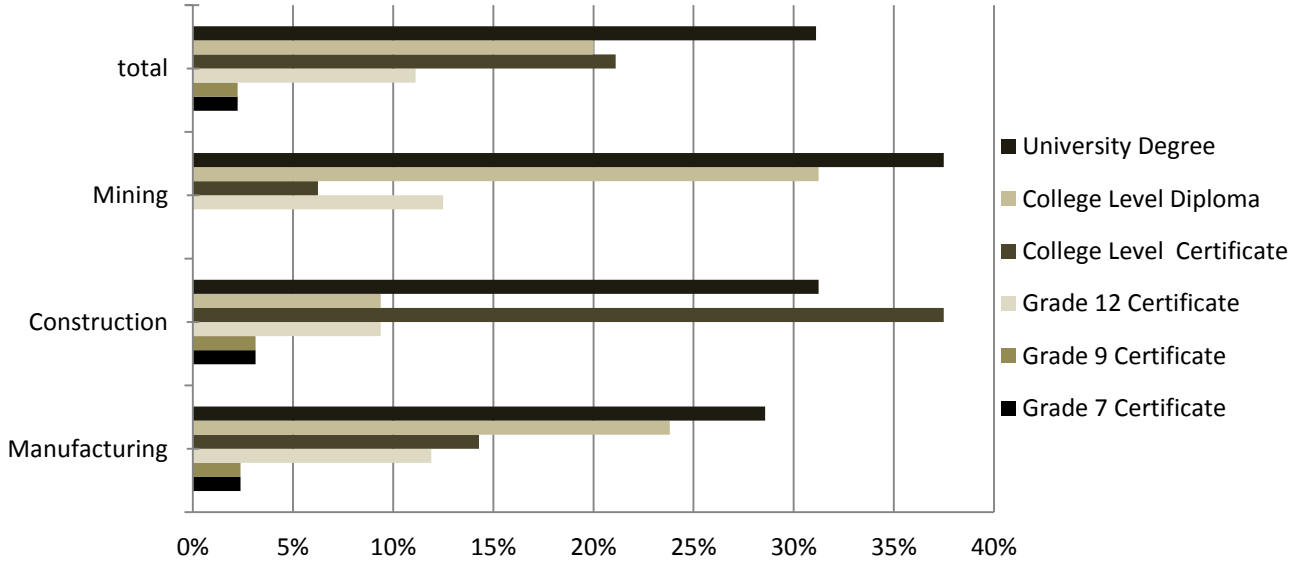
the finding that industry emphasises a minimum requirement of a Grade 12 certificate for formal employment.

Figure 6. Proportion of firms demanding educational certificates for unskilled work categories



Further, the study found that across all the three sectors, a university degree and a college level diploma or certificate were major prerequisites for employment in skilled work categories (Figure 7). This requirement was most significant in the mining and manufacturing sectors. In other words, the lack of a post-secondary school qualification constrains youths from entering these industries. These findings suggest the need for skills commensurate with the requirements of mining and manufacturing in order to enhance youth labour demand in these sectors.

Figure 7. Proportion of firms demanding requisite qualifications for skilled work categories

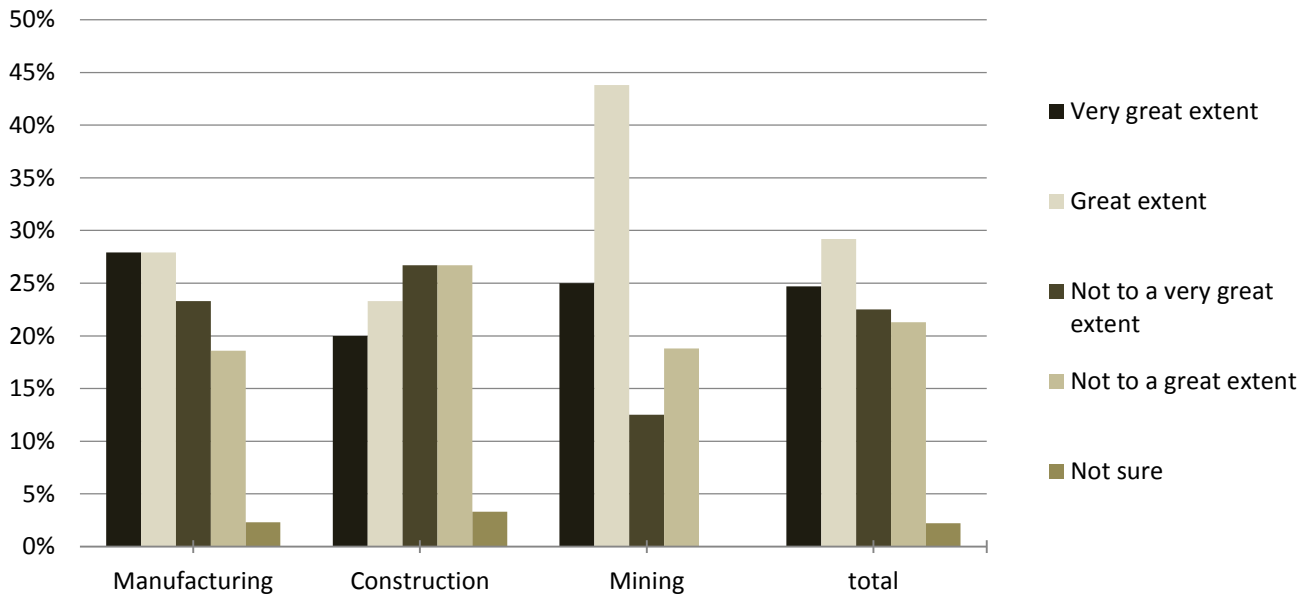


The gender distribution of young workers across the three sectors revealed a pattern of predominantly male employment in the mining (92%) and construction sectors (90%). This male dominance suggests a gendered barrier that constrains the demand for young female workers. Manufacturing, however, had a more balanced gender composition with young male workers constituting about 60% while females were at about 40%.

Previous work experience

The study found that lack of previous work experience was a factor that constrained youth employment in industry. Overall, 54% of firms identified the lack of previous work experience as a major factor constraining the employment of youths (Figure 8). This factor was most pronounced in the mining sector, where 68.8% of the firms reported that lack of previous experience greatly constrained their demand for youth labour. The equivalent figure in the construction sector was 43.3%, so once again this was the sector apparently most ready to employ inexperienced youths.

Figure 8. Extent of lack of experience as a youth labour demand constraint



On the subject of experience, one respondent explained its value as a source of "ripe" skills: "employing youths without adequate skills entails a cost to the firm to upgrade them. Instead, firms value experience more and are willing to pay a premium to attract 'ripe' skills". Previous work experience, therefore, is a critical factor that is influencing youth labour demand, much to the disadvantage of new labour market entrants in Zambia.

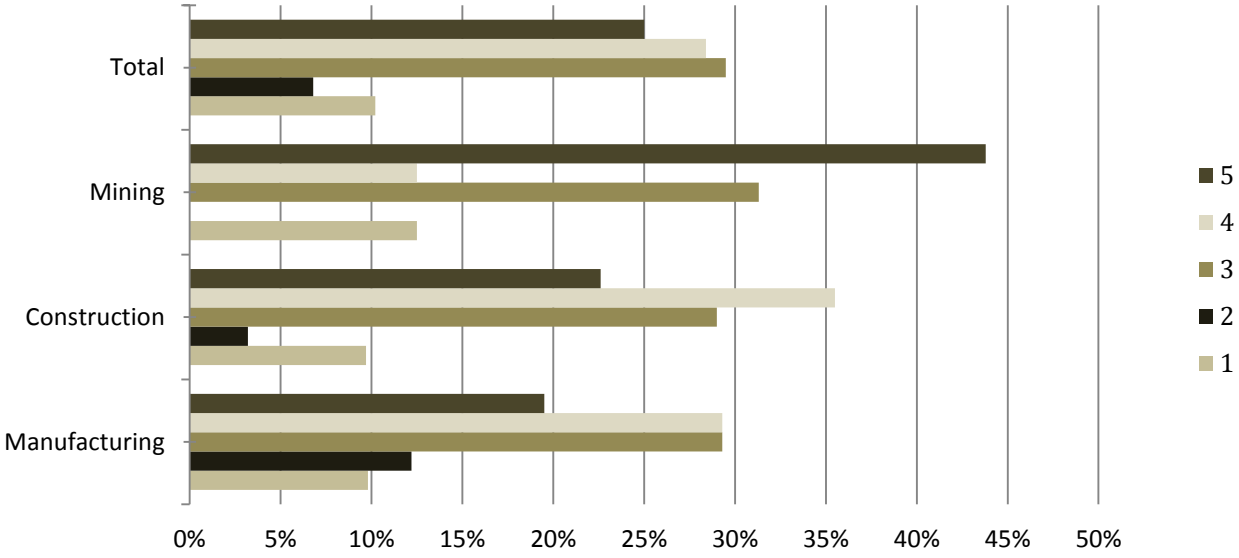
3.4 Relevance of previous jobs held

To probe the relevance of previous jobs held, firms were asked to score (on a scale of 1–5) the extent to which this factor constrained their hiring decisions for youths. The bulk (82.9%) scored this factor between 3 and 5, implying that in an overwhelming majority of cases the

emphasis on the relevance of previous jobs held constrained industry's demand for youth labour (Figure 9).

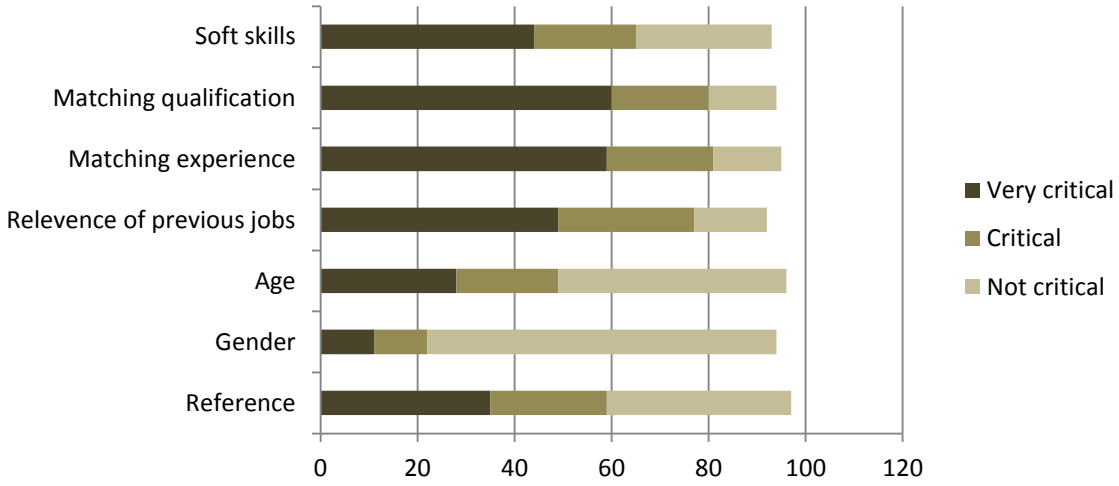
At the sector level, this constraint was predominant in the mining and construction sectors where 87.6% and 87.1% of the firms, respectively, scored it between 3 and 5. In the manufacturing sector, 78.1% of the firms scored this factor between 3 and 5.

Figure 9. The relevance of previous job(s) held in youth labour demand



Firms where then asked to indicate the major factors considered when hiring young workers. Many firms were very explicit about the fact that after "matching qualifications" they placed the highest premium on "matching experience" and "the relevance of previous jobs held" (Figure 10).

Figure 10. Critical factors considered in hiring young employees



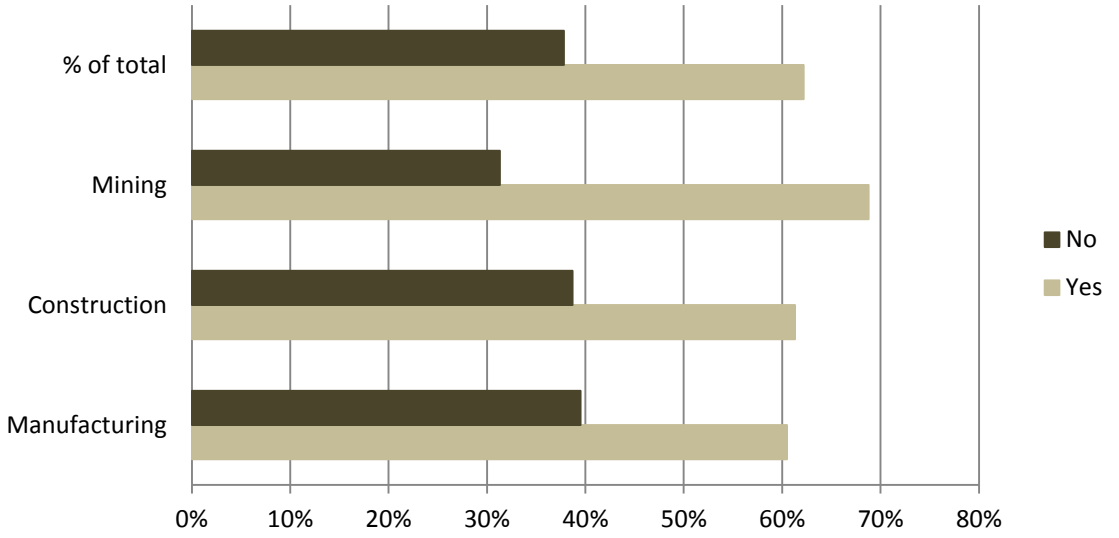
Altogether, the study found that the emphasis on work experience and relevance of previous jobs held acts to hinder the absorption of young workers in industry. This is where youth

learnership programmes would be useful in enhancing young people's employability and thus increasing the demand for youth labour among employers (see section 4.3).

3.5 Cost of in-house training

The study investigated whether the cost of in-house training to upgrade the skills and competence of youths constituted a critical factor that constrained the demand for youth labour. To do this, the study first asked employers whether they offered training programmes for young employees. The majority (60.2%) indicated that they did (Figure 11). The application of in-house training and other forms of work-based learning were most significant in the mining and quarrying sector.

Figure 11. Proportion of firms offering in-house training



The form of in-house training[3] that employers noted as particularly important was work learnership (60%), with apprenticeships (21%) and internships (16%) trailing behind (Table 5).

[3] Apprenticeship is a system of training a new generation of practitioners of a structured competency based set of skills. Apprenticeships range from craft occupations or trades to those seeking a professional license to practice in a regulated profession. Apprentices build their careers from apprenticeships. Most of their training is done while working for an employer who helps the apprentices learn their trade or profession, in exchange for their continuing labour for an agreed period after they have achieved measurable competencies. A learnership is a programme which includes spending some time learning theory and also spending some time learning practical skills in the workplace. They combine theory and practice and in some countries (e.g. South Africa) culminate in a qualification that is registered on the National Qualifications Framework. In South Africa, a person who successfully completes a learnership will have a qualification that signals occupational competence and which is recognised throughout the country. An internship is a system of on-the-job training for white-collar and professional careers. Internships for professional careers are similar to apprenticeships for trade and vocational jobs. Although interns are typically college or university students, they can also be high school students or post-graduate adults. On occasion, they are middle school or even elementary students. Generally, an internship works as an exchange of services for experience between the student and his or her employer. They can also use an

Table 5. Proportion of firms conducting in-house training

Forms of in-house training	Percent
Apprenticeship	21.4
Work learnership	58.9
Internship	16.1
Other	3.6
Total	100.0

Employers were then asked to indicate whether they were aware of incentives provided by the government for in-house training for youth employees. A large majority (81.6%) said they were not. Moreover, none of the firms participating in the survey reported that they were currently accessing any form of training incentives for youth learnerships. A significant finding was that if there were fiscal incentives provided by government towards supporting work-based learning for young employees, the bulk of establishments surveyed were not aware of them and were, therefore, not accessing them.[4]

Those not offering in-house training programmes were then asked to indicate whether they would consider introducing these programmes with government support. The majority (62%) responded in the affirmative but pointed to the cost of running such programmes as an inhibiting factor. Those already offering worker learnership programmes further indicated that they could only expand their learnership programmes if there was support from government authorities to such an extent that all administrative costs were covered. The cost of in-house training was, therefore, another factor that acted to hinder firms from absorbing youths that they might otherwise absorb. This raises the issue of marginal subsidies as a policy option and the need to factor firms' in-house training programmes and other forms of work-based learning into fiscal policy. Thus, one possible solution to the beleaguered Zambian youth labour market may be changing public policy so that it caters to life-long learning and talent advancement, enabling employers to continuously find workers compatible with their needs.

3.6 Attitudes and behaviours

The study investigated the extent to which youths' attitudes and behaviours influenced hiring decisions. 47.1% of the employers felt that poor attitudes and behaviours among youths greatly constrained their hiring decisions (Figure 12). While on average this factor was not significant across the three sectors, it came across as a relatively major factor constraining the demand for youth labour in the construction sector (58.1%). A plausible explanation for this finding was provided by one stakeholder in the construction industry who posited that: "it

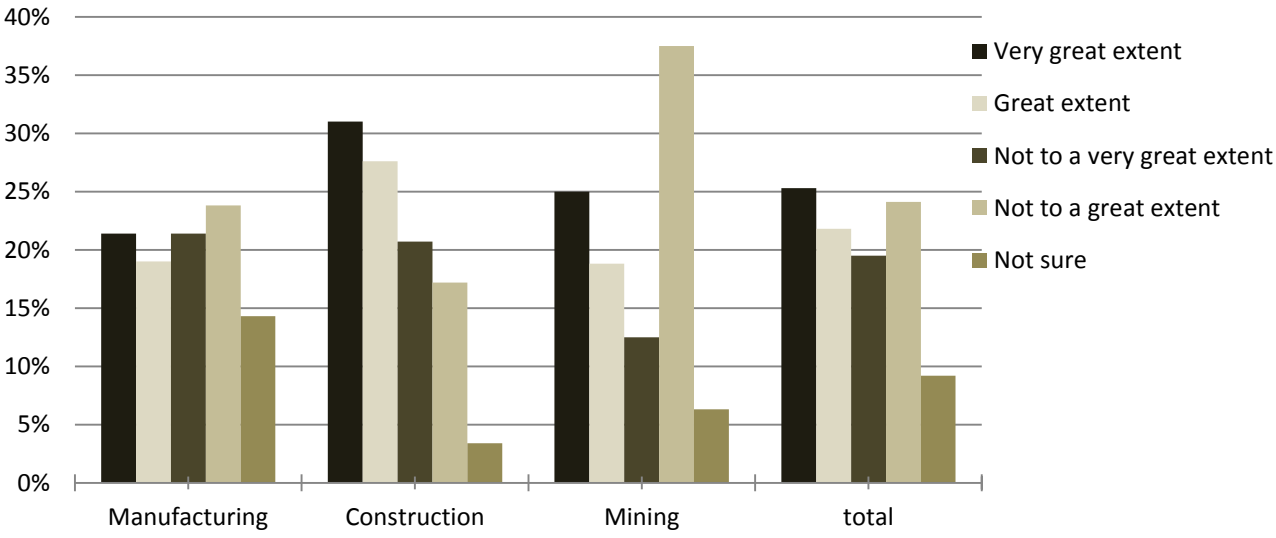
internship to determine if they have an interest in a particular career, create a network of contacts, or gain school credit. Some interns also find permanent, paid employment with the companies in which they interned. Thus, employers also benefit as experienced interns need little or no training when they begin full-time regular employment.

[4] At 10% level of significance using the Pearson Chi^2 test. Pearson Chi^2 (8) = 13.8743, Pr =0.085.

might well be the case that since the construction sector is hiring a lot of these young people to do manual work they need to be disciplined to follow instruction not to do things outside specific instructions".

This finding bears policy implications for ensuring that good attitudes among young people, especially of hard work and discipline, are transmitted through the entire schooling system.

Figure 12. Extent to which poor attitudes and behaviour constrain youth labour demand



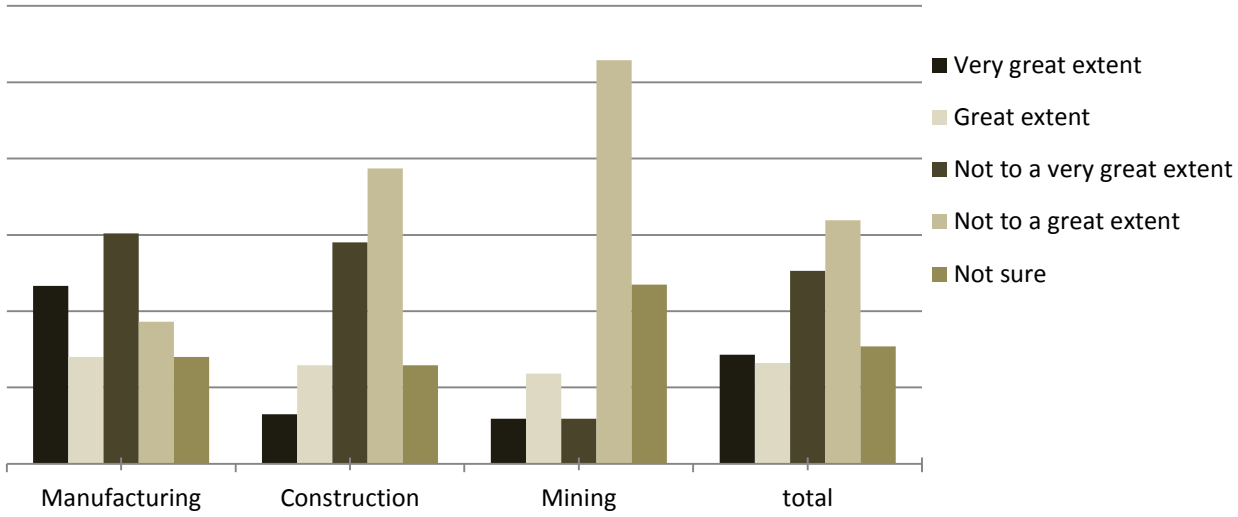
3.7 Legislated severance benefits

It has been widely held that labour regulation, especially as it relates to systems of benefits and other non-wage costs such as severance packages, depresses the demand for labour. The study set out to investigate the extent to which firms perceived that labour regulation constrained the demand for youth labour in the selected sectors.

57.2% of the respondents indicated that legislated severance benefits did not greatly constrain their demand for youth labour while 27.5% indicated that it did. While at the aggregate level this factor was not critical, it proved significant for the manufacturing sector where relatively more firms indicated that the system of benefits and other non-wage costs did affect their demand for youth labour to a very great extent.[5]

[5] To a very great extent was more among manufacturers and significant at 10%. Pearson $chi^2(8) = 13.8743$ Pr = 0.085

Figure 13. Extent to which legislated severance benefits constrain youth labour demand



3.8 Minimum wage

Turning to the minimum wage, the study sought to investigate the impact that the revised minimum wage would have on the demand for youth labour. Overall, 55.6% of the firms said that the revised minimum wage was not a great hindrance to their demand for youth labour (Figure 14). This proportion was highest in the mining and construction sectors where 70.6% and 67.8% of firms, respectively, reported that the revised minimum wage did not greatly affect their demand for youth labour. The impact of the revised minimum wage, therefore, would seem to have most strongly affected firms in manufacturing, where 47.6% of the firms reported that it greatly influenced their demand for youth labour.[6]

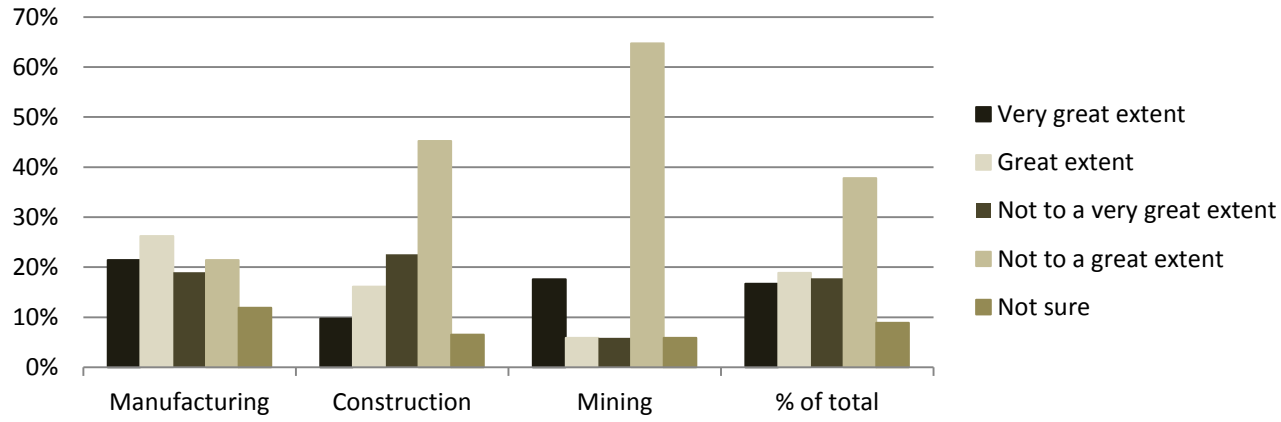
In fact, when firms were asked to indicate how the revised minimum wage had affected them, 54.1% reported that the impact for them was neutral while 36.4% reported a negative impact – mainly drawn from the manufacturing sector.

Firms were further asked to indicate whether they had reduced their staffing levels due to the need to meet the minimum wage requirement. About 80% indicated that despite increasing wages to comply with the revised minimum wage, they had not cut back on staffing levels. Significant cutbacks, however, were reported in the construction sector were 69.23% of the firms reported cutbacks.[7] A plausible explanation for this outcome is that the majority of youths employed in this sector have fewer skills and so are more easily laid off, whereas in manufacturing and mining more emphasis is placed on skill endowment at recruitment stage.

[6] A significant test was done using the Pearson X^2 test and this result was significant at 10% significance level. Pearson $Chi^2(8) = 13.6082$. Pr =0.085.
[7] A significant test was done using the Pearson X2 test and this result was significant at 10% significance level. Pearson $Chi^2(2) = 7.8$. Pr =0.019.

However, the impact of the 2012 revised minimum wage on youth labour demand can be characterised as having been generally neutral, but with more significant staff cutbacks in the construction sector than in manufacturing and mining sectors.

Figure 14. Extent to which revised minimum wage constrained youth labour demand

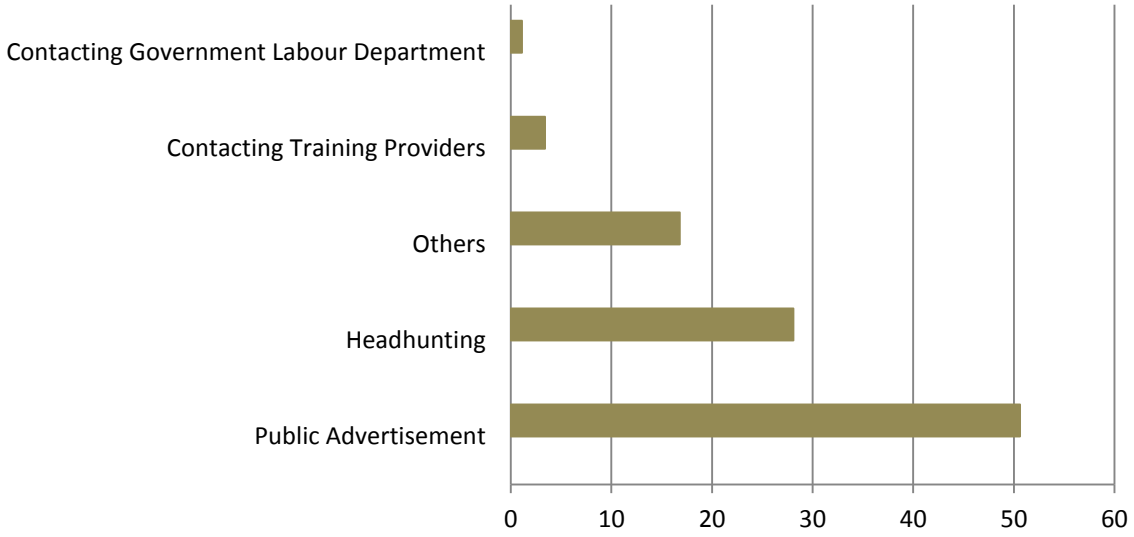


3.9 Lack of a functional labour market information system

The study investigated the extent to which the lack of a functional labour market information system affected firm demand for youth labour. Employers were first asked to indicate whether they obtained any information on the skills available in the Zambian labour market from public or private institutions. Close to 85% reported that they did not obtain any labour market information. When asked to indicate how effective they thought the labour market information system in Zambia was in providing quality and reliable skills data, 67% said it was not effective while 18.9% were not sure about the operation of the system.

Firms were then asked to indicate how they went about their recruitment process. Recruitment through public advertisement and conducting own selection processes was common across all industry sectors and accounted for 45% of responses. Headhunting (including poaching) was the second most common mode of recruitment (Figure 15).

Figure 15. Common modes of recruitment (%)



Training providers and the government's labour department were the least important source of new employees across all the surveyed industrial sectors.

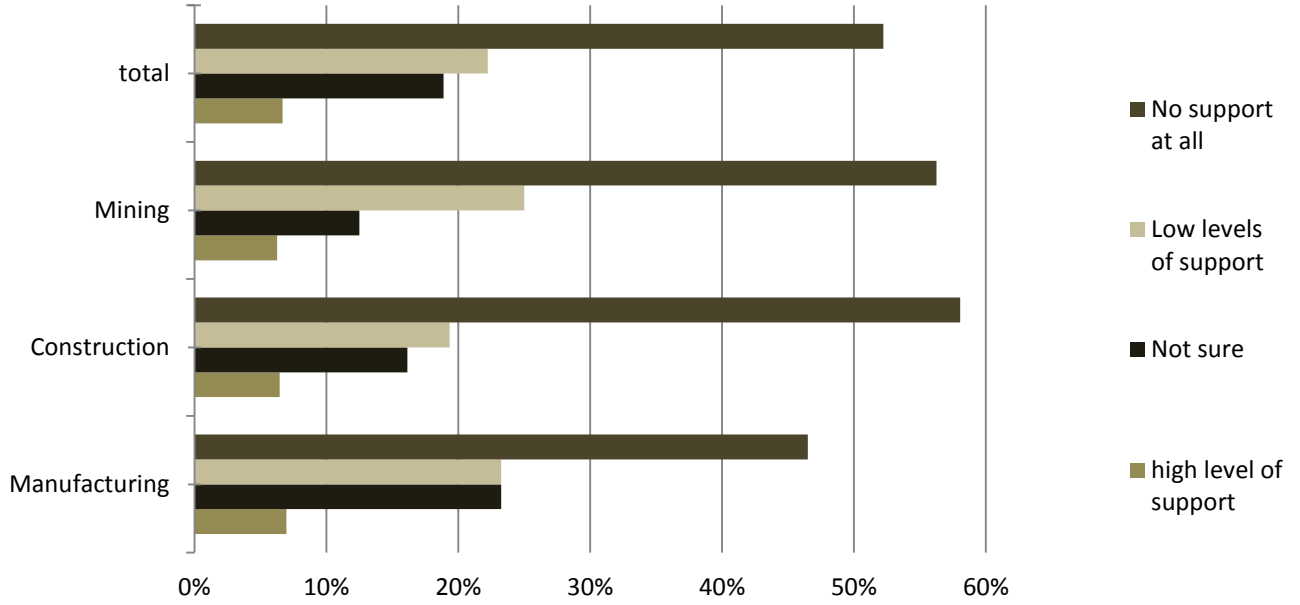
Employers felt unable to access critical labour market information. For instance, the absence of information on training outputs in different disciplines means that the right signals on the supply side are not being transmitted to the demand side of the labour market, and vice versa. Consequently, new labour market entrants transitioning from the schooling system enter the labour market with skills that are mismatched with industry demand, resulting in an inefficient labour market scenario. An efficiently functioning labour market information system can, therefore, be a powerful tool for identifying signals and analysing labour market developments. It would, moreover, be a good starting point in the design and implementation of a pragmatic youth employment policy that could act to create a functional interface between training providers and industry, thus minimising the incidence of skills mismatch.

3.10 Economic and business environment constraints

3.10.1 Lack of fiscal support

Turning to the economic and business environment, it is generally acknowledged that macroeconomic policies can play a constructive role in employment generation by alleviating constraints on the capacity of the private sector to create jobs. In this regard, the study looked at the extent to which the existing economic and business environment influenced youth labour demand. Firms were asked to indicate the level of fiscal support that they felt they were receiving from government to enable them to create more employment opportunities for young people during the period January 2010 to December 2011. Only 10% of the firms reported that they were receiving a high level of support. The majority (50%) indicated that they received no support at all while 20% reported receiving a low level of support. The other 10% were not sure.

Figure 16. Level of fiscal support for youth employment creation (%)



Across the three sectors, firms felt that they were not receiving any appreciable fiscal incentives to enable them create more employment opportunities for young people. It seems, therefore, that a gap exists in the existing fiscal framework that needs to be addressed.

3.10.2 Access to domestic credit

Firms were asked to indicate whether they experienced difficulties accessing credit or finance during the period January 2010 and December 2011. The majority (60%) of firms wholly owned by Zambian nationals reported experiencing difficulties accessing domestic credit. Firms were then asked to indicate to what extent the cost of finance and the difficulties they experienced in accessing credit had influenced their hiring decisions for young workers. The bulk (81.25%) of firms wholly owned by Zambian nationals reported that this did significantly constrain their decision to hire young workers.[8] The absence of affordable domestic credit acts as a constraint to firm growth, which is a prerequisite for increasing employment opportunities and absorbing young workers into the labour market. Access to credit or finance was not reported as a major constraint among foreign owned firms. This is largely because of their access to international networks and financing.

When firms were asked to indicate whether they gave priority to young workers when recruiting staff, the majority (62.79%) of establishments wholly owned by Zambian nationals responded in the affirmative. Local establishments treated employing young workers as a higher priority than did foreign owned establishments.[9] The fact that wholly Zambian owned firms that gave priority to employing young workers were the ones highly constrained by the high cost of domestic credit in their hiring decisions bear implications for the design and

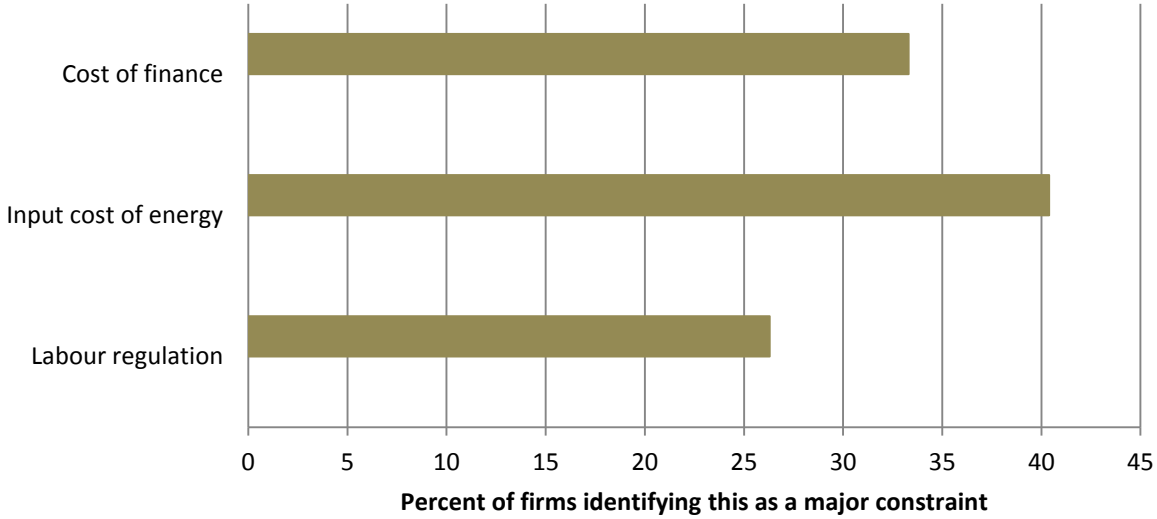
[8] A significant test was done using the Pearson X2 test and this result was significant at 10% significance level. Pearson $Chi^2(8)$ =17.0076. Pr =0.030. See Annex 2 for additional statistical detail.
[9] A significant test was done using the Pearson X2 test and this result was significant at 10% significance level. Pearson $Chi^2(4)$ =10.4017. Pr =0.034

implementation of monetary policy. The bottom line is clear: measures to ensure the cost of credit is affordable to Zambian firms should be devised and implemented. Within this context, there is a large scope for government or private sector guarantees to create liquidity in business transactions to give preferential treatment to domestically owned firms. Steps that can be taken, especially now that the Zambian financial sector is relatively stable and becoming more advanced, would be to allow more trade finance instruments such as factoring receivables-backed financing and inventory receipt financing to be used to bypass the requirement for collateral that is demanded by most commercial banks. In turn, the government can revise the existing financing regulatory framework to allow for this type of financing.

3.10.3 Operational costs

Employers' perceptions about constraints on the expansion of business operations were collected. A number of firms highlighted the input cost of energy (40.4%) and access to finance (33.3%) as major constraints for doing business that had a bearing on their hiring decisions in the period January 2010 to December 2011. More significant results were reported among domestically owned firms, where 70.59% cited rising operational costs as a major constraint.[10] Labour regulations (e.g. severance pay, minimum wage law) on the other hand, constituted a business constraint for less than 27% of all surveyed firms (Figure 17).

Figure 17. Extent to which business environment factors constrained firms



This finding does not, therefore, generally support the 'insufficient labour market flexibility'[11] view that asserts that factors that depress the demand for labour in Zambia relates to the impact of specific labour market regulations. On this basis, the policy implication is not

[10] A significant test was done using the Pearson X^2 test and this result was significant at 10% significance level. Pearson $Chi^2(8) = 21.9718$. Pr =0.05

[11] In this view, these regulations set the rules of the game in the formal segment of the labour market. The price, it is claimed, is borne by young workers who then are 'priced out' of the labour market.

necessarily more or less regulation, but an appropriate mix of policies and regulations that can maximise ex-ante net benefits for young workers in terms of protection against labour market risks while preserving employment opportunities. This message is consistent with findings in the pertinent literature. For example, a study by the International Labour Organisation (ILO 2012) provides a meta-analysis of more than 100 studies and finds that the evidence of the impact of employment protection legislation on youth employment is rather weak and mixed. There also appears to be a non-linear relationship between labour market regulations and youth employment, with both too lax regulations and excessive regulations leading to poor employment outcomes.

The finding on access to finance as a key constraint, however, corroborates with findings elsewhere. For instance, executive opinion surveys undertaken in more than 100 countries in the *Global Competitiveness Report* produced by the World Economic Forum point out that access to finance is considered as one of the five 'most problematic factors in doing business' by respondents in 85% of the cross-country sample that cuts across high, middle and low income countries. In Sub-Saharan Africa, insufficient financing and inadequate infrastructure are ranked among the five most constraining factors in 94% of countries. In order to be able to accelerate employment opportunities in general and thus increase the likelihood of employing more young people, measures to increase access to affordable credit must be devised.

From a policy point of view, a two-tiered approach, focusing on both access to finance and infrastructure investments, is needed. Monetary and financial policies will need to be tailored towards domestic credit expansion complemented by increased investments in public infrastructure. This may suggest that the Central Bank's mandate should be broadened to include the stabilisation of employment. In this way, macroeconomic policies can play a major role in alleviating constraints on private sector development and so lowering barriers to employment for young people.

3.11 Summary of findings and implications for policy

In summary, this section has reached several findings.

First, the proportion of the youth labour force in the sectors surveyed is on the low side, implying a need to set about expanding industry's capacity to absorb more of the youth labour force.

In its capacity to absorb more young workers with low educational qualifications than either manufacturing or mining and quarrying, the construction sector is the sector with the most potential for youth employment. On the basis of the gender distribution of young workers across mining, manufacturing and construction sectors, however, manufacturing is a more reliable source of absorbing young female adults.

The main youth labour demand constraints found were:

- Skills and competence gaps
- Lack of work experience and the relevance of previous jobs held

- Attitudes and behaviours of youths
- Cost of in-house training
- Absence of a functional labour market information system
- Access to domestic credit
- Operational costs
- Lack of fiscal incentives to support private sector's quest for youth employment creation.

4 LESSONS FROM OTHER COUNTRIES

This section looks at employer-focused interventions aimed at increasing youth labour demand that may provide lessons for Zambia. The examples given here underscore the importance of an active but measured government role in influencing youth labour demand.

4.1 Malaysia: Tax incentives for enterprise-based training

The East Asian country of Malaysia presents a case where tax rebates to support in-house training helped to increase the demand for young workers, and has since become an instrument for influencing employer-focused training. Prior to introducing the policy of tax rebates for enterprises involved in in-house training, Malaysia was faced with high youth unemployment, low skill and competence levels among school leavers and college graduates, and the inability of the public training institutions to meet employers' skills demand. In response to these challenges, the government introduced tax rebates as incentives to enhance the capacity of industry to absorb young workers and to continually upgrade their skill and competence levels. This incentive thrust involved two main schemes: (1) the Double Deduction Incentive Scheme (DDIT) and (2) the Human Resource Development Fund (HRDT).

The DDIT scheme allowed firms to subtract twice their training expenditures from gross income to compute tax liability. This could then be used for in-house training. The HRDF was established in 1992 with a matching grant from the government. It was administered by a council with both the private sector and government representatives. Unlike the DDIT programme, the HRDF was not a subsidy scheme. Employers who contributed to 1% of total payroll for at least six months reclaimed a portion of allowable training expenditures.

These incentive schemes provided the basis for government to influence the demand for youth labour. As a result, the unemployment rate fell from nearly 10% in 1992 to 3.3% in 2000 (Tan and Gill 2000, 221). The Malaysian model of enterprise-based training incentives has become a major point of reference for employment policy development, not only in the Asian region, but also across developing economies in general. Zambia could emulate this example and introduce targeted tax incentives to influence firms' youth labour demand functions.

4.2 Canada: Facilitating school-to-work transitions

In Canada, the government designed and implemented an employer focused youth labour demand programme as part of the Youth Employment Strategy (YES). Established in 2005, this programme is the Government of Canada's commitment to help young people (aged 15–30), particularly those facing barriers to employment, get the information and gain the skills, work experience and abilities they need to make a successful transition into the labour market. The initiative comprises three programme streams: Skills Link, Career Focus, and Summer Work Experience.

Skills Link is a client-centred programme that provides funding for employers and organisations to offer eligible activities to youths facing barriers to employment. The programme offers a range of activities that can be tailored to meet the individual needs of the youth and is delivered through projects at the local and regional levels. Career Focus also provides funding for employers and organisations to create career-related work experience for post-secondary graduates.[12] It helps post-secondary graduates gain advanced employability skills and facilitates their transition into the labour market. The Summer Work Experience stream provides funding to help employers create summer job opportunities for students. It provides funding to not-for-profit organisations, public sector employers and small businesses to create summer job opportunities for young people aged 15 to 30 years who are full-time students intending to return to their studies in the next school year.

Following the Canadian model, the Government of Zambia can design its own YES Programme and harness part of the funds budgeted for youth empowerment for this purpose. This funding can then be made available to employers willing to take on young workers to enable then gain the skills, work experience and abilities they need to make a successful transition into the labour market. The Zambian YES programme could be anchored on three similar streams: Skills Link targeted at school dropouts and youths without recognisable skills; Career Focus targeted at college and university graduates; and the Zambia work experience programmes, targeted at students still in college and university. A wide range of community organisations can then be made to apply for funding to assist youths facing barriers to employment through the Skills Link programme, while businesses and other organisations can receive contributions toward offering post-secondary graduates opportunities to obtain career-related work experience through the Career Focus programme. Zambian employers, not-for-profit organisations, public sector and smaller private sector employers (50 or fewer employees) can apply for wage subsidies to create career-related school vacation jobs for students between the ages of 15 and 24 through the Zambia work experience programme.

4.3 South Africa: Youth learnerships

The South African case illustrates how this country is successfully influencing youth labour demand through youth learnerships. Given that skill and competence gaps along with lack of previous work experience were noted as significant factors influencing youth labour demand in the surveyed sectors, Zambia can learn from the way youth learnerships have been designed and implemented in South Africa, particularly in regard to their financing. Part of the challenge of adopting youth learnership has to do with the sustainability of their financing in the context of a resource constrained economy, but South Africa appears to have found a sustainable approach and Zambia can emulate this example.

In 2003, the Department of Labour (DoL) in South Africa proposed that the banking sector place up to 10,000 unemployed matriculants (equivalent to grade 12 school leavers) on learnerships per year. Subsequent discussions led to the sector undertaking to implement a

[12] See http://www.servicecanada.gc.ca/eng/epb/yi/yep/newprog/cf_faq.shtml#three.

learnership programme in terms of which, "each financial institution would employ up to 4.5% of its total staff in the form of black matriculants, or the National Qualification Framework level 4 equivalent, in registered learnerships." The result was the Letsema Learnership Project, which was launched in 2004.

Letsema initially set out to enrol 5,000 unemployed learners over a three-year period, made up of matriculants (75%) and young graduates. In terms of the agreements in place, ZAR 211 million was earmarked for the project, with the DoL contributing ZAR 120 million from its National Skills Fund (NSF), and with Bankseta (a financial institution) providing the balance.

Letsema I commenced in March 2004 with 826 learners. The NSF contributed ZAR 20 million, while the Bankseta funded the remaining ZAR 26 million. In 2005, 813 learners (610 matriculants) were enrolled into Letsema II at a cost of ZAR 31 million which was provided by Bankseta. The NSF contributed ZAR 15 million used only for matriculants.

Currently, all the major banks in South Africa have signed up to this learnership programme, each with the capacity to accommodate up to 1,500 learners each year. At the completion of the first two phases of Letsema more than 80% of learners were placed in permanent employment by the banks. While the intervention was initially designed by a government department, the private sector's involvement through the commitment and intent of the banking sector has made it a successful intervention that has contributed towards reducing unemployment and improving skills among young school leavers and graduates. Also notable is that this initiative was part of the National Skills Development Strategy.

The South African youth learnership model has become a major point of reference for labour demand policy, not only in Africa, but across developing countries. Its management and financing structure provides clear lessons that Zambia can draw on. With youth unemployment concentrated in first time job seekers who are mainly school leavers, designing and implementing a young learnership programme would be useful policy intervention for influencing youth labour demand. Such a programme, however, need not be a standalone initiative. It has to be linked to other national programmes of interventions such as the National Development Plan. The programme should be jointly managed and financed between government and the private sector to ensure its sustainability, but it should have an apex institution that should drive its agenda separately from a government ministry to avoid bureaucratic challenges that may hamper its future success.

5 SUMMARY, CONCLUSION AND RECOMENDATIONS

5.1 Summary

This study has profiled and analysed the youth unemployment challenge in Zambia, and identified factors influencing the demand for youth labour in the mining, construction and manufacturing sectors.

The profile of the challenge revealed that youth unemployment rates are higher than older adult unemployment rates; that even though youth unemployment appear to be concentrated in urban areas on account of the narrow definition used, most rural youths engaged in informal agriculture remain largely without gainful employment; that the urban youth labour force participation is comparatively low; and that youth unemployment is not spread evenly within the youth cohort.

Attempts to deal with the youth unemployment challenge, therefore, must be anchored in a comprehensive situational analysis of the problem that must bring out characteristics that tend to increase or reduce the likelihood of a young person being employed (e.g. regional and spatial dynamics, skill and competence levels, gender and disability).

The study's firm level survey uncovered major youth labour demand constraints influencing employers' hiring decisions for young workers. The following were identified as major youth labour demand constraints: gaps in skills and competences, lack of work experience, lack of relevant previous jobs held, poor attitudes and behaviours of youths, the cost of in-house training or work-based learning, the absence of a functional labour market information system, the high cost of domestic credit, rising operational costs associated with the price of energy, and a lack of fiscal incentives to support private sector's quest for improved youth labour demand.

5.2 Conclusion

This study concludes that a youth labour demand shock has hit the Zambian economy. Employers are constrained from hiring young workers because youths tend to lack the desired skills, competences and attributes. This is compounded by the lack of fiscal support, high input costs (especially of energy) and the high cost of domestic credit. The combined effect of these factors has been low quantity demanded of youth labour. The policy implication is clear: demand side measures aimed at stimulating the labour absorptive capacity of industry must be at the core of a strategy for youth employment creation in Zambia.

5.3 Recommendations

Accordingly, the following recommendations are made:

1. Supporting work-based learning and work-experience schemes

Noting that lack of experience and employers' consideration of the applicants' relevance of previous jobs held constitute a major constraint in youth labour demand, the government should consider supporting the design, implementation and monitoring of work-based learning (e.g. apprenticeship, internship, learnerships) and other work-experience schemes to ensure they allow for a real learning experience for youths. More specifically, this should entail:

- The introduction of a youth training subsidy for companies providing youth learnerships, apprenticeship programmes and other forms of work-based learning.
- Designing and implementing a resource mobilisation strategy to respond to the financial implication of implementing and sustaining work-based learning and work experience schemes. This strategy should specify the role that public-private partnerships can play in mobilising and augmenting public resources to address the youth employment crisis.
- Developing systems for recognising prior learning, non-formal education and skills acquired on the job, along the lines of the South Africa National Qualification Framework.
- Strengthening the legislative framework for apprenticeship while at the same time evolving an appropriate legal framework to support the system of learnership and internship.

2. Enhancing the role of technical and vocational training

Noting that low skill levels and competence gaps constitute a major youth labour demand constraint, the government should ensure that quality education up to Grade 12 is compulsory and freely available, 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 the establishment of an institutional mechanism for facilitating dialogue between training providers and industry players.
- Strengthening the availability of skills by supporting a substantial increase in private sector expenditure on work-based learning through the introduction of a youth training tax rebate.
- Developing skills strategies in support of sectoral policies that harness know-how and technologies that result in higher skills and better paying jobs.

- Expanding the reach of formal education and training through distance learning strategies that integrate print-based material, remote study and access centres, and face-to-face components.

3. Role of construction and manufacturing in youth employment strategy

Noting that the construction sector employs a higher proportion of male youths than the other sectors, the government should consider designing and implementing more employment intensive projects in this sector while paying appropriate attention to manufacturing that exhibits a more gender-balanced youth workforce. This should entail:

- Infrastructure oriented public works (such as road construction and maintenance) that can be implemented to ensure they can take on a long-term dimension.
- Targeted interventions in manufacturing and other value addition industries (e.g. the creative industry) with more absorptive potential for both male and female youths.

4. Designing and implementing a comprehensive labour market information system

The study revealed the absence of a labour market information system, which acts to constrain employers' demand for youth labour. This calls for a functional and comprehensive Labour Market Information System to provide clear labour market signals and information necessary to facilitate firms' wage and employment setting decisions. Key components of this system should include:

- **Labour market conditions** data that should provide information on the overall structure and condition of the labour market, including its demographic composition, trends in employment and unemployment, labour turnover information, and information on labour force dynamics – the movement of people into and out of the labour force.
- **Industry data** organised into employment, wages, and other information by the type of production processes used. Industry data should also include information on job creation and destruction and the life cycle of business establishments.
- **Occupational data** organised into employment, wages, and other information by the type of work performed and identify the skill requirements and other occupational characteristics of workers and jobs.
- **Labour market projections that should** examine labour force, industry, and occupational trends, and provide a picture of future employment and job openings based on assumptions about sectoral and national (economic) growth.
- **Business establishment lists that should** provide information about individual business establishments, such as name and address, industry, employment, and payroll. These lists should also provide the sampling universe for business surveys.
- **Labour market dynamics** information that should be examining the flows of workers into and out of employment, and the creation, expansion, contraction, and disappearance of businesses, and factors related to these dynamic changes.

- **Current job vacancies** information identifying job openings for which employers are actively seeking workers.
- **Data on employment and unemployment** including information on the employment, earnings, and other items for individual workers, information on individual job seekers contained in resume or applicant files, as well as programme information on individuals in workforce training or other programmes.
- **Education and training resources information** identifying education and training institutions, programmes and courses, information on access to and the quality of these training sources, and information on financial assistance.

5. Enabling access to domestic credit for wholly-owned Zambia firms

This study found that establishments that were wholly owned by Zambian nationals faced major constraints in accessing finance on the domestic market. This should provide an opportunity for new ways of thinking to redress this challenge. In particular, there is a large scope for government or private sector guarantees to create liquidity in business transactions. Steps that can be done, especially that the Zambian financial sector is relatively stable and becoming more advanced, is to:

- Allow more trade finance instruments such as factoring receivables-backed financing and inventory receipt financing to be used as a by-pass to the requirement for collateral that is demanded by most commercial banks. In turn, the Government must revise the existing financing regulatory framework to allow for this type of financing.
- In addition, monetary and financial policies should be designed in a way that promotes 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.

BIBLIOGRAPHY

CSO (Central Statistical Office) (2011) Labour Force Survey 2008. Lusaka: Central Statistical Office.

ILO (1999) World Development Report 1998-99: Employability In the Global Economy: How Training Matters. Geneva: ILO.

Mayaka W. and G. Moyo (1999) Trends and Characteristics of Youth Unemployment in Zambia. Lusaka: Ministry of Finance and Economic Development.

Sender, J., C. Cramer and C. Oya (2005) Unequal Prospects: Disparities in the Quantity and Quality of Labour Supply in Sub-Saharan Africa. World Bank, Social Protection Discussion Paper Series No. 0525. http://eprints.soas.ac.uk/5791/1/WB_SenderCramerOya_2005.pdf

Tan, H. W and I. S. Gill (2000) 'Malaysia' in I. S. Gill, F. Fluitman and A. Dar (eds.) (2000) *Vocational Education and Training Reform: Matching skills to Markets and Budgets*. Oxford University Press: Published for the World Bank.

World Bank (1995) Malaysia - Meeting Labour Needs: More Workers and Better Skills. Report 13163 –MY. Washington, D.C. World Bank, East Asia Region.

World Bank (1996) Enterprise Training, Technology, and productivity in Malaysian Manufacturing. Washington, D.C. World Bank, East Asia Region.

ANNEX 1: SURVEY QUESTIONNAIRE

Questionnaire Serial Number:

ZIPAR FIRM LEVEL SURVEY QUESTIONNAIRE 2012

UNDERSTANDING YOUTH LABOUR DEMAND CONSTRAINTS IN MINING, MANUFACTURING AND CONSTRUCTION SECTORS IN ZAMBIA

Introductory note:

Dear respondent, we would like to thank you for accepting to participate in this survey and to assist us gain better understanding of constraints facing firms in creating employment opportunities for youths in Zambia. The information being collected is primarily for statistical purposes for improved public policy design, implementation and review.

Confidentiality

We would like to assure you that the information you provide will be treated with utmost confidentiality. The Zambia Institute for Policy Analysis and Research (ZIPAR) is prohibited by law from releasing any information it collects which could identify any person, business, or organisation, unless consent has been given by the respondent. Information from this survey will, therefore, be used for statistical purposes only and will be published in aggregate form only. Thank you in advance for your cooperation.

A. IDENTIFICATION PARTICULARS

<table>
<tr><td>ID1. NAME OF ESTABLISHMENT (optional)
[Please fill]</td><td>ID2. SECTOR [Please circle one only]</td></tr>
<tr><td rowspan="5">……
……
……</td><td>Main business activity:
Manufacturing
Construction
Mining</td></tr>
<tr><td>ID3. PROVINCE [please circle one only]</td></tr>
<tr><td>Lusaka
Copperbelt</td></tr>
<tr><td>ID4. District [Please fill]</td></tr>
<tr><td>……</td></tr>
</table>

Reporting Month: ..... Date of Completion: ..... Name of Interviewer.....	ID5. RESPONSE STATUS [To be completed after interview. Please circle one only] 1.....Complete 2.....Partial 3.....Non-Contact 4.....Refusal

Instructions: For MOST questions, at least three responses are provided. Please circle or tick the number of one response that is closest to your opinion. Where you are required to fill in the gap or space provided, please fill free to do so.

B. GENERAL INFORMATION

1. In what year did this establishment begin operations under the current ownership structure? (Indicate year e.g., 2008): _____

2. What was this establishment's annual turnover for the year 2011? (Indicate amount in Kwacha e.g. K20,000,000):_____

3. What is this establishment's total number of workers (including casual workers)?

_____

4. What is the age composition of workers in this establishment? (Including casual workers)?

Age Category			Total Number of workers in this age category
	Number of male workers in this age category	Number of female workers in this age category	
Workers aged 15–24 years			
Workers aged 25 –34 years			
Workers aged 35–44 years			
Workers aged 45–54 years			
Workers aged 55 –65 years			
Workers aged 66 years and above			
Total			

5. How is the distribution of young workers across the different staff categories in this establishment?

Staff Category	Young workers aged 15–24 years			Young workers aged 25–35 years			Total
	Male	Female	Total	Male	Female	Total	
Managerial/ Administration							
Professional							
Skilled Manual (e.g. craft, artisans, trade tested)							
Unskilled Manual (without recognisable skills)							
Total							

6. What is the ownership structure of this establishment?

1. Wholly owned by Zambian Nationals
2. Jointly owned by Zambian and Foreign Nationals
3. Wholly owned by Foreign Nationals

7. To what extent has each of the following factors constrained your hiring decisions for youth workers (aged 15–24 years) during the period January 2010 to December 2012?

Nr	Constraining factor	Grading				
		Very great extent (1)	Great extent (2)	Not to a very great extent (3)	Not to a great extent (4)	Not sure (5)
1	Inadequate skills or training					
2	Lack of previous work experience					
3	Poor attitudes and behaviours					
4	Onerous system of benefits and other non-wage costs (e.g. legal provisions for terminal benefits, social security contributions etc)					

5	Rising operating costs (including input costs, energy etc)					
6	Higher minimum wage					
7	Higher cost of finance or credit					
8	Inflexible working hours					
9	Low worker performance/productivity					
10	Low product demand and/or competiveness in product market					
11	Restrictive collective agreements with trade unions					
12	Protective employment law (e.g. types of employment contracts)					

C. SKILLS AND COMPETENCES

8. When recruiting staff, does your establishment give priority to young workers aged 15–24 years?

Yes

No

Not sure

9. How do you go about the recruitment process? (Tick what is applicable)

1. Recruit through public advertisement and conduct our own selection process
2. Recruit through contacting training providers (e.g. go to schools, colleges universities)
3. Recruit through private recruitment agencies (e.g. Prosoft, Career Prospects, Mac recruitment etc)
4. Recruit through the Government's Department of Labour
5. Recruit through head-hunting of youths with requisite skills and competences
6. Other, Please specify……

10. On a scale of 1 to 5, Please grade the education disciplines / fields of specialisation that are on demand in your establishment, where 1 means this field is on low demand and 5 means this field is on high demand.

Educational Discipline	Level of Demand				
	1	2	3	4	5
Agricultural, food and life sciences					
Environmental and engineering science					
Humanities and social sciences					
Business, accounting and finance					

Law and human rights and governance					
Education and teaching disciplines					
Health, clinical and veterinary sciences					
Information Communication technology					
Administrative and managerial					
Crafts and trade tested					
Natural sciences					
Others, *Please specify* here below and grade accordingly					

11. What is the minimum qualification that you are looking for when hiring young workers?

	Unskilled	Skilled
Grade 7 Certificate		
Grade 9 Certificate		
Grade 12 Certificate		
College Level Certificate		
College Level Diploma		
University Degree		

12. Is your establishment involved in implementing training programmes for young employees?

1. Yes Go to Question 13 and then skip to Question 17
2. No Skip to Question 14
3. I don't know

13. If yes, in what form are these programmes?

(1) Apprenticeship
(2) Work learner ship programmes
(3) Internship
(4) Other, please specify.....

14. If no, explain why?

---

15. Would you consider implementing such programmes in your establishment?

(1) Yes Skip to Question 17
(2) No Continue with Question 16
(3) Not sure

16. If no, explain why?

---

17. What measures need to be put in place to encourage establishments to implement on-the-job training programme?

Type of programme	Measure
Apprenticeship	
Internship	
Work learnership	

18. Are you aware of incentives provided by Government to support apprenticeship or youth work learner ship?

(1) Yes Continue with Question 19
(2) No Skip to Question 20
(3) I don't know

19. Are you currently accessing these incentives?

(1) Yes Skip to Question 21
(2) No Continue with Question 20
(3) I don't know

20. Why are you not currently accessing these incentives?

---

21. What form of Government support would you require to run apprenticeship and youth learner programmes in your establishment?

.....
.....
.....

D. WORKING HOURS

To what extent would you agree with the statement "the existing arrangement of an 8- hour working day (or a 40-hour week) in Zambia limits employers' ability to use workers flexibly in response to shifting product or service demand"?

(1) Strongly agree
(2) Agree
(3) Neutral (neither agree nor disagree)
(4) Strongly disagree
(5) Disagree

E. DISINCENTIVES TO HIRING

23. What is this establishment's most and least important consideration in hiring young employees? On a scale of 1 to 5, please rank each consideration, where 1 means least important consideration and 5 means most important consideration.

Consideration	Ranking				
	1	2	3	4	5
Asking salary/wage by applicant					
Matching qualification					
Matching experience					
Relevance of previous job(s) held					
Awareness about establishment's operations					
Social or religious compatibility					
Referee's recommendation					
Age of applicant					
Sex of applicant					
Applicant's demeanour during Interview					

24. Are there any provisions of the labour laws that constrain your establishment from hiring more youths?

1. Yes Continue with Question 25
2. No Skip to Question 26

1. If yes, explain what these provisions are and how they constrain you?

Provision	How they constrain

26. How has the revision of the statutory minimum wage affected your establishment?

1. Very negatively
2. Somewhat negatively
3. Neutral
4. Somewhat positively
5. Very positively
6. Not sure

27. What proportion of your total workforce was paid at or below the current minimum wage after the revision? (Indicate, e.g. 10%) _____

28. Did your establishment undertake any of the actions below after the revision of the minimum wage? Please indicate Yes or No and give the reason why?

	Action	YES	NO	Why
1	Increased wages			
2	Cut back on staff			
3	Increased prices			
4	Took no action			
5	Other (explain)			

29. If you had cutbacks due to the new minimum wage, how many workers have you laid off? [Please indicate the exact number, e.g. 50. If you didn't apply cutback, indicate zero]

_____

30. If you had cutbacks due to the new minimum wage legislation, which work categories were affected most?

(1) Managerial
(2) Professional
(3) Skilled Manual
(4) Unskilled Manual
(5) Non applicable

31. What is the starting wage and average wage of the following employees in this establishment?

	Starting wage (K)		Average Wage	
	Skilled (K)	Unskilled (K)	Skilled (K)	Unskilled (K)
Young persons aged 15–24 years				
Older persons over 25 years				

32. To what extent would you agree that youths and first time job seekers should first be on low wage jobs to enable them gain experience and then move up the ladder into higher paying jobs.

1. Strongly agree
2. Agree
3. Don't know
4. Disagree
5. Strongly disagree

33. Does your establishment negotiate with workers' representatives for a collective agreement on wages and conditions of service?

1. Yes
2. No Skip to Question 35

34. If you are engaged in collective bargaining with the union, how do negotiated wage awards affect your ability to hire youths in your establishment?

1. Very negatively
2. Somewhat negatively
3. Neither positive nor negatively
4. Somewhat positively
5. Very positively
6. Not sure

35. To what extent would you agree that mandatory employer contributions to the National Pensions Scheme Authority (NAPSA) constrain your ability to employ youths in this establishment?

1. Strongly agree
2. Agree
3. Don't know
4. Disagree
5. Strongly disagree

36. Did you get any information on skills available on the Zambian labour market to assist with your hiring decisions during the period January 2010 to November 2011?

1. Yes
2. No Skip to Question 38
3. Not sure

37. Who did you get this information from?

1. Central Statistics Office,
2. Ministry of Labour,
3. Ministry of Education
4. Training institutions or other private establishments

38. In your view, how effective is the existing labour market information management system in providing quality and reliable skills data in Zambia?

1. Very effective
2. Effective
3. Not sure
4. Not very effective
5. Not effective

F. FISCAL SUPPORT

39. To what extent would you agree that a youth learnership subsidy (or youth employment tax rebate) to your establishment would motivate you to employ more youths?

(1) Strongly disagree
(2) Disagree
(3) Neutral
(4) Agree
(5) Strongly agree

40. To what extent would you agree that the existing economic policy framework is geared towards supporting the creation of more employment opportunities for young people?

(1) Strongly agree
(2) Agree
(3) Neutral
(4) Strongly disagree
(5) Disagree

41. What level of fiscal incentives did you feel you were receiving from Government to enable you create more employment opportunities for young people during the period January 2010 to December 2011?

1. Very high level of support
2. High level of support
3. Not sure
4. Low level of support
5. No support at all

42. During the period January 2010 and December 2011, did you experience difficulties accessing credit or finance for your business?

1. Yes
2. No
3. Unsure

43. What do you think government can do to assist your establishment create more employment opportunities for youths? [Please explain]

.....

.....

.....

.....

.....

.....

G. TECHNOLOGICAL CHANGE

44. To what extent have you changed your operation/production techniques in the period January 2010 and December 2011?

1. To a very great extent
2. Great extent
3. Not very great extent
4. Not at all

45. If you had changed the operation/production techniques, how did the change affect your demand for youth workers?

1. Increased demand for youth
2. Decreased demand for youth workers
3. The effect was neutral
4. I don't know

THANK YOU.

Additional comments are most welcome. Please feel free to write additional comments on this blank space or on a separate paper which can then be attached to this survey questionnaire. Alternatively, send email comments to Grayson Koyi at grayson.koyi@unza.zm

ANNEX 2. SELECTED TABLES AND SIGNIFICANCE TEST RESULTS

1. Onerous system of benefits and other non-wages costs

Great extent is more among manufacturers (10% sig)

Main busness activity	Onerous system of benefits and other non-wage costs (e.g. legal provisions for Very grea	Great ext	Not to a	Not to a	Not sure	Total
Manufacturing	10	6	13	8	6	43
	23.26	13.95	30.23	18.60	13.95	100.00
	76.92	50.00	56.52	27.59	42.86	47.25
Construction	2	4	9	12	4	31
	6.45	12.90	29.03	38.71	12.90	100.00
	15.38	33.33	39.13	41.38	28.57	34.07
Mining	1	2	1	9	4	17
	5.88	11.76	5.88	52.94	23.53	100.00
	7.69	16.67	4.35	31.03	28.57	18.68
Total	13	12	23	29	14	91
	14.29	13.19	25.27	31.87	15.38	100.00
	100.00	100.00	100.00	100.00	100.00	100.00

Pearson chi2(8) = 13.8743 Pr = 0.085

2. Minimum wages constraints hiring decisions in manufacturing more that construction and mining (10% sig)

Main busness activity	Higher minimum wage Very grea	Great ext	Not to a	Not to a	Not sure	Total
Manufacturing	9	11	8	9	5	42
	21.43	26.19	19.05	21.43	11.90	100.00
	60.00	64.71	50.00	26.47	62.50	46.67
Construction	3	5	7	14	2	31
	9.68	16.13	22.58	45.16	6.45	100.00
	20.00	29.41	43.75	41.18	25.00	34.44
Mining	3	1	1	11	1	17
	17.65	5.88	5.88	64.71	5.88	100.00
	20.00	5.88	6.25	32.35	12.50	18.89
Total	15	17	16	34	8	90
	16.67	18.89	17.78	37.78	8.89	100.00
	100.00	100.00	100.00	100.00	100.00	100.00

Pearson chi2(8) = 13.6082 Pr = 0.093

3. Low product demand and competitiveness – within construction sector, more indicated to a great extent and to a very great extent

Main busness activity	Low product demand and/or competiveness in product market					
	Very grea	Great ext	Not to a	Not to a	Not sure	Total
Manufacturing	4	13	15	8	2	42
	9.52	30.95	35.71	19.05	4.76	100.00
	33.33	61.90	51.72	34.78	40.00	46.67
Construction	8	7	6	9	1	31
	25.81	22.58	19.35	29.03	3.23	100.00
	66.67	33.33	20.69	39.13	20.00	34.44
Mining	0	1	8	6	2	17
	0.00	5.88	47.06	35.29	11.76	100.00
	0.00	4.76	27.59	26.09	40.00	18.89
Total	12	21	29	23	5	90
	13.33	23.33	32.22	25.56	5.56	100.00
	100.00	100.00	100.00	100.00	100.00	100.00

Pearson chi2(8) = 15.5292 Pr = 0.050

4. More firm which are wholly owned by Zambia sited rising operations as a constraints and high cost of finance

What is the ownership structure of this establishment?	Rising operating costs (including input costs, energy etc)					
	Very grea	Great ext	Not to a	Not to a	Not sure	Total
Wholly owned by Zambi	12	12	7	11	0	42
	28.57	28.57	16.67	26.19	0.00	100.00
	70.59	63.16	28.00	50.00	0.00	47.19
Jointly owned by Zamb	3	3	4	4	4	18
	16.67	16.67	22.22	22.22	22.22	100.00
	17.65	15.79	16.00	18.18	66.67	20.22
Wholly owned by Forei	2	4	14	7	2	29
	6.90	13.79	48.28	24.14	6.90	100.00
	11.76	21.05	56.00	31.82	33.33	32.58
Total	17	19	25	22	6	89
	19.10	21.35	28.09	24.72	6.74	100.00
	100.00	100.00	100.00	100.00	100.00	100.00

Pearson chi2(8) = 21.9718 Pr = 0.005

What is the ownership structure of this establishment?	Higher cost of finance or credit					
	Very grea	Great ext	Not to a	Not to a	Not sure	Total
Wholly owned by Zambi	13	8	7	9	5	42
	30.95	19.05	16.67	21.43	11.90	100.00
	81.25	61.54	33.33	32.14	55.56	48.28
Jointly owned by Zamb	2	1	7	6	3	19
	10.53	5.26	36.84	31.58	15.79	100.00
	12.50	7.69	33.33	21.43	33.33	21.84
Wholly owned by Forei	1	4	7	13	1	26
	3.85	15.38	26.92	50.00	3.85	100.00
	6.25	30.77	33.33	46.43	11.11	29.89
Total	16	13	21	28	9	87
	18.39	14.94	24.14	32.18	10.34	100.00
	100.00	100.00	100.00	100.00	100.00	100.00

Pearson chi2(8) = 17.0076 Pr = 0.030

5. Local companies give priorities employing young workers than foreign companies

When recruiting staff, does your establishment give priority to young workers ag	What is the ownership structure of this establishment? Wholly ow	Jointly o	Wholly ow	Total
Yes	27	11	8	46
	58.70	23.91	17.39	100.00
	62.79	55.00	27.59	50.00
No	16	8	19	43
	37.21	18.60	44.19	100.00
	37.21	40.00	65.52	46.74
Not sure	0	1	2	3
	0.00	33.33	66.67	100.00
	0.00	5.00	6.90	3.26
Total	43	20	29	92
	46.74	21.74	31.52	100.00
	100.00	100.00	100.00	100.00

Pearson chi2(4) = 10.4017 Pr = 0.034

6. More construction firms cut back on staff after increase in minimum wages

Cut back on staff	Main busness activity Manufactu	Construct	Mining	Total
Yes	4	9	0	13
	30.77	69.23	0.00	100.00
	11.11	34.62	0.00	18.31
No	32	17	9	58
	55.17	29.31	15.52	100.00
	88.89	65.38	100.00	81.69
Total	36	26	9	71
	50.70	36.62	12.68	100.00
	100.00	100.00	100.00	100.00

Pearson chi2(2) = 7.8861 Pr = 0.019

7. More construction firms experienced difficulties

42. During the period January 2010 and December 2011, did you experience diffic	Main busness activity Manufactu	Construct	Mining	Total
Yes	9	21	4	34
	26.47	61.76	11.76	100.00
	21.43	67.74	26.67	38.64
No	18	9	9	36
	50.00	25.00	25.00	100.00
	42.86	29.03	60.00	40.91
unsure	15	1	2	18
	83.33	5.56	11.11	100.00
	35.71	3.23	13.33	20.45
Total	42	31	15	88
	47.73	35.23	17.05	100.00
	100.00	100.00	100.00	100.00

Pearson chi2(4) = 22.6682 Pr = 0.000