

POVERTY, EMPLOYMENT AND SOCIAL SECURITY DYNAMICS IN PRE AND POST INDEPENDENT ZAMBIA



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Outline



- Introduction
- Tale of Poverty Situation in Zambia
- Employment dynamics in Zambia
- Social Security and Protection in Zambia
- Concluding messages

Introduction



- Poverty is multidimensional;
- Absolute vs Relative Poverty
- Absolute (absolute poverty line denotes a certain basic level of goods and services)
- Relative poverty (being considerably poor and worse off than the majority of the population.)
- **Poverty is lack of employment, private resources, public goods and services and lack of social relationships.**
- The poor lack access to public goods and services like schools, roads, clean water and sanitation as well as strong social relations and networks.
- Poverty remains a huge challenge for Zambia and is about 54.5%

Introduction continued...

- Employment refers to use of dependable wage labour in mostly permanent and salaried positions.
- Formal vs informal employment
- Formal is taxable and usually has social security provisions. It is also monitored within the confines of government regulations.
- Informal employment falls outside the tax systems, rarely regulated and doesn't guarantee social security to employees
- Zambia's informal sector employment is higher at about 83.9% compared to 16.1% of formal employment
- Social security is a mechanism for reducing poverty among those employed when out of employment. Social protection identifies poverty reducing measures among the vulnerable and usually unemployed.

Tale of Zambia's Poverty Situation



- Zambia was prosperous, well endowed with natural resources at independence in 1964
- Poverty was still a challenge under then first government, UNIP. Poverty manifested itself in poor infrastructure and low human capital.
- UNIP strived to improve infrastructure and social services like education, healthcare, school feeding programmes etc.
- All the attempts to reduce this kind of poverty were financed by copper booms.
- Copper collapsed in the 1970s, subsidies to all social sectors declined.


Tale of continued...



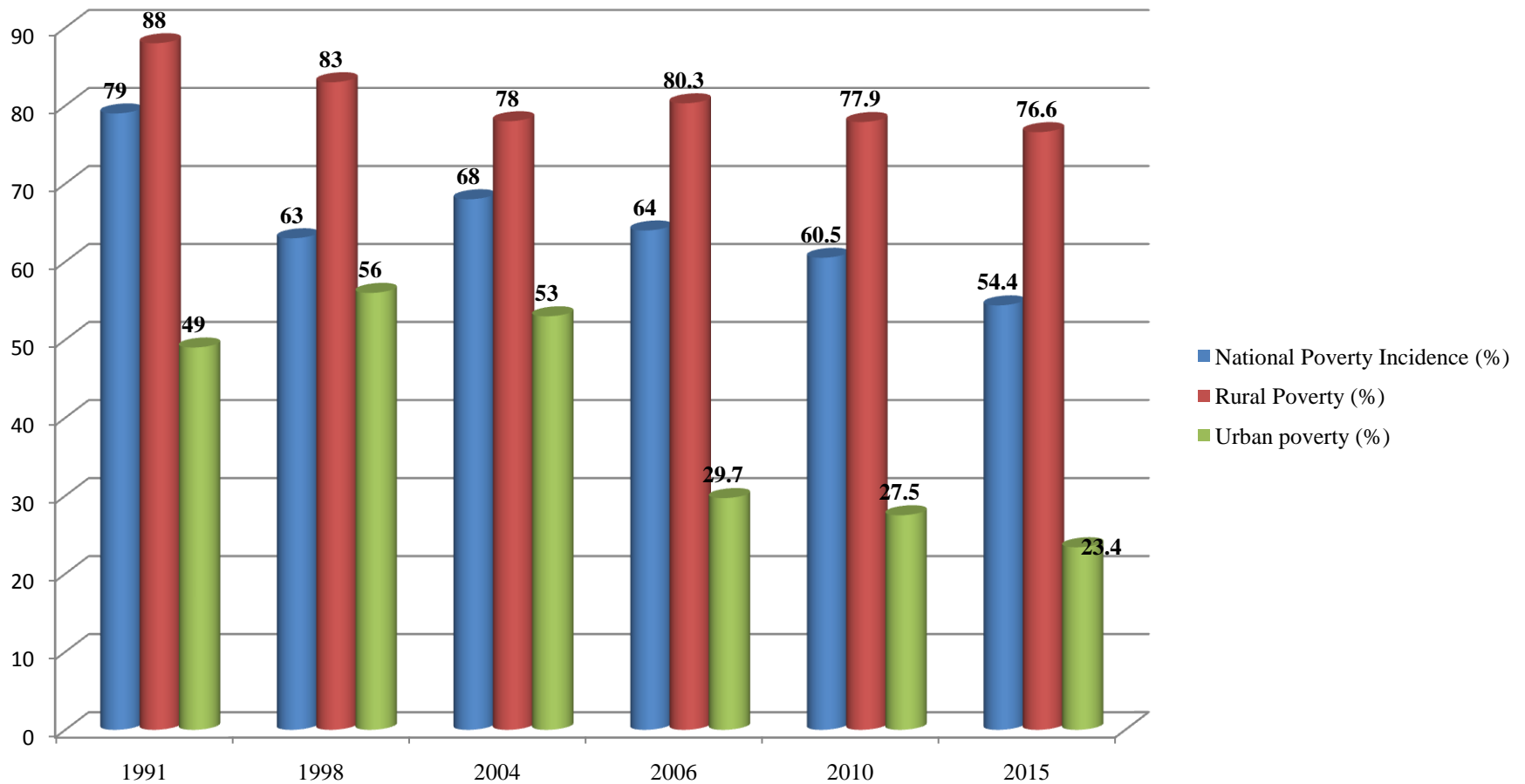
- The majority of people languished in poverty due to being dependent on government support.
- Government responded through more borrowing to offset the decline in copper revenues to support economic and social operations
- Fiscal deficits became unsustainable leading to widespread discontent across Zambian people
- This led to change of government in 1991 led by the MMD.
- This was when Zambia made the first attempt at measuring poverty and it was discovered that **61% of Zambians were extremely poor. 74% of these lived in rural areas while 44 lived in urban areas.**

Tale of poverty continued...



- Government response to the high poverty levels was through the implementation of market oriented policies, SAP.
- Privatization of all SOEs and Liberalization of the economy, with privatisation accounting for major formal employment losses
- Government was no longer obliged to provide social services
- Poverty  lack of employment, lack of free social services like housing, education, health care and social exclusion

Poverty incidence in Zambia, based on CSO statistics



Employment



- Employment is a source of income for accessing basic needs like food, shelter, education and health care.
- Formal employment (both public and private sector) is usually salaried and guarantees social security .
- As a consequence access to social security is confined to those in formal employment
- The formal sector accounts for about 16.1% of total employment in 2015
- Informal sector employment outside the tax system usually pays a wage but does not guarantee social security entitlements .
- Although its difficult to estimate the current size of the informal sector due to weakness of the regulatory system and people involved avoiding tax obligations, we find that in 2015, the informal sector was about 83.9%

Employment dynamics...



- After independence, employment was provided by the government in SOEs
- The jobs had good conditions with many employees
- The jobs were dependent on availability of funds from the copper sector to sustain the operations of SOEs
- Copper industry collapsed in the 1970s, followed by fiscal deficits and economic distress in the 1980s, SOEs were not profitable
- Change of government in 1991 meant a new way to manage employment
- The civil service was reduced and both the public and private sector could only employ a few people based on productivity and profitability especially for private sector firms
- This left a lot of people unemployed and recent statistics indicate that the unemployment rate was 7.4% of the total labour force.
- Urban unemployment rate is 11.5% while rural unemployment rate was 4.2%

Employment rates (%), Rural/Urban (2008-2014), based on CSO statistics



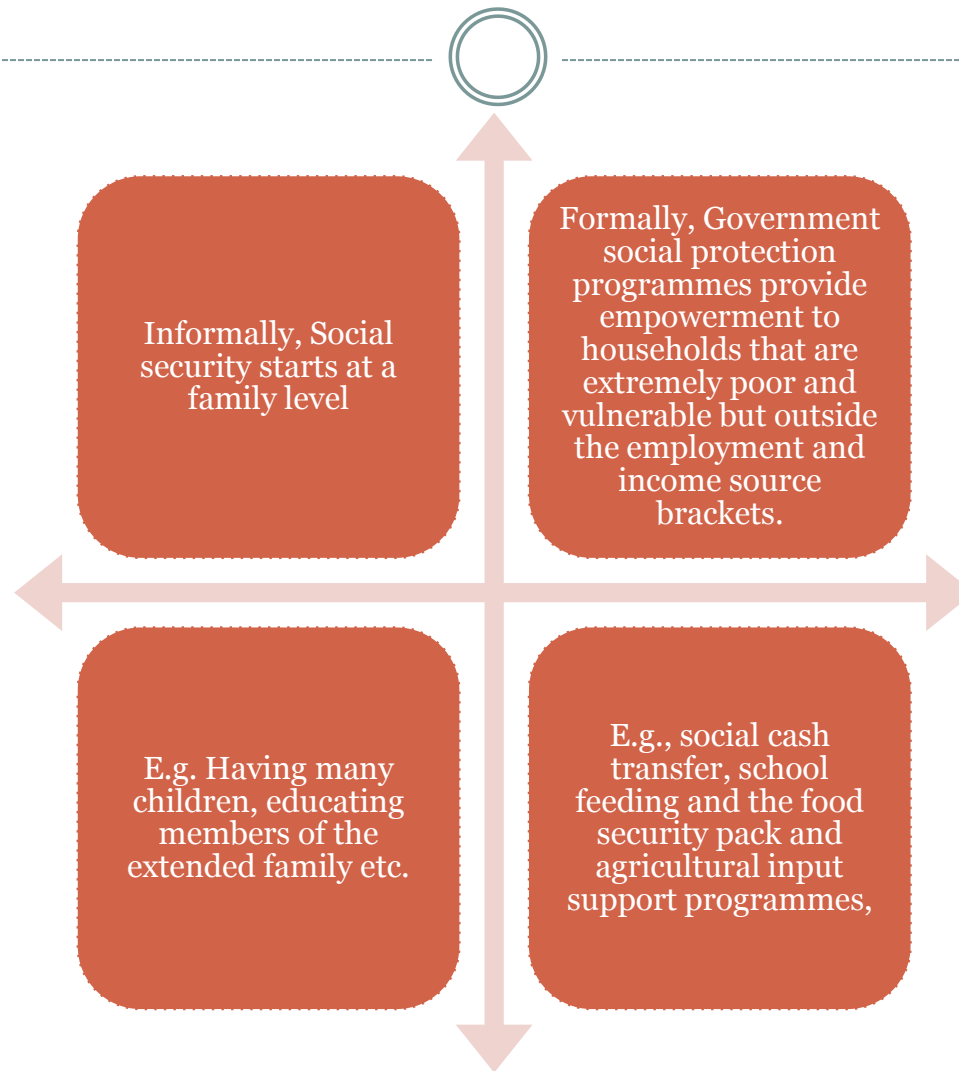
	2008	2012	2014
Employed	68.6	70	71.9
Formal	11	11.4	16.1
Informal	89	84.6	83.9
Rural	96	61.7	57.9
Urban	71	38.3	42.1

Social Protection & Security in Zambia



- Poverty and unemployment have necessitated the need for social protection and security
- However that social security in the African context is cultural, making the concept multidimensional.
- Social security in most African societies start at the level of family. In olden days and even now in most of Africa, people still depend on the size of their families for protection in old age.
- Having many children is considered as a form of social protection as the children are expected to look after their parents in old age. This form of social protection extends to the level of the wider extended family.
- So it is not uncommon to find those who can support their families extending their help to their nieces and nephews so that the wider extended family will then in future feel committed to support the weak and aging as a way of reciprocating the support they received while young.
- However, as the money economy take root there is an erosion of these cultural practices. The extended family is weakening leading to a requirement for formal state based initiatives in social protection.

Social protection



Social protection



- Social cash transfer, under the Fifth National Development Plan (FNDP) supported 7,563 households and 4,343 individuals in 19 districts;
- In the Sixth National Development Plan (SNDP) period a total of 242,000 households were reached in 78 districts
- The percentage of households having only one meal per day reduced from 56.6% in 2011 to 35.2% in 2012. Similarly, the incidence of illness decreased from 45% to 35%
- Number of beneficiary households making small-scale investments quadrupled to 50%
- School Feeding Programme increased its support to 850,000 learners in the SNDP period from 310,451 learners in the FNDP period
- With regard to coverage, the Programme scope extended to eight provinces and was implemented in 2,400 schools during the SNDP period, compared to 4 provinces supporting 829 schools during the FNDP period. This programme contributed to improving school attendance and retention of learners

Social security



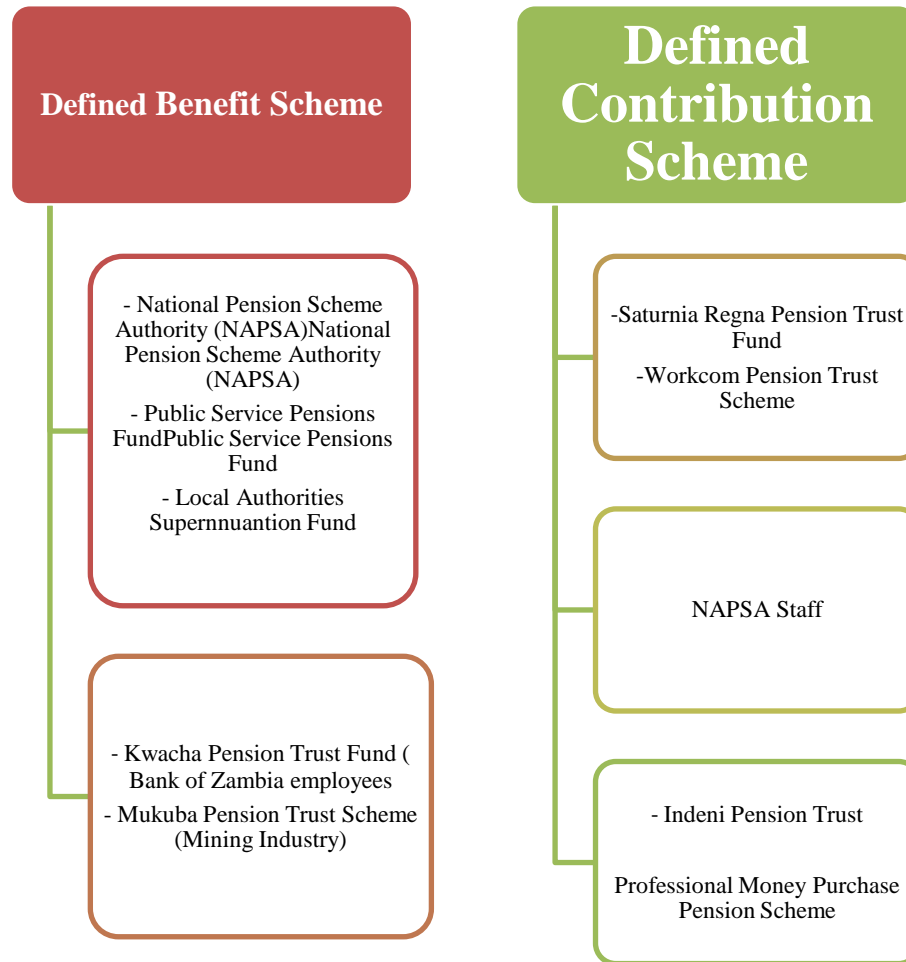
- Social security schemes provide for reducing poverty among segments of the population that are in employment.
- The rationale is that when one leaves formal employment, they could have security pensions to use in order to cushion effects of unemployment that perpetuate poverty at individual and household levels.
- Two years after independence in 1966, Zambia introduced its first National Social Security Scheme with the establishment of the National Provident Fund (NPF). The NPF carried the main objective of being the fund where employed Zambians paid all contributions and other moneys required or permitted under the Act.
- Employees were to be paid benefits out of the Fund which included payments in respect of the expenses of administration, as are authorised under the Act
- NPF tried to sustain future pensions by investing heavily in real estate, this was a problem as the rental incomes could not enable the institutions to afford pensions.
- Disposal of such assets also proved to be a challenge a sheer size of the properties could not easily be bought on the market.
- NPF was a Defined Benefit Scheme, inflation eroded the pension payouts.

Social security



- There was thus need to transform the NPF into an organization that will afford payment of future pension benefits, like the National Pension and Scheme Authority (NAPSA).
- Today, Zambia has a wide variety of social security schemes that can be categorized into contributory and non contributory.
- The Non contributory schemes refer to tax financed programmes that cover the elderly people over 60 years old.
- However, the contributory schemes are financed through regular income source deductions such as payroll. The contributory scheme caters for defined benefits and defined contribution schemes.

Social security schemes in Zambia



Implications of social security schemes in Zambia



- Given the limited formal employment opportunities, there are a few people accessing the schemes
- Social security firms like NAPSA invest in real estate that are not liquid enough to pay people in time.
- This implies poverty is also inevitable across population covered by social security schemes

Conclusion



- Poverty, employment and social security have been linked to the fortunes and misfortunes of copper industry
- Copper has always provided the required funding for provision and improvement infrastructure and services
- The shift from socialist to market oriented state has increased poverty levels because government has very little involvement in running social protection programmes
- Sustainability of social protection depends on revenues from the copper sector
- Unless the Zambian economy is adequately diversified, it is hard to see poverty levels reduced substantially.

End



Thanks for your attention...