THE PLIGHT OF ZAMBIAN WORKERS AND SMALL BUSINESSES IN A FREE MARKET

Sheila Kaela Kambobe
Deputy Director
Jesuit Centre for Theological Reflection
Lusaka, Zambia

National Justice and Peace Network
33rd Annual Justice and Peace Conference

15-17 July 2011
The Hayes Conference Centre
Swanwick, Derbyshire

THE PLIGHT OF ZAMBIAN WORKERS AND SMALL BUSINESSES IN A FREE MARKET

2.0 Basic facts on Zambia's employment situation- SLIDE 1

The labour force in Zambia is estimated at 5, 400,000 and more than 90% are considered to be economically active. However, of these less than 10% are in formal employment.

Despite the government's attempts to promote formal employment in a free market system, employment levels are not growing at the rate of economic growth. Neither the standard of living nor the quality of life of the majority of Zambian people improved.

With the change of government in Zambia in 1991, the economic philosophy and policy of government changed from a nationalized to a free market system. Instead of government seeking to control and regulate all aspects of the economy, the 'free market' was left to determine what would happen to the economy and to the jobs.

The government lost its central role in directing the economy and the private sector was allowed to develop and enter any area it chose. For the last five years the 'economic reform measures' have stabilized the economy and GDP has grown by an average of at 6%.

However, as my title indicates, Zambia's efforts at market liberalisation have, as yet failed to translate into tangible benefits for the Zambian people .Most families and small businesses are worse off than they were under the old command economy system.

Poverty has marginally reduced from 80% in 1991 to 64% in 2010, with those considered extremely poor constituting 51% of the population.

80% of Zambians are engaged in agriculture with the majority working as subsistence farmers. They struggle with low prices for their produce in the domestic market and have limited access to international markets.

Women are particularly disadvantaged because of lack of access to land and exclusion from decision making. They engage in subsistence agriculture mostly on land they do not own.

The most worrying feature of Zambia's apparent growth is that it has marginalized a significant majority of the population, with an ever widening gap between the rich and the poor

So, beyond the apparently impressive growth figures, the real question to be addressed is: what has liberalization meant to employment and workers in real terms?

3.0 Challenges facing Zambian workers- SLIDE 1.1

- **Job losses**

Since 199, there has been massive privatization and liquidation of the previously state-owned enterprises which has resulted in massive loss of jobs. The new owners cut jobs to levels they considered both efficient and economic. It is estimated that the formal sector lost some 61,000 jobs between 1992 and 1995.

The mines, which are the real source of growth in the economy are now highly mechanized and maintain a minimal skilled permanent workforce and rely heavily on contracted as well as casual workers.

In some cases new owners have employed foreign workers in positions that Zambians held before. In 2006, a study showed that for every Zambian in a Chinese owned firm, there are 15 Chinese workers. For instance, of the senior management at Chambishi mine, 11 are Chinese and just one is Zambian.

In an attempt to lower costs, the new investors are encouraging part-time, temporary and casual employment and are therefore unable to absorb the ever increasing unemployed or under-employed labour force.

- **No work for graduates- SLIDE 2**

Hundreds of thousands of young men and women leave universities and college every year without any hope of finding gainful employment. Government has failed to create the number of jobs needed to absorb the mass of graduates. Without jobs young people face uncertainties about their future.

Among the young people roaming the streets of Lusaka is a young woman called Chomba, a graduate from the University of Zambia with a degree in development studies. Chomba graduated in the year 2008 and for more than two years has spent her time applying for jobs in the development field an area she is qualified for. As time has passed, Chomba has lowered her aspirations and is now prepared to take up any job that comes her way.
‘I have been looking for work for nearly three years now’ she said when she came to JCTR, ‘and it’s all very, very, stressful ‘

Like Chomba, young people have got the qualifications but there are just simply no jobs for them.

- **Low wages and poor working conditions- SLIDE 3**

The few that are employed in the formal sector are further burdened by low wages and high taxation rates. Currently the minimum wage in Zambia is the equivalent of 50 pounds per month. But according to the Jesuit Centre for Theological Reflection, the June 2011 cost of living in Lusaka for a family of six was the equivalent of 300 pounds.

Most workers cannot afford basic needs. In addition they bear the brunt of taxation, which currently ranges from 25% for the lowest paid to 35% for the highest paid employee. Real wages for most categories of workers continue to fall as the purchasing power gets eroded with increase in cost of living.

While workers in the public service have clearly defined conditions of service, in the private sector and informal sector employers do not follow labour laws and sometimes subject workers to inhuman treatment. Foreign investors have taken advantage of high unemployment and weak monitoring of labour laws to exploit workers.

.

- **Discrimination and inhuman treatment of workers- SLIDE 4**

Zambian workers are subjected to discrimination in favour of foreign workers. Foreign workers have access to all kinds of safety gadgets and sophisticated medical care while the majority of Zambian workers face conditions that resemble the terrible slave trade of the past. There was an incidence at a coal mine, where Chinese managers shot and wounded 12 local workers for protesting over a low pay.

- **Inadequate work place safety –SLIDE 5**

The safety levels in most South African or Chinese owned work places are unsatisfactory, particularly in the mines. Most private owners- South Africans; Chinese and others are focused on making profits without caring about Zambian workers' safety. Accidents in the mines are on the increase and investors have made no effort to stop the accidents.

- **Weak trade unions due to increasingly hostile environment – SLIDE 6**

The new private industries are anti-union and some investors even refuse to recognize unions. Workers who show sympathy for unions are intimidated or threatened with dismissal. Workers are left without a voice and have no bargaining power to improve working conditions.

In their quest to attract foreign investors, the government has also been weak in their defence of workers' rights.

- **Lack of support from government- SLIDE 7**

The biggest problem in tackling the exploitation of workers has been the inaction of the Zambian government. For example some investors are paying workers as little as 6 pounds a month, and getting away with it. Apart from political rhetoric, very little attention is paid to the plight of the workers.

Chinese coal mine managers who shot and wounded 12 local workers at Colum Coal Mine during a protest over pay were later acquitted. State prosecutors dropped charges against them because witnesses could not be found to testify in the case.

The acquittal has confirmed long standing concerns that government is not willing to neither regulate investors nor protect workers rights.

- **Women workers- slide 8**

Despite their growing role as income earners, women's access to labour markets and to decent jobs in Zambia is still limited.

Women are among the first to lose their jobs and suffer more consequences than men due to their weaker socio-economic position. Despite being qualified, they are rarely promoted to managerial positions. Most women are employed without the benefits of a permanent contract such as housing and transportation allowances.

As many women workers are heads of households, who rely on their pay check to feed their families, they have an extremely difficult time in arguing for their rights and fear victimisation. If workers challenge management, the chances of their contracts being renewed are slim.

Women are often victims of sexual harassment from their male supervisors which they cannot report. Pregnant women are seen as a liability to the company and rarely given any allowances for maternity leave. They work right up until they give birth and are then expected to be back at work as soon as possible.

SLIDE 9

Regardless of family responsibilities, women work long hours and are denied leave and child care services.

Now, I would like to move on from the situation of workers to that of small businesses.

Expanding informal sector employment- slide 10

Because of the growing number of Zambians who cannot be absorbed into the formal employment sector an ever increasing number seek to support themselves in the informal sector. This includes selling second hand clothes, street vending and vegetable vending, subsistence farming etc.

4.0 A look at Zambia's small businesses- slide10

The ambitious economic reforms have not been as rewarding to Zambia's small scale entrepreneurs as was hoped. It was expected that a more open economy would bring about more business opportunities for small and medium sized businesses by taking advantage of local, regional and international markets. These hopes have been disappointed because of the challenges small businesses face in expanding their trade activities.

6.0 Challenges facing small businesses from Free trade for example

- Withdrawal of government subsidies for agricultural inputs- SLIDE 11

Liberalization in the Agricultural sector has meant the withdrawal of government subsidies for planting and marketing. This has, resulted in sharp increases in the cost of production especially among small scale farmers who are in the majority.

Institutions that provided services to farmers have collapsed leaving the responsibility to find inputs, markets, and transport to individual farmers. Access to key services such as credit, marketing and information has been difficult especially for small scale farmers. Given the high poverty levels and low incomes, most small scale farmers have been unable to pay for the services agriculture requires to prosper.

- **Crop marketing- SLIDE 12**

The Food Reserve Agency is the government body responsible for purchasing produce from farmers through government channels. However, the Agency's, impact is minimal because it lacks the capacity to buy all the produce from farmers. Most small scale farmers have the ability to grow more food crops but due to lack of market or storage facilities, they opt to grow only what could be stored in their houses or storage barns.

As my Uncle Steven explains ‘Even if we cultivate plenty, our produce will go to waste, that is why we just grow enough for consumption and a bit to sell due to lack of supportive structures’ and the inability to get surplus products to market”.

- **Limited access to international markets- SLIDE 12**

Zambia’s has great potential in the agricultural sector, but has been unable to become a serious market player either regionally or internationally. Small scale farmers have no access to external markets because of government policy barriers which prevent traders and farmers exporting directly to foreign buyers.

- **Lack of access to working capital- SLIDE 12**

Small scale farmers and other small business entrepreneurs are trapped in a vicious cycle of poverty and they cannot raise working capital due to lack of collateral. Women are particularly affected in this regard. They face difficulties in accessing loans. Most applications from small businesses are turned down by commercial banks because of an inability to meet collateral requirements. Interest rates of up to 60% and unfavourable loan repayment conditions are prohibitive to small businesses who cannot handle the unreasonable demands of banks.

- **Stiff competition due to cheap imports- slide 13**

The liberalization of the economy has had a huge impact upon the ability of small businesses to manage and grow their businesses. Increased competition from cheap imports has greatly damaged local businesses. There is also a lot of competition from foreign owned companies which has caused sharp falls in sales and revenue.

Unlike foreign owned and capitalised businesses, most small Zambian owned businesses do not have official premises from where to conduct businesses and most of them are sole proprietors.

4.0 What can be done to address the workers and small business situation in the country? - How can we have justice at work for Zambians? SLIDE 14

In order to help address the plight of workers and small businesses in the country, Jesuit Centre for Theological Reflection has been highlighting the deteriorating conditions and exploitation that workers and small business are subjected to in Zambia. Through research and advocacy the centre has called upon government to deal with these challenges by:

- Ensuring that all workers receive a just wage

- Ensuring that investors respect Zambian labour laws and internationally accepted labour standards.
- Diverting some of the growth and wealth generated by the extractive industries to support sectors, such as manufacturing and agriculture that are more labour intensive.
- Ensuring that government regularly sets and acts upon employment targets
- Officially recognize the crucial role the informal sector is playing in a free market
- Give small businesses access to loans and credit from banks
- Make small holder farming more competitive and sustainable.
- Facilitate access to markets for small scale farmers
- Improving price incentives and increase the quality and quantity of public investment in the agriculture sector.

5.0 In Conclusion -The free market system should not be at the expense of Zambians. While the country continues to be hailed as a booming, emerging economy, the wealth being created should not benefit some while impoverishing the majority.

It also needs to be recognised that in a market economy, government has a vital role to play in regularising markets, in poverty reduction and in promoting the welfare of the vulnerable. Markets alone cannot promote justice or fairness for our workers and small businesses.