

# Globalisation Qualifications and Livelihoods

## Report Number 15

Shifts in the Livelihood Structure of  
Zimbabwe following Economic  
Liberalisation

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## **Preface**

This research report is one of a series completed within the DFID-funded research project 'Globalisation, Qualifications, Livelihoods and Youth'. The research examines the impact of globalisation on livelihoods, education and qualifications, and on the aspirations of youth for education, qualifications and livelihoods.

The research arises from the need to monitor the impact of globalisation – operationalised via policies of economic liberalisation – on the access of the poorest social groups to livelihoods, education and qualifications in different country contexts. Economic liberalisation is changing the nature of the livelihood structure and the economic demand for skills and qualifications. It is also changing the types of educational and qualifications provision within specific national settings. These in turn impact on the aspirations of youth for livelihoods, education and qualifications. The realisation of those aspirations is increasingly conditioned by the ability to pay, as policies of economic liberalisation encourage private sector, market driven provision, especially at the post-primary level. This research explores the impacts of economic liberalisation on the structure and volume of livelihoods, education and qualifications on the one hand, and on the aspirations of youth, on the other. In particular it seeks to explore differential impacts of economic liberalisation on members of different social groups.

The fieldwork has been undertaken mainly in Sri Lanka and Zimbabwe. A smaller study was undertaken in Zhejiang Province, China. And a study of UK suppliers of qualifications to Sri Lanka and Zimbabwe was undertaken to explore the interdependent, cross border nature of qualifications supply.

Research Report no 15, by Charles Nherera of the University of Chinhoyi, examines shifts in the livelihood structure of Zimbabwe following the policies of economic liberalisation introduced from 1990. Because of the focus on impact and change the study necessarily examines the livelihood structure in the period prior to liberalisation. This study is based mainly on analyses of secondary sources.

This research was supported by DFID. The views expressed are those of the author and do not necessarily represent DFID's own policies or views. Any discussion of the content should be addressed to the author via the email address listed below.

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## **1 Introduction**

After the attainment of political independence in 1980, Zimbabwe made great strides in democratising access to education, particularly at primary and secondary school levels. During the first five years of independence (1980-1985), the expansion rates were 6.16% at primary school level and 63.61% at secondary school level. The expansion rates at both levels dropped during the period 1986-1990 to 1.37% and 4.52% for primary and secondary school levels respectively. This was mainly because Government had largely achieved its goal to provide school places for the majority of children and therefore shifted its focus from quantitative expansion to the improvement of the quality of educational provision. Also, the heavy financial commitment on the provision of social services that followed Independence could not be sustained any longer and Government had to reduce its expenditure on social services as a the proportion of the national budget. The financial constraints were further compounded by the introduction of the Economic Structural Adjustment Programme (ESAP), which sought to liberalise the economy in line with a new world order that was gathering momentum. Consequently, the expansion rate dropped further to 0.45% at primary school level and 0.30% at secondary level during the period between 1991 and 1995.

Although the introduction of ESAP was supposed to bring improvements in the economy, which had been on the decline since the mid-1980s, it seemed to worsen the situation. Children from low socio-economic backgrounds were particularly negatively impacted by ESAP as companies closed and unemployment levels escalated. The increase in school costs as a result of increased private sector participation meant that more and more children from higher socio-economic backgrounds could attend the well-resourced private schools. The majority of children from poor families on the other hand could only afford to go to rural district council schools whose facilities were largely inadequate and inferior. Considering Government efforts to eradicate any form of discrimination after Independence, this differential educational provision was retrogressive.

## **2 Conceptual Framework**

The diversity of views and controversy surrounding the concepts Globalisation and Liberalisation make it imperative to define a conceptual framework within which to analyse the shifts in the livelihood, educational and qualification structures in Zimbabwe. A common framework is necessary if

methods of investigation and the findings derived are to lead to any comparable conclusions to guide policy and practice. Harris (1982, p. 19) endorses Mann's observation that, "At the core of the methodological difficulties of any discipline lies the question about the conceptual framework within which to discuss its subject-matter." Since the hypotheses guiding this study are derived from the conflicting views emerging from literature on Globalisation and Liberalisation, it is necessary to provide working definitions and assumptions drawn from these concepts.

### 2.1 *Globalisation*

The term 'globalisation' has been used to describe the complex interconnectedness and interdependence of world systems, particularly economic, social and political, as a result of the rapid development of information technology and communication systems in recent years. This implied a trend towards internationalisation of economies of both developed and developing countries by letting market forces, rather than government policies control the pace and direction of development. However, the term globalisation is vague. According to Scholte (2000) there is very little consensus with regard to its definition. He observes, "Although globalisation is widely assumed to be crucially important, we generally have scant idea what, more precisely it entails." (p2) This viewpoint is confirmed by Damme, (2002) who points out that the concept of globalisation is neither clear, not well defined. Held and McGrew (2000) define Globalisation as "...the expanding scale, growing magnitude, speeding up and deepening impact of interregional flows of social interaction." (p.4) They illustrate it with the shift or transformation in the scale of human social organisation that links distant communities and expands the reach of power relations across the world's major regions and continents. This has led to a phenomenal expansion in cross-border movement of goods and services, the worldwide diversification and deepening of capital and links, and cross-border movement of people (Nherera, 2000). According to Held and McGrew (2000), "...globalisation represents a significant shift in the spatial reach of social action and organisation towards the interregional or intercontinental scale." (p3) They are however quick to point out that this trend does not necessarily displace or take precedence over local, national or regional orders of social life. Globalisation is characterised by the following features:

Market-driven economies in which market forces rather than state control are dominant;

Promotion of private sector participation in economic development;

Phenomenal growth in cross-border capital (out)-flows;

Reduced Government spending and removal of subsidies on goods and services;

High mobility of people across borders pursuing education and training, in search of jobs or migrating to seek better livelihoods;



Rapid information flows through the electronic media that has shrunk the world into a 'global village'.

With specific reference to the impact of globalisation on higher education, Damme (2002) identifies the following manifestations:

Creation of new and tremendously important demands and exigencies towards universities as knowledge centres. He ascribes this, among other factors, to the fact that research becomes strategically important for corporations and governments, as the role and importance of science and technology will continue to grow.

*2.1.1 An increase in the demand for higher education worldwide.*

Higher education will become one of the booming markets in the years to come. National regulatory and policy framework will be eroded by globalisation. Globalisation will manifest itself through the emergence of a "borderless" higher education market.

Vught, et al in Enders and Fulton, (2002) distinguish between 'Globalisation' and 'Internationalisation'. They define Globalisation as the process of increasing convergence and interdependence of economies and to the liberalisation of trade and markets, although it also extends into the increasing interdependence on an intercontinental scale, of other realms of activity (cultural, social, biological). Internationalisation, on the other hand, refers mainly to the process of increasing co-operation between states or to activities across state boundaries, reflecting a world order in which nation states (still) play a central role.

Scot, (1998) points out to the conflict between how universities sell themselves to potential overseas customers and how they sell themselves to the national politicians (who provide their budgets) and to their own citizens, whether taxpayers or students. He observes that a new kind of international student mobility with distinct features has emerged. For instance, student flows are:

*No longer largely determined by colonial or post-colonial links; now driven by the market rather than by the state.* This is why the most popular subjects among overseas students nowadays are business management and accountancy, rather than science and engineering as well as public administration, which were the commonly taken areas by students who were sent through government assisted programmes. It is also partly due to the fact that there has been a dramatic shift in the pattern of economic development. There is now less emphasis on big infrastructure and engineering projects, often World Bank sponsored, and far more on stimulating the business, entrepreneurial economy.

*No longer about developed countries importing students, and developing countries in Asia and Africa exporting them.* The most vigorous flows are now between developed countries, or between developed countries and newly industrialising countries (NICs). Increasingly, universities from the developed countries are reaching out to students in developing countries by setting up local campuses, franchising the early years of their degrees to local colleges, devising collaborative programmes with indigenous institutions. "As the world becomes a global village some 'international' students are now able to take courses in universities on the other side of the world without ever leaving their home countries.

After reviewing a wide range of literature from the late 1980s to late 1990s, Held and McGrew (2000) conclude that the divergent definitions arising from the debate is the differential emphasis given to the material, spatio-temporal and cognitive aspects of Globalisation. Although divergent views have emerged in the Globalisation discourse, the intensification of global interconnectedness in recent years has not been disputed. Rather, it is the way in which the global system is perceived that has remained a point of contention. The material aspect of Globalisation is generally accepted in so far as it is possible to identify flows of trade, capital and people across the globe. Accepting the heterogeneity of the views surrounding Globalisation, Held and McGrew (2000) cluster the opposing views between those who accept Globalisation as inevitable and a good thing (the globalists) and those who conceive it as primarily ideological or mythical with a marginal explanatory value (the sceptics). Kanyenze (1999) argues that Globalisation has not been a natural and spontaneous process, but has emerged from conscious decisions by a powerful set of national and international forces in the advanced industrial countries to liberalise cross-border trade, finance, information flow and movement of people.

### *2.1.2 Economic Liberalisation*

The terms Economic Liberalisation and Economic Structural Adjustment Programme (ESAP) are often used interchangeably. Their usage became prominent during the 1980s when Multilateral and Bilateral organisations such as the World Bank and IMF urged developing countries to liberalise their economies by moving away from centrally controlled economies to adopt an economic ideology in which global market forces rather than the State assumed a leading role in economic development. This was supposed to lead to a reduction of government deficit through reduced government spending, especially in the social sectors of the economy. The resources so saved would be channelled to private sector investment. The role of government would then be that of facilitating the operations of the productive forces of the private investor.

It was acknowledged that initially, as subsidies were removed and the prices and cost of services increased, ESAP would cause some economic hardships in most households, especially among the disadvantaged communities. In this regard, the Social Dimension Fund was set up to cushion these hardships, particularly exacerbated by the rampant retrenchments that characterised economic liberalisation. However, it was claimed that eventually, ESAP would lead to economic growth, increased employment opportunities, and the general improvement in the livelihoods of most people. The resulting wealth, it was hoped, would lead to an increased revenue base and reduce need for subsidies and welfare activities by government, except for the remaining much smaller needy portions of society.

ESAP was introduced at a stage when most developing countries had become more cautious in their economic policies. They had adopted various strategies to protect local industries through controls on imports and restrictions on foreign currency exchanges. Foreign and multinational companies, which dominate economies of developing countries, were increasingly finding it difficult to repatriate their earnings. The World Bank and the IMF came out strong to criticise these economic policies, which they blamed for the decline in the economies of most developing countries. They argued that such policies were 'protectionist' and stifled economic development. They advocated instead, economic liberalisation as a new world order that was characterised by increased openness and integration of nations into a global economy. In this respect, 'economic liberalisation' is a direct manifestation of Globalisation.

### **3 Research Question**

In an attempt to understand the impact of 'economic liberalisation' as a manifestation of Globalisation on livelihoods in a developing country, the current study addressed the question: What has been the shift in the livelihood structure in Zimbabwe before and after economic liberalisation?

This part of the study is based mainly on secondary data from reviewed literature and the researchers' experiences as well as observations of the socio-economic situation in the country.

#### **3.1 Background and Context**

Zimbabwe attained political independence in 1980 after 90 years of colonial rule. The colonial period was characterised by a dual society in which an affluent white minority population co-existed with a largely poor and marginalized African majority (Nherera, 1994). There were huge disparities between the two races in access to economic, social and other provisions. The colonial government developed

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a distinct 'dual' socio-economic system in which a small but technologically sophisticated urban sphere existed in contrast to the vast underdeveloped rural subsistence sector (Brand 1981). The rural peasant society increasingly depended on the urban wage economy for survival. Education was increasingly regarded as a means out of a peasant existence in the rural areas, where chances of finding profitable employment were next to nothing (Riddell, 1980). The employment situation further deteriorated by the closing years of colonial rule, with an escalating liberation war, an economy hit by sanctions and a crippling oil crisis. Murphree, et al (1975) observe that for those pupils who battled through the academic secondary school, over 80 per cent of them remained unemployed and 45 per cent of those who got jobs were underemployed.

After the attainment of political Independence, the country experienced an economic boom for the first few years following the lifting of sanctions. The economy performed well up to around 1987 before it started to decline due to what were perceived to be structural rigidities. This resulted in high inflation levels, low and even negative Gross Domestic Product (GDP) growth, growing unemployment and deepening poverty, ballooning domestic and foreign debt. It was felt in some quarters that Government controls on the economy and the high expenditure on social services, which the country pursued in line with its socialism ideology, accounted for the decline (Zimbabwe Congress of Trade Unions, 1996). Given this deteriorating situation and persistent persuasion, particularly by the IMF and the World Bank, the country embarked on economic reforms based on the Economic Structural Adjustment Programmes in 1991. It was hoped this would revive the ailing economy and create employment. However, the World Bank country representative in Zimbabwe acknowledged in 2001 (Herald, 17 April, 2001) that ESAP had failed to revive the economy as the recession persisted. The economy continued to deteriorate throughout the 1990s. However, the direct impact of the newly introduced economic reforms could not be ascertained initially due to the devastating drought of 1991 / 1992, which coincided with the introduction of ESAP.

After the 1991 / 1992 drought, the performance of the economy improved, reaching a high growth rate of 8.5% by 1996. This improvement was a result of, among other factors, the improved performance in key sectors such as Agriculture, Tourism and Manufacturing, which grew by 19.4%, 6.8% and 4.8% respectively (Zimbabwe Millennium Economic Recovery Programme, 2000). Economic growth started to decline from 1997, reaching 0.5% by 1999. During this period, savings declined from 18.2% of GDP in 1996 to 11% of GDP by 1999. Overall investment also declined from 18.7% of GDP in 1996 to approximately 15% in 1999 (Zimbabwe in Brief, 2000). There was a continual mismatch between expenditure and revenue, resulting in high budget deficits, ranging between 6% and 10% over the decade. This was attributed to the bloated civil service and loss-making parastatals (Zimbabwe in Brief, 2000).

The tight monetary policies, which the Reserve Bank of Zimbabwe (RBZ) adopted during this period, in attempts to arrest the situation, failed to contain inflation and instead, interest rates continued to rise uncontrollably. Inflation, which averaged 21% at the inception of the Zimbabwe Programme for Economic and Social Transformation<sup>1</sup> (ZIMPREST) in 1996, escalated to approximately 70% by the year 2000, went beyond 600% by the end of 2003 before being brought down to approximately 150% by December 2004, through a stringent monetary policy introduced by a restructured Reserve Bank of Zimbabwe. Over the period 1997 to 1999, real GDP growth was estimated to have averaged 1.7% compared to the intended ZIMPREST target of 6% (ZIMPREST, 1996).

ESAP did not lead to an increase in foreign trade and direct foreign investment as originally suggested by its proponents. On the contrary, export performance remained poor, foreign direct and portfolio investment inflows were static and worsened by the reduced international support and high import demand. The resultant mismatch between demand and supply conditions in the foreign exchange market aggravated by speculative behaviour saw the exchange rates plummet to an all-time low. Continued foreign exchange shortages led to the Zimbabwean dollar (Z\$) being devalued, particularly between 1997 and 2000. Companies found it increasingly difficult to remain viable in this economic environment. Many of them did not only downsize, but even closed down completely due to the harsh economic climate and competition that came from foreign companies that brought their goods and services to the domestic market. This worsened the unemployment situation even further.

High levels of unemployment were experienced after economic liberalisation as both the public and private sectors embarked on a massive retrenchment drive in line with ESAP. Unemployment in Zimbabwe was estimated at between 35% and 50% (Kanyenze, 2000). According to the Central Statistical Office (CSO), urban unemployment rose from 11.6% in 1986 to 22.3% by 1990 before declining to 15.9% in 1994. A survey carried out by the Confederation of Zimbabwe Industries revealed that over 400 companies had closed down and around 10,000 jobs lost in 2001 alone (Herald, April 2001).

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ZIMPREST was intended to replace ESAP with a new emphasis on social considerations rather than just economic. However, it was still to operate in a liberalised economy.

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The massive expansion of the education system after Independence increased the number of people who were in active search for employment as large numbers of school leavers joined the labour market. An estimated 300,000 school leavers, with secondary education entered the job market each year, whereas the formal employment sector could only create around 30,000 jobs (Kanyenze, 1997). Because the majority of pupils who attempted 'O' levels were entered for the same examination irrespective of their ability, an average of only 20% of them passed the required minimum of five subjects at grade C or better. Teachers colleges, technical and vocational colleges and universities absorbed less than 10% of them, while the formal employment sector absorbed an even smaller percentage, leaving the majority of them to roam the streets every year (Nherera, 2000). It meant therefore that while unemployment was high generally, youth unemployment was even more prevalent. Table 1 shows the percentage distribution of economically active persons by age group and activity during 1999.

**Table 1: Percentage Distribution of Economically Active Persons By Activity and Age Group During 1999**

Age in Years	Paid Employment	Employer	Own Account Worker	Unemployed Family Worker	Unemployed	Total
15-19	8.2	0.3	2.2	41.4	27.0	11.4
20-24	16.6	3.3	8.4	31.5	38.0	16.4
25-29	20.4	7.1	12.6	13.5	18.1	15.9
30-34	15.7	14.0	10.6	5.6	8.2	11.6
35-39	10.6	8.2	12.0	3.1	4.6	9.8
40-44	9.1	18.1	10.7	1.5	2.2	8.3
45-49	7.6	18.7	10.3	0.6	1.2	7.4
50-54	4.9	12.4	8.4	0.5	1.0	5.6
55-59	3.1	6.0	7.2	0.4	0.7	4.3
60-64	2.1	1.9	6.0	0.5	0.1	3.4
65+	1.5	11.0	11.5	1.4	0.9	5.8

Age in Years	Paid Employment	Employer	Own Account Worker	Unemployed Family Worker	Unemployed	Total
Total	100	100	100	100	100	100

Source: 1999 Indicator Monitoring- Labour Force Survey Report; CSO July 2000.

The table shows that about 65% of all the unemployed were youths aged between 15 to 24 years. Even university graduates and those leaving colleges with various vocational qualifications could not secure employment. Qualifications were no longer a guarantee for employment as an increasing number of school leavers and those graduating from tertiary institutions faced indefinite periods of unemployment. In an article headlined, 'No jobs for school graduates and school leavers...' (The Daily News 30/01/01), the Managing Director of Kipps Employment Agency and Executive Appointments observed that, 'there were too many university and college graduates chasing too few jobs'. The article went further to observe that there were few opportunities for graduates and school leavers because companies were folding. According to the article about 100,000 jobs were lost in 2000 alone.

The high unemployment levels, an escalating inflation fuelled by foreign exchange shortages, and the general economic downturn since the adoption of economic liberalisation left many households poor. According to figures from the CSO, the incidence of poverty in the country had increased from 40% in 1990/91 to 63.3% by 1995/96 and was estimated to rise even further. This was confirmed by The Poverty Assessment Sectorial Study (PASS) done by Ministry of Labour, Public Service and Social Welfare (1995), which found that 61% of households lived in poverty and 45% of these in extreme poverty. It is against this background that this article examines the effect of the macro-economic environment on the livelihood structure in the country.

#### **4 Hypotheses**

Within this socio-economic context and deriving from the literature review on Globalisation and Economic Liberalisation, a number of hypotheses were formulated to guide the study. It was hypothesised that Economic Liberalisation had led to:

- a decrease of opportunities for persons working in the public sector;
- an increase of opportunities for persons working in the private sector;
- a decrease in the proportion of opportunities for persons employed in foreign firms;
- an increase in the proportion of opportunities for persons working in agriculture;

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an increase in the proportion of opportunities for persons working in the SMEs and informal sector;  
an increase in the proportion of foreign employment opportunities (i.e. emigration);  
an increase in the proportions of women in the labour force;  
a greater proportionate increase in employment in both the private and public sector from among youth from the higher social groups (those with connections or who can afford a bribe);  
an increase in qualification levels of employees in all sectors of the economy;  
a closing of skill gaps;  
an increase in unemployment and underemployment levels;  
an increase in dependency ratios (which can also be attributed to HIV/AIDS);  
a decrease in the rate of return to investment in education at all levels especially at tertiary level;  
a decrease in wage rates in government employment.

For the purpose of examining these hypotheses, the introduction of ESAP is equated with economic liberalisation. The pre-liberalisation period is regarded as 1981-1991; and post-liberalisation as 1991-2000.

### **5 Discussion**

#### *5.1 Decrease Of Opportunities For Persons Working In The Public Sector*

When economic liberalisation was adopted, it was hoped that there would be a decrease in employment opportunities in the public sector with a corresponding increase in the private sector. This would be mainly because government was expected to reduce its spending by cutting down the size of the civil service. However, statistical data indicate that generally, both private sector and public sector employment decelerated during ESAP. The fall in employment in the public sector was planned as it was envisaged that 25% of the civil servants (about 23,000) would be retrenched. According to the Ministry of Finance and Economic Development (1997), reforms in the public service had led to the following changes depicted in Table 2:

**Table 2: Public Service Reforms For The Period 1995 To 1997**

Description	Number of civil servants
Size of service before liberalisation	192,000
Size of service in 1995	171,472
Exempted posts in the Ministry of Education, Sport and Culture	90,000
Exempted posts in the Ministry of Health and Child Welfare	10,000
Posts subjected to 25% reduction	92,000
Target posts to be reduced	23,000



Cumulative abolished posts as at June 1995	21547
Balance of posts to be abolished by 1997	1453

Source: Ministry of Finance and Economic Development, 1997

The share of Public service sector rose sharply from 16% of real GDP and 12% of formal sector employment in 1979 to 22% and 19% respectively in 1989. Public administration and education employment combined rose sharply in the same period from 41 400 (1979) to 310 000 (1989).

Since the introduction of economic liberalisation policies however, the size of the civil service has been drastically reduced. The public sector accounted for the largest workforce throughout the 1980s. The expansion of sectors such as Education, Health, Army and Police, Local Government, and Transport as well as the general expansion of the public service after Independence, provided opportunities for many job-seekers. Government needed personnel to ensure the success of the wide range of development programmes it embarked upon after the attainment of political independence in 1980. After the introduction of ESAP, however, the large size of the civil service was cited as one of the reasons why Government expenditure was high. Major donors at the time, such as the World Bank and the IMF, called for a civil service reform programme, which would see a significant decrease in the workforce in the public sector and parastatals. Table 3 illustrates the trends in rates of growth in employment for the period 1981-1995.

**Table 3: Trends in Rates of Growth in Employment for the Period Before (1981-1990) and During ESAP (1991-1995)**

SECTOR	1981 –1984	1985-1990	1991-1995
Tradable:	-2.9	1.5	1.3
Agriculture	-4.5	1.2	0.6
Mining	-4.6	-0.9	6.6
Manufacturing	1.2	2.9	-3.3
Non-totals:	3.0	4.0	-0.5

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Electricity	2.2	3.0	5.2
Construction	2.1	9.2	-6.3
Finance	5.9	2.0	1.0
Distribution	3.4	3.1	-0.9
Transport & Communication	2.4	1.0	-1.6
Other Sectors:			
Public Administration	7.1	0.8	-2.2
Education	-2.4	4.3	1.8
Health	6.0	3.9	0.6
Domestic	0.7	0.7	0
Other services	-2.9	5.1	0.2
TOTAL	3.0	2.4	-0.6

Source: Calculated from Quarterly Digest of Statistics, CSO, Various Issues (1981-1995)

It is evident from the table that employment growth was on the downward trend in both the public and private sector after the introduction of ESAP. This culminated in a collective negative growth rate of – 0.6 by 1995. In line with the conditions set for ESAP to work, Government embarked on a major exercise to reduce the size of the civil service by retrenching large numbers of workers through freezing vacant posts, giving early retirement incentives, and abolishing posts. Public sector institutions were urged to shut down departments and units, which were perceived to be outside their core-business and outsource for such services. Some civil servants were forced to take early retirement packages as the government battled to cut its public expenditure.

### 5.2 Increase Of Opportunities For Persons Working In The Private Sector

Those who advocated the adoption of ESAP suggested that economic liberalisation would lead to an expansion of private sector employment as foreign investment would increase in response to the opening up of markets. This in turn would result in increased employment opportunities. However, this did not occur as the rate of growth of employment in the private sector generally fell, except the electricity and mining sectors. The rate of growth of employment in the agricultural sector fell from 1.2 to 0.6 during the 1985 to 1990 and 1991 to 1995, periods respectively. The deceleration of employment in the manufacturing sector from an annual average growth rate of 2.1% during the period 1981 to 1990 to –3.3% during the 1991 to 1995 period (Kanyenze, 1997), is contrary to the claims made about ESAP. Economic liberalisation was supposed to benefit the manufacturing sector through the removal of market distortions that were said to be inherent in ‘closed’ economies. The removal of controls on prices and wages was expected to boost economic activity, which would be

reflected in increased employment levels. This was not attained as the targeted inflation and interest rates were not realised. At the same time, the much-expected capital inflow from foreign investors and international financiers did not occur. The failure of ESAP to deliver employment meant that the unemployment crisis continued to deepen.

The level of unemployment did not improve since the 1980s but actually worsened after the introduction of ESAP. The restructuring of many companies through down-sizing, and the collapse of many small and medium scale enterprises (SMES) due to stiff competition from larger companies, and the unfavourable macro-economic environment, did not help improve the livelihood structure in Zimbabwe. Table 4 shows total retrenchees by industry during the period 1991 to 1995.

**Table 4: Total Retrenchees By Industry in Both The Public And Private Sector Between 1991 And 1995**

INDUSTRY	RETRENCHING COMPANIES	RETRENCHES
Mining	52	5841
Engineering	110	5527
Commerce	75	2544
Local authorities	2	1543
Transport	26	1379
Agriculture	35	1129
Clothing	22	688
Printing	20	624
Leather	4	483
Lumber	7	427
Motor	38	376
Glass	3	354
Electronics	13	335
Textiles	5	252
Brewing	2	246
Detergents and Edible Oils	3	240
Plastic	8	228
Rubber	6	181

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INDUSTRY	RETRENCHING COMPANIES	RETRENCHHEES
Construction	6	181
Food Processing	6	162
Cement	1	158
Educational and Welfare	14	143
Milling	2	134
Catering	8	103
Other	47	1087
Total	515	24365

Source: Ministry of Public Service, Labour and Social Welfare Figures (1991-95)

### 5.3 *Decrease In The Proportion Of Opportunities For Persons Employed In Foreign Firms*

The conventional wisdom of ESAP was that the liberalisation of markets and free movement of capital and technology would increase foreign investment and the potential for economic growth. In principle, Stewart (1995) states that the production of goods and services can be separated geographically from their consumption. According to Stewart (1995) poor developing countries like Zimbabwe can secure jobs and incomes by producing for the larger market found in rich countries. From this viewpoint, restrictions on trade means that developing countries are trapped by small markets and therefore low income. Restrictions on flows of inward capital for investments combined with low domestic savings means few resources are available for investment. Instead, the free movement of capital and goods combined with the much lower labour costs in low income countries should mean, in principle the relocation of capital and production to low income countries, which would in turn, lead to growth in production, exports, employment and income.

ESAP was meant to result in increased domestic investment, address the balance of payment, budget deficit and public expenditure among other things. If these claims were correct, the adoption of ESAP should have triggered economic revival. This should have been the case since approximately 70% of the economy was already in the hands of multinational companies such as Anglo-American Corporation, which had direct links with markets and partners abroad.

The Government of Zimbabwe put a concerted effort to liberalise the economy. While it proved difficult to reduce its spending to recommended levels due to social obligations, measures were taken to keep the foreign exchange rates competitive through devaluation of the local currency, scrapping the mandatory minimum wages and price controls. Market forces were left to determine the prices of goods and services as the Government withdrew subsidies and commercialised a number of parastatals that had remained under its control. In line with the economic reform, the role of the state

in the economy was reduced. Attempts to promote foreign investment culminated in the establishment of the Zimbabwe Investment Centre (ZIC), liberalisation of foreign exchange rate, deregulation of the labour market allowing for free collective bargaining and wage flexibility.

In spite of all these measures taken by Government, ESAP did not improve the livelihoods of the majority of Zimbabweans. The much-anticipated inflow of foreign investment did not come. Local private sector companies reduced their workforces substantially as they restructured and streamlined their operations to maximise profitability and braced themselves for the competition from foreign companies. Many companies closed operations citing the harsh economic environment, red tape, and bureaucracy, leaving thousands of workers redundant. It meant therefore that while in theory and principle, economic liberalization was meant to result in increased inflow of foreign and domestic investment leading to the creation of employment and economic growth, the opposite was the case.

#### *5.4 Increase In The Proportion Of Opportunities For Persons Working In Agriculture*

The livelihoods of the majority of Zimbabweans have historically been based on agricultural activities. Before the colonial regime disposed of the indigenous African people of most of their prime agricultural land, the colonial economy faced significant problems in obtaining a labour force, particularly for the mines. Black people resented working for the White settlers, preferring instead to survive off their land. Measures to entice people who were dependent on working on the land to work for wages were then put in place. The settlers devised several methods to force the Black people off their land, such as the introduction of a 'hut tax' in 1894, which forced people to seek formal employment under the settlers in order to raise money for the tax. Payment of taxes in kind was initially accepted but later discouraged as it allowed Black people to even intensify their agricultural activities to meet the tax obligations through their produce, thereby avoiding wage employment (Arighi, 1973).

The other strategy used by the colonial government to reduce people's dependence on their land and rely on a money economy was land expropriation. Realising the potential of agricultural activities, given the rich soils and good weather patterns the country was endowed with, the colonial settlers embarked on a process to take all the fertile land away from the Black people. They were instead driven to areas, which were not conducive for agricultural activities, which they called African 'reserves', starting from 1902. By 1913, 9 million acres of land were held by land companies formed by the colonial settlers; 12.5 million acres by individual settlers and absentee landlords; 24.8 million acres by African peasants and 48 million acres were kept as 'unutilized' state land, while the

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indigenous people were forced to jostle each other in crowded 'African reserves'. In 1915, a Native Reserves Commission proposed that land with poor and infertile soils, which was not wanted by Whites, be allocated for 'reserves' while better land was acquired for the White settlers. This led to Africans losing a further 1,062,460 acres of land to the colonialists (Sibanda, 1992).

At independence therefore, Zimbabwe inherited a dual economy and a dualistic agricultural system whose historical legacy continues to influence the economy to the present time. Although the country has since developed a relatively sophisticated manufacturing base, the economy has largely remained agro-based. For example tobacco that is popularly referred to as 'Golden Leaf' has remained one of the highest foreign currency earners and thereby contributing immensely to the country's Gross Domestic Product (GDP).

Over 70 percent of Zimbabwe's population is rural based and derives its livelihoods from agricultural activities, even though mainly at subsistence levels. Yet, for 20 years after Independence, White commercial farmers were still in possession of 4,000 out of the 4,450 large-scale commercial farms, comprising two thirds of the best agricultural land in the country. The majority of the indigenous Black people who constitute over 95 percent of the population remained in Communal lands which were overpopulated, and over-stocked with livestock and are generally fragile and degraded (Zimbabwe Country Report, 1998). Land redistribution to correct the imbalance of ownership between Blacks and Whites, was therefore imperative and generated a lot of interest when it was introduced soon after independence in 1980, even though at a slow pace.

After the introduction of ESAP, and throughout the 1990s Government continued to support the resettlement programme by acquiring land and settling people, providing tillage units, seeds, fertilizers and other inputs. This has improved the subsistence level of the majority of the people, even though more support is still needed to improve the productivity level of peasant farmers to enable them become small to medium scale commercial farmers. In 2000, Government accelerated the land redistribution programme when it acquired more than 1700 commercial farms, subdivided and reallocated them mainly to the indigenous Black people.

Agriculture is the largest employment sector even though it experienced a downward trend with its share of formal sector employment declining from 32.4 percent in 1980 to 24.3 percent in 1990. Formal employment figures in the agricultural sector remained more or less constant at around 300,000 throughout ESAP. Permanent employment in the Large Scale Commercial Farmers (LSCF) increased by about 30,000. The resettlement programme is expected to increase employment in agriculture. Government is already resettling the targeted 150 000 families on over 11 million hectares

of land that it has acquired from the previous commercial farmers. Table 1.5 shows the GDP and employment by sector for selected years at current prices. While the percentage of people employed in the agricultural sector might have fallen from the levels in 1980, there has been a sturdy increase since the beginning of the 1990s when the economy was liberalised, and accelerate after the introduction of the land reform programme in 2000. The retrenchments, which resulted from ESAP and the growing poverty turned more people to seek their livelihoods through agricultural activities and self-employment ventures.

**Table 5: GDP and Employment by Sector for Selected Years (At Current Prices)**

SECTOR	% OF GDP				% OF EMPLOYMENT			
	1980	1985	1990	1997	1980	1985	1990	1997
Agriculture	14.0	16.2	12.1	16.9	32.4	26.3	24.3	27.2
Mining	8.8	7.6	7.1	4.0	6.0	5.3	4.8	4.7
Manufacturing	24.9	23.7	24.9	18.2	14.7	16.0	16.7	14.4
Electricity	2.2	2.1	3.5	2.1	0.7	0.7	0.8	1.0
Construction	2.8	1.7	1.3	2.7	4.1	4.4	5.7	6.1
Finance	6.3	6.1	6.4	8.4	1.2	1.5	1.5	1.7
Distribution	14.0	10.2	11.4	18.9	6.9	7.7	7.9	8.0
Transport & Communication	6.6	6.2	5.9	7.9	4.4	4.8	4.4	3.9
Public Administration	9.0	9.8	9.6	3.8	7.5	8.6	8.0	5.6
Education	5.2	9.4	9.7	7.0	3.4	8.1	8.9	10.0
Health	2.2	2.6	2.6	1.8	1.5	1.9	2.0	2.1
Domestic	2.0	1.6	1.4	1.5	11.2	9.5	8.8	8.0
Other Services	5.4	6.2	6.7	4.7	4.3	5.3	6.1	7.3

Sources: CSO (Various Issues: 1980-1997)

The situation depicted in Table 5 has worsened further as the economic woes continue unabated. It should be noted that although commercial farms might have employed the largest proportion of the labour force, the workers were among the lowest paid in the whole country. About 32.2 percent of the workers in this sector that earned less than \$500 per month in 1999 and only 1.9 percent of them earned above \$3000.00 per month in the same year. The rise in minimum wages during the 1980s only accelerated the substitution of capital for labour, giving rise to the drop in the labour force until the introduction of economic liberalisation. The high inflation rate triggered by ESAP further eroded the real value, not only of agricultural wages but also of every sector such that in 1992, real wages

were half their 1990 levels. The share of wages in the value of SCF marketed output fell from an average of 36% over 1980-1991 and less than 15% by 1993.

#### *5.5 Increase In The Proportion Of Opportunities For Persons Working In Small and Medium Scale Enterprises ( SMEs) And The Informal Sector*

Throughout the colonial period, the informal sector remained small because of the rules and regulations as well as stiff by-laws, which were designed to preserve the interest and dominance of the minority white population over the economy. The sector remained relatively small after independence, although attempts were made to expand it. The sector plays an important role as a safety net when employment and incomes from the formal sector are deficient. The informal sector actually provides a society with a survival mechanism, although often under-capitalised and generating grossly inadequate incomes. The sector responds to development or dynamics in the formal sector to which its activities are linked.

The Urban Informal Sector (UIS) consists of small business enterprises operated by individuals on a commercial basis, the majority of them being operated as own account businesses, or as own employed businesses, though it also includes micro- enterprises with a few workers, usually less than 10. The UIS include all micro-enterprises whether carried out in and around residential premises or elsewhere, provided all their outputs are destined for sale in the market. In recent years, the informal sector has spread to cover rural business centres and Growth Points<sup>2</sup>.

Soon after Independence, most people preferred formal sector employment rather than engaging in the informal sector. The sector only became vibrant in the late 1980s when the economy was going down and formal sector employment was increasingly becoming scarce, with salaries continually falling behind inflation levels. With the introduction of ESAP in 1990, and the subsequent closure of companies and massive retrenchments of the labour force in response to the deregulation of the labour market, the informal sector came to full life. Small and Medium Scale Enterprises SMEs and Micro-Scale Enterprises (MSEs) are dominated by small manufacturers. Almost 70 percent of all

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<sup>2</sup> Growth Points are serviced business centres established in rural areas after Independence to spur development.



MSEs fall under the manufacturing category, 30 percent can be classified as traders and 3 percent fall into the service sector. MSEs are dominated by activities, which do not require large capital injections. They include business ventures such as Knitting and Crocheting, Welding, Furniture Manufacturing, Small-scale Mining, Stone and Wood Carving, Fruit and Vegetable Vending. According to the Labour force survey of 1986/7, the informal sector expanded from 10 to 20 percent and has continued to grow since then. After ESAP, the 1991 and 1993 nation wide survey on micro- and small-scale enterprises indicated that the sector consisted of approximately 942,000 enterprises, an increase of 8.5 percent, employing some 1.65 million people. This represented a 14.4 % increase in the number of people employed by the sector.

Traditionally, the informal sector has faced serious financial problems because it did not receive any financial assistance from Government. However, attempts have since been made to assist small-scale entrepreneurs with financial loans after the creation of the Ministry of Medium and Small Scale Enterprises. Credit finance houses were very sceptical about the capacity and capability of the people engaged in this sector. It is generally believed that the informal traders lack the commercial and technical know how, lack the capacity to identify business opportunities, project formulation, identification of markets and the ability to market their products. The low levels of public investment in the sector, was therefore attributed to the perceived low performance of the informal sector. Yet the poor investment in the sector was the main reason why the sector continued to under-perform.

The opening up of the economy from 1990 through ESAP resulted in the growth and expansion of the informal sector. The deregulation of the labour market, accompanied with the massive retrenchments in both the public and private sector, meant that all the redundant labour force had to join the informal sector for a living. With the number of school leavers entering the job market far outstripping the formal sector rate of job creation, the informal sector has grown phenomenally. The informal sector became a haven for the many retrenched workers during ESAP and the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST). Retrenched workers and unemployed school leavers now over-subscribe the sector. It is estimated that the sector employs at least 2 million people compared to 1.3 million in the formal sector and many still continue to join it. The shortage of employment opportunities has also resulted in a sharp increase in the migration of adults and youths to neighbouring countries like Botswana, South Africa, and Namibia and to some extent Mozambique. Larger numbers have migrated to Europe particularly Britain, USA, Canada, Australia etc in search of livelihoods (National Economic Consultative Forum, 2004).

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Whereas formal sector employment represented 40% of the total labour force in 1980, its share declined sharply to 29% by 1992, 27% by 1996 and 25% by the year 2000. This suggests therefore, that the rate of job creation in the formal sector was lower than the rate at which the labour force was growing.

It was realised that the area with the greatest potential of creating employment for the majority of the people was the informal sector. Government therefore undertook several programmes to create employment before and during ESAP. It created the Ministry of Youth Development, Gender and Employment Creation to undertake this task. Many initiatives were started including the following:

Cooperatives;

The work shelter of business incubator programme designed to assist the informal sector;

Small to medium scale enterprises through the provision of shelter;

Business linkages programme;

People's markets;

Development of entrepreneurship programmes;

The employment creation fund;

Vocational training;

Several other programmes supported by the private sector, churches and NGOs have also been launched.

### 5.6 Increase in the Proportion of Foreign Employment Opportunities

Table 6 shows that immigration figures were generally falling as compared to emigration figures that shot up from 1 557 in 1996 to 3 860 by 1999. The column indicating residents visiting abroad also indicates a remarkable increase of Zimbabweans going abroad from 69 138 to 331 086 during the same period. The emigration figures could be an underestimation, as many of the residents, who indicated that they were just visiting abroad, did not return. They left the country as visitors but once they arrived in their host countries, they changed their migration status and sought livelihoods there. Table 6 also shows the same scenario where emigration and residents visiting abroad figures were rapidly growing against stagnant or falling immigration figures.

Table 6: Migration Figures (1996-1999)

Year	Immigrants	Emigrants	Residents Abroad	Visiting
1996	3 286	1 557	69 138	

1997	2 483	1 821	123 498
1998	1 286	2 661	213 237
1999	3 148	3 860	331 086

Source: CSO: 1999 Indicator Monitoring – Labour Force Survey (IM-LFS)

**Table 7: January Migration Figures (1998-2000)**

Year	Immigrants	Emigrants	Residents Abroad	Visiting
Jan. 1998	155	188	4 554	
Jan. 1999	268	522	39 121	
Jan. 2000	217	937	44 655	

Source: CSO: 1999 Indicator Monitoring–Labour Force Survey

Table 7 reflects the migration figures for one-month periods (during the month of January) from 1998 to 2003. The number of people who left the country to seek higher and further qualifications and better livelihoods abroad was on the increase throughout the economic liberalisation period.

### *5.7 Increase In The Proportions Of Women In The Labour Force*

The incidence of unemployment is higher among females generally, who experienced unemployment rates of 26.2 percent in 1986/87 and 24 percent in 1993 as compared with levels of 11.1 percent and 16.15 percent experienced by males over the respective periods. During the colonial period, women and children remained in the rural areas, while men were recruited to urban areas, mines and farms as migrant workers. Even after Independence, employers tended to discriminate against women, especially in technical and manual jobs. Some employers seemed to be put off by the fact that women may need to go on maternity leave or leave employment voluntarily to start families.

With the advent of economic liberalisation, the formal employment sector shrunk as companies downsized or closed due to the harsh economic environment and stiff competition from foreign companies. The manufacturing sector in which the majority of women were employed was particularly affected, and more women were therefore retrenched. However, as the harsh economic environment took its toll on households, rather than remaining at home, more women than men joined the informal sector. Many of them engaged in cross-boarder trade while others started small and medium scale enterprises. Table 8 compares the participation of men and women in small-scale enterprises during the years 1996 and 1997.

**Table 8: Participation in Small Scale Enterprises by Gender In 1996 & 1997**

YEAR	MALE	FEMALE	TOTAL	% FEMALE
1996	488	1,305	1,793	73
1997	530	1,562	2,092	75

Source: Small Enterprise Development Corporation Annual Reports, 1996 & 1997

These figures only reflect entrepreneurs who were registered officially. In reality, much larger numbers of women were involved in SMEs, cross-boarder trading and other activities to raise income for their families.

#### *5.8 Greater Proportionate Increase In Employment In Both The Private And Public Sector From Among Youth From The Higher Social Groups*

It was not possible to obtain data to compare the proportionate employment levels of youth from different backgrounds in both the private and public sector. Enrolment patterns at tertiary level can however be used to predict the proportions of students from different socio-economic backgrounds, likely to be employed in the near future. Access to higher education is open to children from different socio-economic backgrounds since it is highly subsidised. Since most of the universities and major colleges are government-funded, their fees have remained relatively low. In fact, the fees that are charged at public tertiary institutions are much lower than the fees charged at private pre-schools, primary and secondary schools. The majority of households in Zimbabwe are in the low socio-economic category. The proportion of students at tertiary institutions also reflects this socio-economic pattern, where students from lower socio-economic backgrounds are in the majority.

On the other hand, economic liberalisation has put pressure on employers to engage people with higher qualifications. It means therefore, as long as access to higher and further education and training remains affordable to the majority of the people from different backgrounds, social class will not be reflected in the employment patterns. However, the expansion of the private sector participation in education and training after liberalisation will result in a proportionate number of students from higher socio-economic backgrounds acquiring higher qualifications and therefore finding employment. It is also true that many students from higher socio-economic backgrounds are finding opportunities abroad and may therefore not displace those from poorer families from the domestic labour market.

### 5.9 Increase In Qualification Levels Of Employees In All Sectors Of The Economy

The massive expansion of education and training that followed Independence in 1980 has created a large pool of an educated labour force. This has resulted in what could be described as a qualification inflation in which employers ask for increasingly higher and higher qualifications even for basic and routine jobs. They demand higher qualifications as a means to screen and select from the large numbers of qualified candidates that chase few opportunities on the labour market. Table 9 illustrates the transition from school to tertiary institutions during the years 1994 to 1997.

**Table 9: Transition from school to tertiary institutions**

YEAR	'O' & 'A' LEAVERS	TERTIARY			TOTAL	%
		TEACHERS' COLLEGES	TECHNICAL COLLEGES	UNIVERSITIES		
1994	138,555	16,212	13,222	8,858	38,292	28
1995	141,971	14,741	13,612	12,442	40,795	28
1996	147,906	17,762	14,761	13,670	46,193	31
1997	163,098	18,901	17,496	13,664	50,061	31

The increase in the number of pupils accessing higher and tertiary education after completing their 'O' and 'A' levels reflects an increase in the qualification levels of employees in both the private and public sectors of the economy. The demand for higher qualifications was also to meet the new challenges in production, management and other skills that enable companies to remain competitive in a liberalised economy. However, many companies seem to prefer on-the-job training rather than recruit people with high qualifications from colleges and universities, since they are more likely to demand higher salaries. It should be noted that the increasing transition from secondary to tertiary education during the post-liberalisation period was also due to an increase in the number of tertiary institutions in the country, particularly during the 1990s.

### *5.10 Closing of Skill Gaps*

At the attainment of Independence in 1980, the country inherited a critical shortage of skilled personnel. The colonial government had persistently shunned developing an indigenous base of skilled manpower, preferring instead to recruit skilled White personnel from abroad. The exodus of White people who did not accept the political change at Independence further aggravated the situation. It was therefore imperative for the newly independent government to focus on human resource development, which is pivotal to economic and social development. While the unprecedented massive expansion of the education system that took place went a long way towards addressing this problem, expansion at tertiary level took longer and did not immediately close the large gap between the demand for and supply of skilled labour. Nevertheless, as large numbers of graduates leave colleges and universities every year with a variety of qualifications, the gap is gradually getting smaller. Economic liberalisation contributed to an increase in the demand for training, as employment and promotion prospects became very competitive. New skills and competencies required in a liberalised economy have put pressure on both the public and private sectors to demand new and higher qualifications. Faced with these challenges, the Government and the private sector have responded by creating more training opportunities.

With only one university (i.e. the University of Zimbabwe) at Independence, the country now has thirteen fully-fledged universities. In addition, proposals for more new universities are being processed. Enrolments at university level increased from less than 2000 in 1979 to more than 40 000 by 2001. The massive increase in university enrolments in the latter decade is explained by the coming in of the Zimbabwe Open University (ZOU), which offers its degree programmes through distance education and therefore attracts large numbers of candidates among the working adult population.

By the year 2000 Zimbabwe had almost 14 teachers colleges countrywide. Some of the colleges were upgraded into universities. For example, Gweru Teachers' College is now the Midlands State University, and Chinhoyi Technical Teachers' College is now the Chinhoyi University of Technology while Masvingo Teachers' College is now Masvingo State University. Chinhoyi and Belvedere teachers' colleges provided technical training to teachers for technical subjects in secondary schools. Enrolments in the teachers' colleges increased from 2,829 in 1980 to 18,901 by 1997, which is an increase of 568 percent.

Vocational and technical education also realised a marked expansion. From only 2 technical colleges i.e. Bulawayo Polytechnic and Harare Polytechnic in 1980, there are now 10 vocational and technical colleges in Zimbabwe. Two are polytechnics as mentioned earlier, four are technical and the other

four are vocational colleges. Enrolments at these vocational and technical colleges increased by 429% i.e. from 3,469 to 18,355 during the same period. By the year 2000, 26 vocational training centres (VTCs) were established under the Ministry of Higher Education and Technology and later transferred to the Ministry of Youth, Gender Development and Employment Creation to add up to the existing more than 10 VTCs. According to the Ministry of Higher Education and Technology (MoHET) there were 353 registered technical and vocational institutions of varying sizes (both government and private) with a total enrolment of 110,000 by December 1998 (Nherera, 2000). These colleges offer a wide range of courses. In addition, many companies offer in-house training to their employees and trainees.

#### 5.11 Increase in Unemployment And Underemployment Levels

The trends in employment growth rates following the adoption of economic reforms in 1991 indicate that, in line with the predictions of the liberal policies, the rate of growth in employment in the tradable goods sector accelerated from an annual average of  $-0.7\%$  before ESAP, to an average growth of  $1.3\%$  during the reform period 1991 –1995. In the non-tradable sector, at both aggregate and sub-sectoral levels, the rate of growth of employment decelerated following the introduction of economic reforms. When other sectors are included, total employment decelerated from an average of  $2.7\%$  during 1981-1990 to  $-0.6\%$  during 1991-1995. It can be concluded therefore that contrary to the predictions, employment growth did not occur following the adoption of ESAP. The livelihood structure of the majority of the people was actually negatively affected. As Toye (1995:vii) observes, "... if a pervasive impact of adjustment policies is a reduction in the real wage, then unless labour-intensive employment expands strongly, income distribution is likely to worsen." With as many as 200,000 to 300,000 school leavers joining the labour market each year therefore, and the economy not growing but stagnant or shrinking, unemployment becomes and remains a time bomb in Zimbabwe today, despite the liberalisation of the economy. Table 10: illustrates the distribution of the labour force by age for selected years from 1992 to 2000.

**Table 10: Labour Force by Age Group: (1992-2000)**

Age Group	1992	1994	1996	2000
15-19	591400	588700	624600	568041
20-24	768300	765300	811900	813116
25-29	605500	614900	652300	791575

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30-34	532400	517600	549100	573921
35-44	723000	796300	844800	899190
45-59	634300	765300	811800	861888
60-64	205100	154800	164200	169924
65+	220900	221200	234600	285607
Total	4280900	4424100	4693300	4963262
FE/LF (%)	28.9	28.6	26.7	24.8

Source: Calculated from Zimbabwe Census, 1992, Indicator Monitoring

Note: FE/LF is the percentage of the Labour Force in Formal Sector Employment.

The table shows that the percentage of the labour force in formal sector employment fell progressively from 28.9 percent in 1992 to 24,8 percent in 2000. Table 11 depicts the rates of unemployment in formal sector employment for the periods 1986/87 (before liberalisation) and 1993 (after liberalisation).

**Table 11: Rates Of Unemployment As A Percentage Of The Labour Force, By Age And Sex, For The Periods 1986/87 And 1993**

Age Group	1986/87			1993		
	Male	Female	Total	Male	Female	Total
15-19	11.4	11.9	11.6	21.0	11.8	15.9
20-24	20.6	16.5	18.4	21.3	10.6	16.3
25-29	3.6	5.6	4.6	10.1	4.2	7.5
30-34	4.0	6.3	5.1	5.5	2.1	3.9
35-44	2.5	4.8	3.6	3.5	1.0	2.2
45-59	2.1	2.8	2.4	2.0	0.4	1.2
60+	1.0	0.0	0.4	0.7	0.2	0,5
Total	6.5	7.7	7.2	9.1	4.5	6.9

Source: CSO: Labour Force Survey, 1986/87; Indicator Monitoring Survey, 1994.

The rate of unemployment decreased slightly from 7.2% in 1986/87 to 6.9% in 1993. The 1994 Indicator and Monitoring Labour Force Survey (IM-LFS, 1996) suggests that the rate declined to 5% in 1994, but rose slightly to 6% in 1999 (IM-LFS, 2000). The 1993 survey estimated urban unemployment to be 22.3% while the 1994 survey puts it at 15.9%.



### 5.12 Increase In Dependency Ratios

Sentinel data on HIV prevalence in Zimbabwe shows that the epidemic has spread extremely rapidly since the mid-1980s. Apart from the incidence having increased, reporting also has improved. In November 1997, it was being reported that Zimbabwe ranked second after Zambia of the 10 countries most affected by the epidemic (The Standard, 29/10/97). With estimates of about 150 000 having full blown AIDS and about 1.2 million out of approximately 12 million Zimbabweans being infected, the country was losing up to 2000 people a week due to the epidemic. Table 12 shows the reported number of HIV/AIDS cases during 1995 and 1996.

**Table 12: Reported HIV/ AIDS Cases During The Period 1995 To 1996**

YEAR	MALE	FEMALE	UNKNOWN	TOTAL
1995	7,447	5,835	75	13,357
1996	8,073	8,008	94	16,175
TOTAL	15,520	13,843	169	29,532

What is most important in socio-economic terms is the impact of HIV/AIDS on productivity, employment, and economic sustainability on households and of the national economy. According to the National AIDS Council (NAC) statistics, 90% of the HIV positive people are in the economically productive age group of 20-49. This is the most productive group and one with skills. It means therefore that industry is losing skills as people die while productivity falls due to sickness of employees, their attending to the sick and burying of their dead. In 1998, it was estimated that it could cost as much as \$50,000 to replace a senior manager earning \$100 000 per annum, while an apprentice could cost over \$60 000 to train over a period of four years. The skills replacement cost is very high indeed.

The AIDS pandemic is therefore bound to reverse the economic gains of Independence and the economic reform programme. Every sector of the economy is suffering and is poised for increased suffering. Agriculture is reeling under loss of skills, increased absenteeism, increased costs of caring for the sick, widowed and orphaned in its commercial sectors while the communal and other sectors suffer not only in these aspects, but also depletion of the core production force as young female adults seem to be more affected. Also, generally, the increased number of the elderly and children left behind imply a higher dependence ratio.

*5.13 Decrease In The Rate Of Return To Investment In Education At All Levels Especially At Tertiary Level*

After independence, there was emigration of White skilled manpower. To curb the adverse effects of White emigration and other imbalances, massive expansion of primary, secondary and tertiary education was undertaken by the Government. However state intervention in educational and vocational training, created 'educated unemployment' in so far as the demand side of the equation was not state controlled. Indeed between 1980s and 1990s, less than one fifth of school-leavers could expect to find a job in the formal sector for which their training had geared them. The period of expansion in human resources development coincided with economic stagnation and limited employment growth. The IM-LFS of 1986/87 found that of the 234 000 unemployed, 53 percent had secondary education, 46 percent primary, 0.9 percent post-secondary and only 0.1 percent had never gone to school. According to the 1994 Indicator and Monitoring Labour Force Survey (IM-LFS, 1996), thirty-four percent of the unemployed had 'O' level qualifications and 90 percent of them were youths aged 15-24 years. Those with Grade 7 level of education accounted for 22 percent of all the unemployed, while a small proportion of those with above Form Four ('O' level) were unemployed.

According to the claims made for economic liberalisation, the rising cost of capital to labour resulting from high interest rates and real exchange rate depreciation would encourage the promotion of labour-intensive production. This did not happen and the educated youths became stranded, as they could not get jobs. Even the employed found it difficult to make ends meet. Due to severe salary compressions mostly in the public sector, there was a massive exodus of disgruntled civil servants both to the private sector and abroad. The widely reported 'brain drain' of experienced teachers, and health workers in the public sector, despite official retrenchments in these areas, has been particularly worrisome.

Data comparing the level of earnings against the qualifications held by individuals was not readily available. However, with the expansion of the informal sector and the popularity that it is gaining, educational levels do not seem to provide a proxy for earnings. Many people with lower qualifications are doing well in the SMEs or even in the formal sector, where creativity, ability to take risks and other entrepreneurial skills are more important than just paper qualifications. However, people who have these other entrepreneurial skills as well as paper qualifications seem to have an advantage. Table 13 shows the employed population aged 15 years and above by industrial sector and income group during

1999.

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**Table 13: Currently Employed Population Age 15 Years And Above By Industrial Sector And Income Group: 1999**

Industrial Sector	No work done	Under \$500	\$500 to \$749	\$750 to \$999	\$1000 to \$1499	\$1500 to \$1999	\$2000 to \$2499	\$2500 to \$2999	\$3000 & above	TOTAL %	Total
Agriculture, Forestry & fishing	48.5	32.2	7.2	6.5	2.3	0.7	0.5	0.2	1.9	100	2800500
Mining & quarrying	1.8	8.2	4.0	3.5	10.1	18.9	17.7	11.9	23.5	100	50314
Manufacturing	2.9	8.1	4.8	6.7	15.4	16.3	13.3	8.1	24.5	100	377756
Electricity & water	0.0	0.8	0.0	0.0	10.8	11.4	12.0	9.2	55.9	100	10157
Distribution, Restaurant/hotels	5.0	17.9	11.3	8.0	14.7	9.4	7.9	5.9	19.9	100	101576
Transport & Communication	0.5	3.3	3.1	5.9	7.9	9.0	8.6	6.9	54.8	100	101576
Finance/Insurance & Real Estate	0.6	5.6	3.2	3.1	15.6	20.5	5.8	4.9	39.7	100	121174
Public Administration	1.0	1.2	0.9	3.5	3.7	4.8	7.8	4.8	72.3	100	86900
Education Service	0.9	3.0	1.8	1.3	4.4	3.1	4.5	3.5	77.6	100	161963
Health	1.7	4.1	2.9	4.0	5.1	10.7	13.6	10.4	48.5	100	70548
Private Domestic	3.5	29.4	23.4	15.4	10.1	4.7	3.6	1.2	8.7	100	259025
											187338

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Other Services	90.7	4.0	0.6	0.6	0.5	0.8	0.6	0.5	1.8	100	
TOTALS	34.0	24.0	7.4	6.4	5.6	4.2	3.4	2.2	12.8	100	4665451

Source:

CSO:

IM-LFS,

2000.

#### *5.14 Decrease in Wage Rates In Government Employment*

For the ten years following the attainment of Independence (1980-1989), Government pursued a 'centralised wage policy' for both private and public sectors. The government appointed Employment Boards and Councils, which set the minimum and maximum wage levels, (ILO, 1993).

There existed extreme wage differentials between the Whites and the Black people. The wage and salary structures of professional, managerial and skilled jobs were highly inflated compared to those of the semi-skilled and unskilled. Colonial policies that promoted racial discrimination meant that Whites were paid higher wages and salaries than they would otherwise get with fair competition. Blacks who performed skilled jobs were paid significantly less than Whites in similar jobs (ILO, 1993). Since the industrial and commercial sectors are still dominated by the White people (a legacy from the colonial period), the wage differentials still exist especially in the private sector where Whites still earn more than their Black counterparts working for the same company and doing a similar job. For the economy as a whole, real wages declined from an index of 115 in 1982 to an index of 25 by 1995.

## **6 Conclusions**

World Bank (1989) suggests that a depreciation of the exchange rate results in a shift in income distribution that should work in favour of the economic sector. This is viewed as a positive development in that employers have a high propensity to save, implying more resources will be available for investment, and ultimately employment creation. A literature review on Globalisation and Economic Liberalisation, carried out for the current study, indicates that the combined effect of real exchange rate depreciation and trade liberalisation is to promote the expansion of labour-intensive production relative to import-intensive production and such changes should favour employment of unskilled labour. As the price of labour (real wages) falls, this is expected to encourage a recruitment of more personnel and therefore result in higher employment levels.

Economic liberalisation has not yielded the benefits that it was claimed it would. Unemployment levels went up, effectively adding to the social costs of the economic structural adjustment programme. This lack of employment response is not only unique to Zimbabwe, but has also been observed elsewhere where such programmes have been applied (Turnham, 1993). In fact, the expected switch from capital-intensity to labour-intensity may not have occurred due to the fact that firms had already adjusted due to the absolute shortage of foreign currency in Zimbabwe by employing what they

perceived to be their 'optimal' workforce. Any further shifts towards labour-intensity would adversely affect the quality of products. In any case, promoting the extensive use of unskilled labour is no longer sustainable in a global economy where competitiveness is increasingly skill-driven. Thus, sustained growth is increasingly associated with the building of technological capabilities, the provision of incentives especially for research and development, and the establishment of requisite institutions.

Given these observations, it emerges that economic liberalisation resulted in a downward spiral of the livelihoods of the majority of Zimbabweans. Realising that ESAP had failed to address the social issues and improve the quality of life of most people, the government introduced the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST) in 1997. This was supposed to replace ESAP and prioritise the reduction of unemployment as its first priority along with the promotion of investment in small business or informal sector as a key strategy (Zimbabwe Country Report, 1998). However, in reality ZIMPREST was not a replacement but a modification of ESAP and therefore failed to meet its intended objectives in a similar manner.

The imposition of economic sanctions against Zimbabwe by some Western countries and the withdrawal of development aid by major international donor and development aid agencies, following the introduction of the Agrarian Reform has further worsened the plight of many people, particularly the poor. Global political and economic forces, rather than economic liberalisation are therefore influencing the livelihoods of people. Direct foreign investment and the expansion of the private sector have declined, leading to a worsening of the economic situation the country. Given this context, current efforts to revive the economy are directed more towards revamping local industry and expansion of the export sector rather than wait for the elusive direct foreign investment. While economic liberalisation advocated market forces as the main drivers of the economy, it is apparent that such forces do not work independently but can be manipulated to meet certain political and economic objectives. Comparing the livelihood structure of the majority of people before and after economic liberalisation, it is evident that the situation worsened, contrary to the suggestions that liberalisation would lead to economic prosperity and the improvement of the well-being of most people.

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