



IN THE EYE OF A STORM

“The impact of the economic slowdown on the labour market in Zambia”.



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ACKNOWLEDGEMENT

This Discussion paper is part of ZIPAR's Flagship project on "More and Better Jobs". The Flagship Project was launched on 25th June 2015 and is running for 18 months. The project will develop an understanding of Zambia's jobs challenge and policy options for how to respond. It aims at addressing both the underlying long-term challenge of how to create more and better jobs and also the short-term challenge of protecting jobs during the current economic slowdown. The project is being informed by an Advisory Group, which includes representatives of the private sector, government, civil society, academia and international organisations. Special thanks to IPSOS who were instrumental in conducting the public opinion poll and business survey on whose data this Discussion Paper is based. Special thanks to Will Paxton and Guy Lodge for their contribution in putting this paper together. ZIPAR would also like to thank the businesses that took part in this survey and individuals who gave us an overwhelming response during the opinion poll. This Discussion Paper, however, does not represent the views of a single business or individual but is aimed at painting a picture of the general attitude of the public on their perceptions and experiences during the economic slowdown with respect to the labour market. All other disclaimers apply. For further information on the Flagship Project, visit <http://tinyurl.com/p2nnhmk>.

Key Findings

- **Negative public and business economic perceptions:** 4 in 5 Zambians say the economic situation has worsened in the last 12 months. Three quarters of businesses think the same.



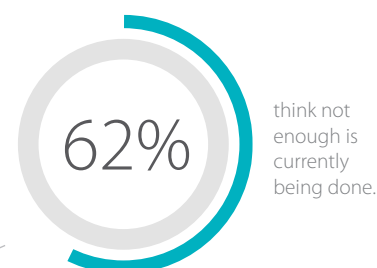
- **Jobs are a priority:** Zambians identify improving job opportunities as the top priority for how the government should improve the economy.

- **Increases in unemployment:** The main impact of the economic slowdown on the Zambian labour market has been job losses: 9.3% of Zambians say they have lost a job and were unable to find a new one, while 2.8% report going from having no job to acquiring one. A third of businesses surveyed report laying off staff in the last year.



- **Mixed impact on wages:** 6.1% of Zambians polled reported falling wages, while 6.6% say that they received a pay rise over the last year.

- **The main losers:** The hardest hit have been those with low education and young people, particularly recent university and college graduates.
Views on government: Around 9 in 10 Zambians say government has most responsibility to improve job opportunities, but 62% think not enough is currently being done.



- **Some optimism:** About a third of Zambians and businesses were upbeat about future job opportunities.

- **Businesses bottom lines:** 73% of firms experienced at least a 25% fall in profits. Small firms have been hit the hardest.



- **Increasing prices:** The most common response from business has been to increase their prices, followed by decreasing production.

- **Recruitment freezes and redundancies also prominent:** Large firms were more likely to impose a recruitment freeze or effect redundancies.

- **The worst may be over:** There is some evidence that businesses made difficult decisions about their workforce in 2015, and now feel better placed to withstand economic challenges.

1 CONTEXT: THE ECONOMIC SLOWDOWN AND JOBS

The Zambia Institute for Policy Analysis and Research (ZIPAR) launched a flagship project on employment – More and Better Jobs – in June 2015. At that point, with the Zambian economy having experienced impressive growth rates over a long period of time, the central question was how to ensure job rich growth.¹ Soon after the project's launch however, the Zambian economy took a turn for the worse. The economic context has deteriorated substantially. The Ministry of Finance has revised down their projected growth rates for 2015 to 3.6% for the first time since 1998.² This slowdown has been driven by some well-documented factors, some from outside Zambia (for example, falling copper prices, falling Chinese demand, and a weakening Kwacha) and also some 'internal' factors (load shedding being the most important).

Little is known, however, about the impact of the economic slowdown on jobs and the labour market. This is because other than the Labour Force Survey (the last one of which was in 2014 and the earliest the next one will be is 2017) there is no official labour market data in Zambia.³ This represents a major gap in knowledge. Not understanding how the slowdown is affecting the labour market makes it harder for the government to develop effective policy responses.

To help fill this gap, ZIPAR commissioned Ipsos, an organisation recognised worldwide as a leading specialist in conducting robust and reliable surveys and polls, to conduct both a business survey and also a nationally representative opinion poll. To help inform public debate and potential policy responses, ZIPAR aimed to comprehensively assess the impact of the economic slowdown on the labour market. Box 1 details the methodology. The business survey was intended to provide insights into how the private sector is responding to the economic slowdown. The opinion poll was developed to provide insights into how individual Zambians have been affected. Overall, the questions probed by both the business survey and public poll included:

- Is the economic slowdown resulting in job losses? Or is it resulting in other changes to employment patterns, such as pay cuts and/or changes in working hours?
- How are different sized firms and different economic sectors being affected by the slowdown – and how are they responding?
- How is the slowdown affecting the job opportunities of different social groups: have some groups proved more vulnerable than others?
- Which factors do individuals and businesses believe are having the biggest impact on jobs?
- What are the expectations of businesses and individuals for the future? How is the labour market likely to be affected by the economic slowdown in the coming year?

This paper presents the headline findings from ZIPAR's business survey and opinion poll. It will be followed by more detailed analysis later in the year.⁴

Box 1: The Opinion Poll and Business Survey methodologies.

The business survey and opinion poll were both conducted by Ipsos for ZIPAR. The key research questions were drawn up by ZIPAR, based on their own understanding of the Zambian context, but also previous research from around the world on the impact of economic slowdowns on labour markets in low and middle income countries.

The business survey covered 173 private sector firms, purposively sampled to ensure a good cross section of different sized firms from different economic sectors. Firms were sampled using the Economic Census sampling frame. Face-to-face interviews were conducted in Lusaka, Copperbelt, Southern and Central Provinces between the 5th and 20th of April 2016.

The opinion poll was nationally representative and based on a sample of 1,510 Zambians. Individuals were selected by KISH grid method. The face-to-face interviews for the poll were conducted in all ten Zambian provinces between the 2nd and 22nd of April 2016.

1 See http://zipar.org.zm/index.php?option=com_docman&view=list&slug=flagship-documents&Itemid=120&layout=table
2 Economic Insights, Monthly Economic Indicators. Ministry of Finance, 2016
3 There are some surveys which assess economic output and business confidence (for example the Bank of Zambia's 'Bi-annual Survey of business Opinion and Expectations Report'), but none which directly assess the potential labour market impact.

4 The data tables for the results presented in this document are available on request.

Box 2: Characteristics of survey respondents.

The opinion poll was nationally representative. All provinces were represented, with larger numbers of respondents being drawn from Lusaka and Copperbelt – 17.8% and 14.3% respectively. More than half of those polled were women (55%) and there was a wide cross section of ages.

The sample covered those with a range of different educational backgrounds. One in 5 (20%) had completed secondary school, 1 in 4 (25%) had only completed 'some primary' and 29% had completed 'some secondary education'. Consistent with what we know about the Zambian population, a relatively small percentage had gone on to post-secondary education (13%).

Of those in work, 12% worked for government, 17% in the 'private sector' and a total of 68% said that they were either employed in a 'family business/farm' or 'self-employed'. These percentages are broadly consistent with what we know about the Zambian labour market from the Labour Force Survey. When asked if they paid tax to the ZRA or made contributions to the National Pension Scheme Authority (NAPSA) 11% answered yes to each of these questions. This is a proxy for which Zambians work in the formal sector of the economy.

2.1. THE SLOWDOWN AND JOBS: ZAMBIANS' PERCEPTIONS

Zambians have a very negative view of how the economy had performed over the last year. Thinking about the 'general economic situation', 79% think that it has become worse in the last 12 months (i.e. April 2015 to March 2016) – 62% think that it had become 'much worse'.⁵ Views on the situation of peoples' own household economic circumstances were slightly less negative, but still very downbeat. Overall 59% said they thought their household's economic situation had gotten worse in the last 12 months – 2 out of 5 people thought it had gotten 'much worse'.⁶

What are the issues which Zambians take into account

when judging the performance of the economy?

The top five factors which 'help you personally in determining whether the economy is doing fine or not?' were (i) the cost of living/prices (81% of respondents), (ii) the value of the Kwacha (67%), (iii) joblessness (61%), (iv) load shedding/access to power (21%), and infrastructure development [state of the roads, rail, energy] (18%).⁷

Respondents were also asked which factors they thought were 'contributing to the current economic situation in Zambia'.⁸ The top five factors were:

- Depreciation of the Kwacha (61%)
- Lack of job opportunities/unemployment (49%)
- Corruption (47%)
- Inflation/Cost of living (41%)
- Government policy (30%)

Note the absence of load shedding, which only just over 1 in 5 listed as a contributing factor, reflecting the low proportion of Zambians who are on the electricity grid.⁹ Interestingly not many Zambians (10%) blamed 'the deterioration in the global economy' for the country's economic downturn.

Concern about the depreciation of the Kwacha was confirmed in a follow up question which asked respondents to select which factor they felt was contributing 'most' to the current economic situation in Zambia (28%). This was followed by corruption (17%), government policy (15%), lack of job opportunities (14%), and the high cost of living (9%).¹⁰

Turning to employment opportunities in particular, three quarters (75%) of respondents stated that they thought these had worsened over the previous year.

5 ZIPAR/Ipsos Public Poll: 'Q14. Thinking about the general economic situation in the country in the last 12 months would you say that it has got better, stayed the same or got worse?' N = 1,510.

6 ZIPAR/Ipsos Public Poll: 'Q15. Thinking about your own household's economic situation last year (2015 would you say that it has got better, stayed the same or got worse?' N = 1,510.

7 ZIPAR/Ipsos Public Poll: 'Q16. Three most important indicators from the following indicators in the table below that help you personally in determining whether the economy is doing fine or not?'

8 ZIPAR/Ipsos Public Poll: 'Q21. In your opinion what do you think is contributing to the current economic situation in Zambia?'

9 The Living Conditions Monitoring Survey estimates that only 30% of the households had an electricity connection.

10 ZIPAR/Ipsos Public Poll: 'Q22. Which aspect do you think is contributing the MOST to the current economic situation in Zambia?' N = 1,468.

Comfortably over half – 57% – thought that they had become ‘much worse’.¹¹ Reflecting this negative perception, 68% said job opportunities ‘in their neighbourhood’ have got ‘worse’ in the last 12 months. Fewer than 1 in 10 think that job opportunities in their area have improved.¹² By province, 4 in 5 respondents in Western Province (79%) were of the view that job opportunities had worsened, compared to 1 in 2 respondents in Muchinga Province. When asked about perceptions of ‘salaries/wages’ and how they had changed over the last 12 months, more than half, 51%, thought they had worsened.¹³ There is a strongly negative perception of what has happened to employment opportunities in all regions, but the strongest feeling is in the Copperbelt where more than three quarters (75.7%) of respondents thought that job opportunities had become ‘much worse’. While the equivalent figure was also high in Southern and North Western, in other provinces it was between 45% and 60%.¹⁴

Public concern about the perceived worsening state of the labour is reflected in the fact that ‘improving job opportunities’ tops the priority list for what Zambians think ‘the main things government should do to improve the economic prospects of the country’. Table 1 shows the top five potential responses identified.

Table 1: Top six ‘things government should do to improve economic prospects of the country’.

Improve job opportunities	62%
Improve education and technical & vocational training available	54%
Improve government honesty, inclusiveness and responsiveness	31%
Improve healthcare services availability/affordability	24%
Improve support to people who cannot work	23%
Improve clean water availability/affordability	23%

Note: Question: ‘In your opinion, what three main things should the government do in order to improve the economic prospects of the country?’ Respondents were presented with a list and asked to choose three priorities.

11 ZIPAR/Ipsos Public Poll: ‘Q19. Would you say employment opportunities in Zambia’s are getting?’. N = 1,510.

12 ZIPAR/Ipsos Public Poll: ‘Q33. In your neighbourhood, how do you think the following things [including ‘employment opportunities’] have changed over the last twelve (12) months?’. N = 1,510.

13 ZIPAR/Ipsos Public Poll: ‘Q20. Would you say salaries/wages or earnings in Zambia’s are getting?’.

14 ZIPAR/Ipsos Public Poll: ‘Q19. Would you say employment opportunities in Zambia’s are getting?’.

Summary

The Zambian public have a very negative view of the state of the country’s economy over the previous year. The overwhelming majority believe that job opportunities have been badly affected during the downturn. These two factors are, of course, closely linked. Lack of job opportunities and joblessness is mentioned as a factor contributing to the economic slowdown by more people than any factor other than the depreciation of the Kwacha. Increasing job opportunities is Zambians’ number one priority for responding to the slowdown.

2.2. JOB LOSSES, BUT MIXED PICTURE ON WAGES

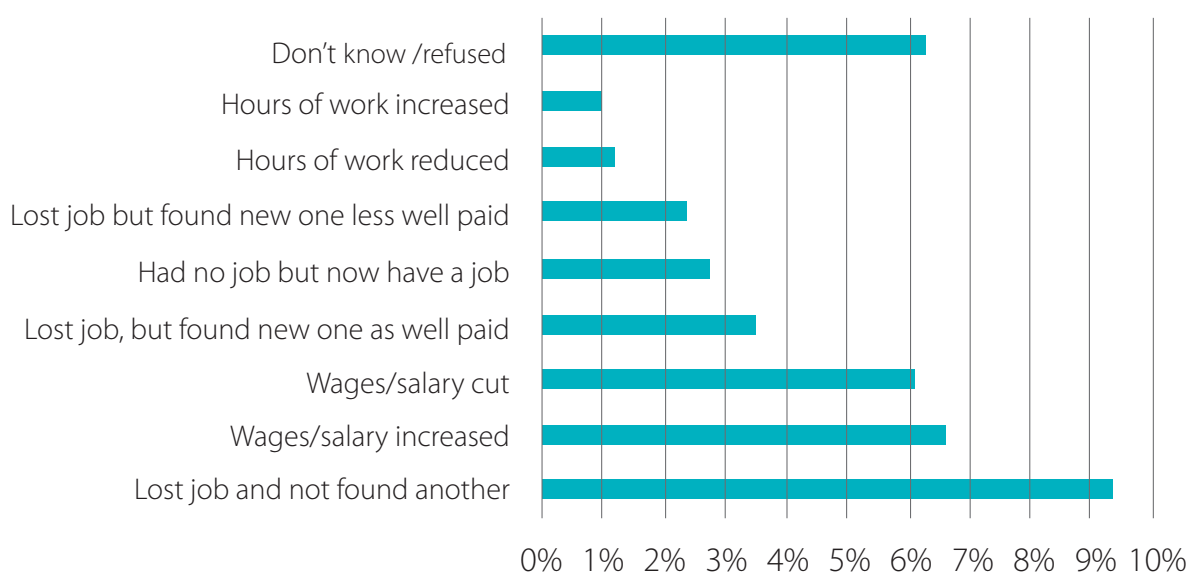
While the previous section reported findings about the perceptions of the state of the economy and the labour market, this section summarises the reported actual impact of the downturn on Zambians. The survey asked respondents for information in terms of how their own employment situation had changed (or not) in the last 12 months. We were particularly interested in using the survey to (i) explore whether the economic downturn had resulted in job losses or in other changes to employment patterns, such as reduced pay and/or reduced working hours; and (ii) to understand whether the slowdown was affecting the employment status of some groups in society more than others.

Chart 1 reports the responses of the ‘economically active’. In other words, it excludes the retired and those unable to work.¹⁵ Note also that the chart only includes those whose circumstances have changed: 61% report that their circumstances have not changed over the last 12 months.

The findings suggest that the economic downturn in Zambia has had considerable impact on the labour market. The principal impact has been in the form of job losses, rather than changes to pay and hours (though there clearly has been an impact on pay, see below). Turning to job losses, the survey finds that 9.3% of respondents say they lost a job in the last 12 months and were unable to find a new one. These job losses need to be set against the 2.8% who report going from having no job to acquiring one. The net effect represents a 6.5% reduction in the number of people in jobs in the 12 month period up to the end of April 2016.¹⁶ (Table 2 below examines when Zambians report having witnessed a change in their employment situation).

Who has been hit hardest by job losses? The survey reveals a clear generational effect. Of those who report having lost a job and not found another in the last 12 months, 13.4% are under 25, compared to 6.4% aged 41-55. Disparities also arise in respect of income with the hardest hit being in the lowest income groups.¹⁷ Education levels do not, however, appear to have a clear relationship with job losses. One might expect that those with lower skills would be hit

Chat 1: Change in economic circumstances over last 12 monts



Notes: (i) full question was ‘Thinking about your own situation over the last 12 months have you experienced any of the following in relation to your work?’ (ii) ‘don’t know/refused’ was a volunteered answer only; (iii) excludes those saying now change in circumstances, which represented 61%. N = 1,084.

15 The full list of groups excluded in order to generate a group of ‘economically active’ people is (i) ‘retired’, (ii) ‘housewife’ and ‘student’. This is consistent with how the Zambian Central Statistics Office defines the economically active population. This brings the sample size down from 1510 to 1084.

16 To put this into some wider context 9.3% of the economically active population represents approximately 500,000 people. Note however that it is not yet possible to infer from the survey a specific figure for jobs losses. This will be probed in subsequent analysis of the data.

17 10.5% of those earning under ZMW100 a month reported losing their job and not finding another, which contrasted with a figure of 4.2% for those earning between ZMW5,001 and K10,000.

harder, but this is not clearly apparent. For example, while 8.6% of those with 'some primary' education had lost their job, the figure for those who complete post-secondary education the figure was 12.5%. This suggests that even better educated young people in Zambia are struggling to find work. On gender the picture was much more balanced with 9.6% of men and 9.1% of women reporting they had lost a job but not found another. When it comes to regional variation, the Copperbelt stands out as the province with the highest number of respondents who say they have lost a job and not found another (15.7%) which is hardly surprising given the loss of jobs in the mines. The figure is also relatively high in Lusaka and Southern Province.¹⁸

Box 3: Combining all winners and losers.

One other way of giving some sense of the overall winners and losers over the last year in the Zambian labour market is to combine, on the one hand, all those who have seen an improvement in their employment circumstances and contrast this with all those who report experiencing a deterioration in their employment status. In the case of the former, this means combining those who report one of the following: found a job having had no employment, moved to a better paid job, and had their salaries or hours increased. In the case of the latter it means combining all those who report one of the following: have experienced wage cuts, lost their job and started a lower paid job, lost their job and not found another, and who have been asked to work longer hours. Using this combined 'winners' and combined 'losers' measure:

* 23.3% of under-25s were 'losers', compared with 11.1% who were winners.

* 21.1% of men were 'losers', compared with 12% of women.

* In the Copperbelt 25.9% were 'losers' compared with fewer than half this – 12.2% – who were winners. In Lusaka a similar proportion were 'losers' (24%), but even more (27%) were 'winners'.

Note: 'Q25. Thinking about your own situation over the last 12 months have you experienced any of the following in relation to your work?'. N = 1,084.

A word of caution is, however, required when reporting the 9.3% who say they lost a job and were unable to find another one. Confusingly, some who said this reflected the change in their employment status in the last 12 months report elsewhere in the poll that they are either currently self-employed or that they did not work at all in the last 12 months. It is difficult to know precisely how to interpret this. One possible account of the anomaly is that those who say they are currently self-employed but who also describe themselves as having lost a job and not found another, simply reflects the inherently messy and highly informal nature of the Zambian labour market. In the absence of a formal safety net Zambians have no option but to engage in some form of labour market activity. One interpretation therefore is that respondents are saying they have lost a job considered to provide some meaningful measure of security and have not been able to replace it with something similar, but who still nevertheless think of themselves as being self-employed. This confusion over definitions and the blurred perceived boundary between being 'in work' and 'unemployed' has also been commented on by previous Afrobarometer research,¹⁹ which found that 80% of Zambians defined themselves as not being in work and 40% as being out of work and looking for work, even while a large proportion appear to be doing some form of work (for example self-employed in the informal sector). ZIPAR will conduct more in-depth analysis of the data to try and better understand the anomalies reported here.

For the sake of balance if we were to exclude those who define themselves as self-employed from the group who report having lost a job and not found another one then this would bring down the overall level to 5.8% of respondents, still a significant number. On this measure, the net figure – when those who did not have a job, but who found a job are taken in to account – would be 3%.²⁰

As above, the negative impact of the downturn has fallen disproportionately on job losses rather than other changes in employment status. But clearly there has been some impact on salaries/wages. Just over 6% of respondents say they have had their pay cut in their existing job, compared with a slightly higher number who have seen their pay actually rise. Interestingly

18 ZIPAR/Ipsos Public Poll: 'Q25. Thinking about your own situation over the last 12 months have you experienced any of the following in relation to your work?'

19 See section 5.2 here: <http://afrobarometer.org/sites/default/files/publications/Briefing%20paper/afrobriefno135.pdf>

20 To put these percentages into some wider context, 5.8% of the Zambian economically active population equates to over 300,000 people. As above, however, it is not possible to infer from the population sample the number of job losses. ZIPAR will probe this issue in future and more detailed analysis.

only 1.2% say their hours were reduced in response to the downturn.²¹ This is not consistent with the pattern which was reported in many low and middle income countries during the 2008-2010 global economic crisis, where the impact on the labour market was felt more in terms of reduced hours or lower wages.²²

This pattern is broadly reflected at the household level where respondents were asked about the impact on the employment status of members of their household. Here the biggest impact was on job losses, followed by salary/wage cuts, and then a more negligible impact on hours.

Table 2: Changes in employment status in households.

	Yes	No
Wage/salary reduced	12% (180)	88% (1,330)
Work hours reduced	7% (104)	93% (1,406)
Lost job and had to take lower paid job	7% (110)	93% (1,400)
Lost job and unable to find another one	15% (231)	85% (1,279)

Notes: Full question: 'Q30. Thinking about the employment situation in your household as a whole; in the last 12 months has anyone in your household (excluding yourself)?'. N = 1,510.

For those who have seen their employment situation change in the last 12 months, the survey asked them which factors might best explain what has happened to them. The biggest factor by some way was considered to be Kwacha depreciation (35.3%). This was followed by rising prices (23.4%), companies closing down or down-sizing (17.8%), and 'government policy' (15.2%).²³

Summary

The economic downturn has had a significant impact on the Zambian labour market which has mainly come in the form of job losses: the net level of job losses reported in the survey is 6.5%. The impact on wages has been more mixed: while 6.1% of the public polled reported falling wages, 6.6% said that they received a pay rise over the last year. The hardest hit have been those with low education and young people, particularly recent graduates from universities and colleges.

21 ZIPAR/Ipsos Public Poll: 'Q25. Thinking about your own situation over the last 12 months have you experienced any of the following in relation to your work?.'

22 See Banerji, Arup, David Newhouse, Pierella Paci, and David Robalino, eds. 2014. *Working through the Crisis: Jobs and Policies in Developing Countries during the Great Recession. Directions in Development*. Washington, DC: World Bank. Doi:10.1596/978-0-8213-8967-6.

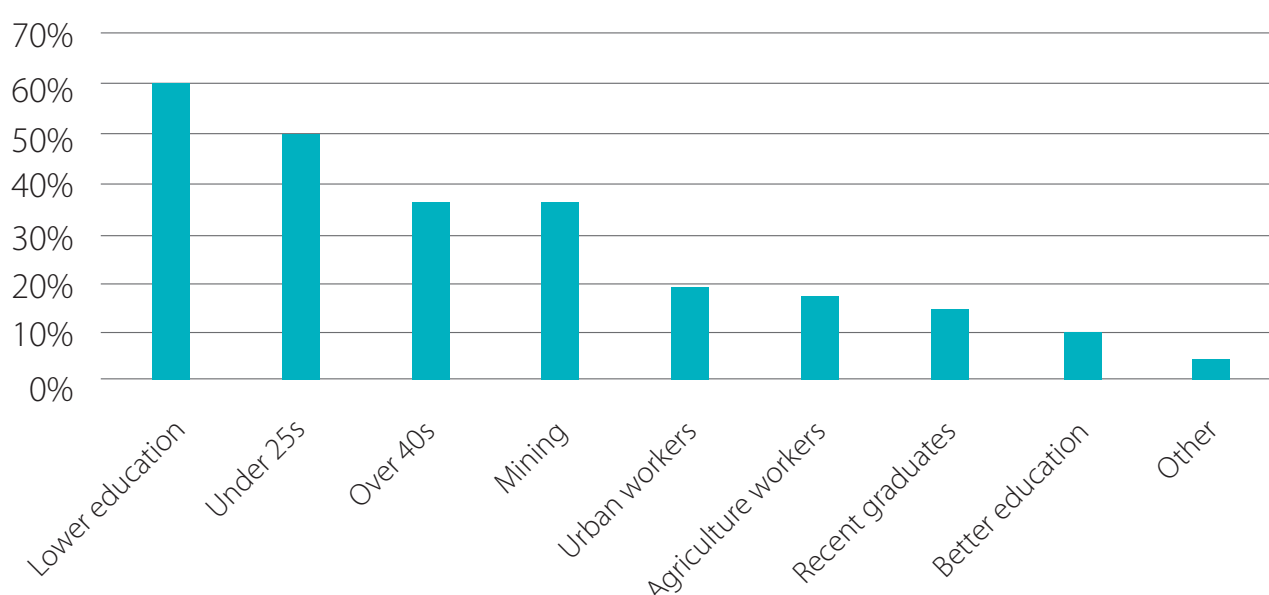
23 ZIPAR/Ipsos Public Poll: 'Q37. Thinking about the change in your employment situation, which of the following do you think best describes why your situation has changed?'. N = 1,106. Note the size of the N which suggests that some people responded to this question even though they reported no change in their own personal employment situation.

2.3. MEN, YOUNG PEOPLE, OLD PEOPLE, AND POORLY EDUCATED HIT HARDEST?

In Section 2.2 the findings on which groups are reporting being hit hardest by job losses and other negative effects on employment were presented. For comparison the poll also asked Zambians about perceptions of who they think has been hardest hit during the downturn. Chart 2 below shows the proportion of respondents highlighting specific groups when asked to identify three groups they thought had been most vulnerable.

Asked to say whether men or women were more 'vulnerable to losing their jobs or having their wages/hours reduced as a result of the current economic slowdown', over half (53%) said men and about 32% said women.²⁴ The remainder did not know or did not answer. As discussed in Section 2.2, on some measures men do appear to have been harder hit by the slowdown, but the picture is not clear cut. One possible factor here is the high profile job losses in the mining sector, which are likely to be predominantly men. Indeed, Chart 2 above shows that around a third of respondents identified those working in the mining sector as being most vulnerable.

Chat 2: Groups perceived to be more vulnerable to being negatively effected by th slowdown.



Note: (i) Question was 'Q34. Please tell me which 3 groups have already been most vulnerable to worsening of their job situation (e.g. losing their jobs or having their wages/hours reduced) as a result'. Respondents were asked to identify three groups.

There is a perception that younger and poorer educated people have been hit hardest. For the young it is worth noting there were two relevant categories, those aged under 25 (selected by 50% of respondents) and recent graduates (selected by 15%). These groups are not mutually exclusive, so it appears that there is a general concern about young people, but some Zambians have a particular concern about recent graduates. This broadly reflects the findings of actual reported labour market experiences in section 2.2. In the case of education levels, however, the perceptions do not match up with the reported experiences (which did not reveal a strong relationship between education level and change in employment status).

This mismatch between perceptions and reported experiences is also evident in relation to gender.

Summary

Zambians' perception of who the main losers of the economic slowdown have been tends to be young people, the lower skilled, and men. On gender, this does not match the reported impacts which show men and women being effected equally by the slow-down.

²⁴ ZIPAR/Ipsos Public Poll: 'Q35. Also thinking about who is most vulnerable to losing their jobs or having their wages/hours reduced as a result of the current economic down turn, do you think that men or women are more vulnerable?'. N = 1,510.

2.4. RESPONSIBILITY FOR IMPROVING EMPLOYMENT OPPORTUNITIES IN ZAMBIA

Zambians are putting their faith in government to address the jobs challenge. While a clear majority think that the government is not ‘adequately addressing job opportunities in Zambia’ (62% say the government is not; 32% say they are²⁵) a large majority still believe that it is government who has the biggest role in job creation. Close to 9 out of 10 Zambians (86%) think that government ‘has the most responsibility to improve job opportunities’. Only 4% said that they think it is the responsibility of the private sector, and 6% ‘individuals and households’.²⁶ Even when asked about improving ‘your own job opportunity’ a slim majority say it is government’s role first and foremost (46% say government and 43% ‘individuals and households’).²⁷

Finally, the issue of jobs looks set to be an important issue for Zambians during the forthcoming presidential election. Chart 3 presents the findings to a question which asked respondents to select three issues ‘that you most care about and which will determine your decision to vote or not to vote’.

Note: ZIPAR/Ipsos Public Poll: ‘Q47. Please select the 3 issues that you most care about and which will determine your decision to vote or not to vote?’.

Employment is the issue which appears to be the most politically salient in the run up to August’s general elections. The closely related issue of education comes second, with prices also high. Issues which appear to be less salient include land and housing and gender equality.

2.5. LOOKING TO THE FUTURE

As we saw in Section 2.1, Zambians polled had a strikingly negative view about the economy over the previous year. They were also likely to feel that their own personal economic and employment prospects had worsened. Section 2.2 then set out how a large number of Zambians report experiencing some form of negative impact on their employment situation. Some have seen improvements, but the previous

year has undoubtedly been a difficult time for many Zambians.

Despite this, Zambians report a reasonably high level of optimism about the future. When asked about ‘job opportunities generally’ over the next year, 35% thought that they would ‘get better’ compared with 21% thinking they would worsen. However, note that a large proportion of respondents either did not know (perhaps signalling uncertainty) or refused to answer.²⁸ Table 3 shows the result for a different, though similar, question, but this time focused on an individual’s own employment prospects. Once again those who believe things will improve outstripped those who said things would get worse.

Table 3: Prospects of ‘your own’ employment opportunities improving in the next 6 months.

Get better	33%
Get worse	19%
Stay the same	19%
Don’t know/Refused	28%

Note: Full question: ‘Q43. And thinking about your own situation do you think that your salary/wages will get better or worse in the next 6 months?’. N = 1,510.

Summary

Zambians, despite the negative view of the past 12 months, are perhaps surprisingly optimistic about the future – although many remain pessimistic or are not sure.

25 ZIPAR/Ipsos Public Poll: ‘Q24. In your opinion do you think the Government is adequately addressing job opportunities in Zambia?’. N = 1,510.

26 ZIPAR/Ipsos Public Poll: ‘Q40. Who do you think has the most responsibility to improve job opportunities in Zambia?’.

27 ZIPAR/Ipsos Public Poll: ‘Q41. Who do you think has the most responsibility to improve your own job opportunity?’.

28 ZIPAR/Ipsos Public Poll: ‘Q44. Thinking about job opportunities more generally do you think that for most people over the next 12 months they will get better or worse?’. N = 1,510.

3

THE BUSINESS SURVEY: HOW HAVE BUSINESSES WEATHERED THE STORM?

Box 4: The characteristics of businesses surveyed.

Firms from across Zambia were surveyed. 17% came from each of Central, Eastern, Southern, and Copperbelt provinces, whereas 31% were located in Lusaka. Almost all were located in urban districts.

All businesses were in the formal sector. They were also all private companies, and not from the public sector. The rationale being that it is in the private sector where the impact of the slowdown will be most felt. Economic sectors covered were 'accommodation and food services' (17%); 'agriculture, forestry and fishing' (17%); construction (10%); manufacturing (12%); mining and quarrying (8%); transport and storage (13%) and 'wholesale and retail trade' (22%).

The sampling ensured a good representation of different sized firms: 23% had a turnover of under K150,000; 17% between K150,000 and 300,000; 23% between K300,000 and 800,000; and remainder (37%) had a turnover of greater than K800,000. In terms of numbers of employees: 40% had fewer than 10; 31% between 11 and 50; 9% between 51 and 100; and the remainder (20%) more than 100 employees.

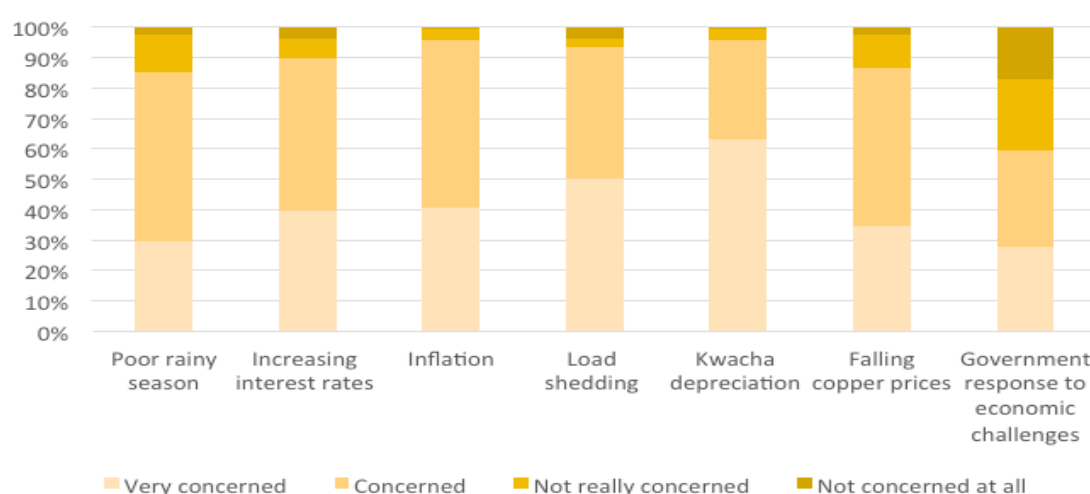
3.1. THE SLOWDOWN AND JOBS: BUSINESS PERCEPTION AND EXPERIENCES

Businesses, in common with the public, had a bleak perception of the performance of the Zambian economy over the last year. When asked about the 'general economic situation in the country in the last 12 months', three quarters thought that it had become either 'much worse' or 'somewhat worse'.²⁹

Concern about the overall economic context was mirrored by concerns about specific issues. When asked to 'think about challenges your business currently faces', Chart 4 shows the percentage of businesses that were either 'very concerned' or 'concerned' about different challenges. The figures are above 80% in all cases, and 95% or over in the case of inflation and Kwacha depreciation.

Note: ZIPAR/Ipsos Business Survey: 'Q57. Thinking about the challenges your business currently faces,

Chart 4: Business concern about economic challenges.



²⁹ ZIPAR/Ipsos Business Survey: 'Q14. Thinking about the general economic situation in the country in the last 12 months would you say that it has gotten better, stayed the same, or got worse?'. N = 173.

how concerned are you about the following: (i) Erratic and lower-than-normal rainfall in the 2015/2016

rainy season; (ii) Increase in cost of borrowing/credit (increasing interest rates); (iii) Increase in general price levels (inflation); (iv) Limited electricity supply and load shedding; (v) The depreciation of the Zambian Kwacha; (vi) The fall in global commodity prices (e.g., copper prices); and (vii) The response of the government to the economic challenges the country faces.³⁰ N = 173.

On jobs specifically, more than three quarters (77%) of businesses thought that 'employment opportunities in general' had become 'somewhat worse' or 'much worse'.³⁰ Fewer than 1 in 10 businesses thought that employment opportunities had improved. When asked to identify the main factors contributing to the economic slowdown the top five most mentioned were:³¹

- Depreciation of the Kwacha (78%)
- Load shedding (68%)
- High interest rates (54%)
- Inflation (51%)
- Government policy (46%)

Load shedding is noticeably a higher concern for businesses than it is for the public (see Section 2.1 above). But the depreciation of the Kwacha looms large for both businesses and the public.

A large majority of businesses have felt the impact of the slowdown directly. When asked 'how much impact, overall, has the economic slowdown of the last 12 months had on your business' 38% responded that it had had a 'very severe' impact on their business. Eighty-three percent said that it had either had a 'severe' or 'very severe' impact on their business. Only 7% said that it had had 'very little' impact.³² What is more, the impact on business bottom lines is reported as being significant. Table 4 below shows the degree to which business profit levels changed over the previous nine months. A striking 1 in 4 reported their profits reducing by more than 50%. Over half of businesses report their profits falling by over 25%.

Table 4: Change in profits reported in last 9 months.

More than 50% increase	2%
25% to 50% increase	4%
Less than 25% increase	5%
No change	14%
Less than 25% fall	21%
25% to 50% fall	27%
More than 50% fall	25%

Note: ZIPAR/Ipsos Business Survey 'Q53. How did your businesses' profit change during 1 July 2015 to 1 March 2016?'. N = 173.

We look in more detail at which businesses had the largest fall in profits. This reveals that smaller firms were hit harder than larger firms, suggesting the latter have been more insulated from falling profits: for those with more than 100 employees, 37% report a loss in profits, compared to 78% of firms who employ between 10 and 50. This is despite these larger firms being more likely to report having to absorb increased costs of production.³³

Summary

Businesses take a dim view of how the Zambian economy performed over the previous year. A large majority thought that employment opportunities had worsened. They thought that the main contributing factors were external – in particular the weakening Kwacha – but also have concerns about government policy and see load shedding as a bigger issue than the public. Almost all companies report the wider slowdown effecting their own business.

30 ZIPAR/Ipsos Business Survey: 'Q14. Now I want to ask you about employment opportunities. Would you say employment opportunities in Zambia are getting [ROTATE] better or getting worse? [FOLLOW-UP] Is that much (better/worse) or somewhat (better/worse)?'. N = 173.

31 ZIPAR/Ipsos Business Survey: 'Q17. In your opinion what do you think is contributing to the current economic situation in Zambia? [MULTI-PULSE]'. N = 173.

32 ZIPAR/Ipsos Business Survey: 'Q22. Overall, how much impact has the economic slowdown of the last 12 months had on your business?'. N = 173.

33 ZIPAR/Ipsos Business Survey: 'Q23. If the economic downturn has had some impact what would you say was the MOST significant initial/immediate impact of the economic downturn of 2015 on your business?'. N = 173.

3.2. BUSINESSES' RESPONSE TO THE DOWNTURN: INCREASED PRICES, RECRUITMENT FREEZES AND REDUNDANCIES

The previous section showed how businesses say they have been affected by the slowdown. But how have they coped with the challenges? And how have their decisions affected the workforce?

Table 5 presents what actions businesses 'have had to take in response to the economic slowdown'. Businesses were given a list of potential responses and asked to say which decisions they have had to make over the last 12 months.

Just under 1 in 3 businesses have responded to the downturn by either increasing their prices, or decreasing production. These are the two changes most likely to have been taken by businesses in our survey.

Table 5: Impact of the economic slowdown on business workforce decisions.

	%	Number
Increase prices	32.6	56
Decrease production	30.2	52
Recruitment freeze	22.7	39
Redundancies	19.2	33
Reduce overheads	13.4	23
Increase borrowing	11.0	19
Reduce borrowing	9.3	16
Reduce prices	9.3	16
Increase overheads	7.6	13
Send workers on forced leave	5.8	10
Casualise workers	5.2	9
Increase hours of staff	5.2	9
Increase production	5.2	9
Convert workers to part-time	4.7	8
Increase salaries of workers	4.7	8
Reduce staff hours	4.7	8
Reduce salaries	2.9	5
Redeploy workers to lower paid	2.3	4
Hire new staff	1.7	3
Increase staff on perm. contracts	1.2	2
Don't know / refused	2.3	4
Other	11.0	19

Notes: ZIPAR/Ipsos Business Survey: 'Q24. We would now like to ask you a number of questions about the

impact of the economic slowdown on staffing in your organisation. What if any of the following actions has your business had to take in response to the economic downturn?'

In terms of the workforce, however, a significant proportion of firms report having made decisions which would have affected the overall number of employees. Almost 1 in 5 report making redundancies and almost 1 in 4 report instigating a recruitment freeze. The survey also asked a direct question about redundancies: 'have you as a result of the economic slowdown had to lay off workers?'³⁴ Over 3 in 10 (31%) reported having to lay people off.³⁵

The table above also corroborates one of the key findings of the opinion poll: it also finds that the impact of the slowdown in the Zambian labour market has come disproportionately in the form of job losses rather than lower wages or reduced hours. Only 3% of businesses report reducing wages as one of the responses they have made. There is a little more evidence from the survey that companies have reduced hours: 5% report reducing the hours of some staff, 5% report 'converting some workers to part-time/ short-term contracts' and the same percentage report casualising some workers. But overall, for these formal and private sector companies, the biggest impact on the labour force comes in the form of recruitment freezes and redundancies. As noted above, this pattern of impact on the labour market is somewhat different to experiences reported in other low and middle income countries during in the 2008-2010 global economic crisis.

Looking in more detail at how different types of business – in terms of business size, location and sector – have responded to the slowdown reveals some interesting patterns. Table 6 below, presents the proportion (and number) of businesses which report making redundancies or instigating recruitment freezes by: economic sector, business size, and location. Care should be taken when interpreting these results, given the small sub-sample sizes. Any results should only be regarded as suggestive.

34 ZIPAR/Ipsos Business Survey: 'Q25. Let's talk about redundancies. Have you as a result of the economic slowdown had to lay off workers (make staff redundant)?'. N = 173.

35 There is a discrepancy between the answer to Q25 and that to Q24, with a larger proportion citing making redundancies (31% compared to 10%). One explanation for this is that in Q24, redundancies and 'forced leave' have been reported separately, but in question 25 they have been thought of by respondents as both being a form of 'laying people off'.

Table 6: Recruitment freezes and redundancies in different economic sectors and provinces.

	Recruitment freeze		Redundancies	
	Number	Percentage	Number	Percentage
Total	39	23%	33	19%
Agriculture, forestry and fishing	3	10%	2	7%
Mining and quarrying	7	50%	9	64%
Manufacturing	4	19%	4	19%
Construction	4	22%	6	33%
Wholesale & retail trade	5	13%	3	8%
Transport and storage	7	30%	7	30%
Accommodation & food services	9	31%	2	7%
Central Province	1	3%	5	17%
Copperbelt Province	16	55%	11	38%
Eastern Province	5	17%	9	30%
Lusaka Province	8	15%	8	15%
Southern Province	9	30%	0	0%

Note: ZIPAR/Ipsos Survey: 'Q24. We would now like to ask you a number of questions about the impact of the economic slowdown on staffing in your organisation. What if any of the following actions has your business had to take in response to the economic downturn?'. N = 173.

The table suggests (albeit with the caveat about small sample sizes) that redundancies and recruitment freezes have been adopted by a significant proportion of firms in most sectors, but particularly so in the case of mining and quarrying, construction, and transport. The loss of jobs in the mining sector has been well documented in the media but far less attention has been paid to other sectors such as construction, even though the survey finds that around 1 in 3 construction companies report making redundancies. The table also suggests a larger effect on the Copperbelt (which tallies with the findings in the poll): over half of firms located on the Copperbelt report implementing a recruitment freeze and close to a third report making redundancies.

In a similar question, which asked directly about redundancies, a similar pattern emerges:

- Mining and quarrying companies are most likely to report having made redundancies (64% or 9 of 14 firms), but it is also high for construction (50%, 9 of 18 firms) followed by manufacturing (38%, 8 of 21 firms) and transport (30%, 7 of 23

firms).

- Around half (49%, or 17 of 35) of businesses with more than 100 employees have made redundancies. This contrasts with 25% of companies with fewer than ten employees saying the same – or 17 out of 69 firms.³⁶

Turning to the small number of 'winners', hiring of new staff in the context of the economic slowdown has been a minority sport. No companies from any of the mining and quarrying, construction, wholesale and retail trade, or accommodation and food services reported hiring new staff. All new hires were reported by either agriculture, manufacturing, or transport and storage businesses, though in all cases fewer than 5% of firms in any sector reported making new hires. A similar pattern to which sectors contain the small number of 'winners' is seen when looking at those firms which increased hours for staff (manufacturing, transport and storage, and accommodation and food services have at least some firms reporting increased hours for staff) and also increased wages (manufacturing and transport have seen increased wages).³⁷

36 ZIPAR/Ipsos Business Survey: 'Q25. Let's talk about redundancies. Have you as a result of the economic slowdown had to lay off workers (make staff redundant)?'. N = 173.

37 ZIPAR/Ipsos Business Survey: 'Q25. Let's talk about redundancies. Have you as a result of the economic slowdown had to lay off workers (make staff redundant)?'. N = 173.

Summary

The slowdown has impacted businesses' workforces mostly in the form of recruitment freezes and lay-offs. While firms also report some reduced hours – including, for example, casualisation – this is a less common response. Redundancies have been particularly prevalent in economic sectors like mining and construction. The Copperbelt has been particularly affected.

3.3. MORE OF THE SAME, OR OVER THE WORST?

The business survey also asked businesses about the next 12 months. What do businesses consider likely to happen in the future? Despite the difficulties of the last year businesses, in common with the wider public, are strikingly optimistic about the future. When asked how they 'think the current economic situation will evolve over the next 12 months', more than a third (39%) thought that it would 'get better'. This contrasts with 20% who still thought it 'will get worse'.³⁸

There is also some evidence to suggest that Zambian businesses made difficult decisions about their workforce in the second half of 2015 and that this has led to them feeling better placed to withstand the current economic challenges. Box 5 presents the evidence from both the opinion poll and the business survey on when the impact of the slowdown has been most felt.

Box 5: The sequencing of responses to the slowdown.

Businesses report the slowdown having the most impact on them in the second half of 2015. In contrast, the Zambian public report the impact gradually increasing and highest in the first quarter of 2016. When we asked businesses when they felt 'the impact of the economic challenges most severely', well over half – 61% – stated the second half of 2015. Only 7% said the first quarter of 2016.³⁹ This pattern is reflected in the timing of redundancies: 34 out of the 76 businesses that made redundancies reported doing so in the October-December 2015 period. By comparison, just 5 businesses reported making

redundancies in the first quarter of 2016.⁴⁰

In contrast, as the Table 7 below shows, a plurality of respondents (24%) to the poll report a change to their employment situation taking place in the first quarter of 2016. One possible explanation for this apparent mismatch between when businesses and the public say they most affected by the downturn is simply that it takes time for decisions made by a business to be implemented i.e. a redundancy decision taken in the final quarter of 2015 may only have taken effect on the member of staff by the first quarter of 2016. Another question raised by the view of businesses on this issue is whether this means the labour market has 'turned a corner'. Has Zambia seen the worst of it? Or, alternatively, is the fact that businesses report a less severe impact from the slowdown in 2016 reflective of the fact that many of them have already made the difficult decisions to help them through get through tough economic conditions?

Table 7: When Zambians report having witnessed a change in their employment situation.

	N	%
Dont know	143	27%
April - June 2015	34	7%
January - March 2015	56	11%
July - September 2015	64	12%
October - December 2015	97	19%
January - March 2016	127	24%
Total	512	100

Note: Question: 'Please tell me when within the last 12 months your employment situation changed?'

Looking in more detail at how businesses are thinking about the next 12 months provides some further grounds for optimism. But it also raises warning signs. Chart 5 below presents the percentage of businesses surveyed that are considering different actions over the coming year. Grounds for optimism include the proportion (over half) deeming it 'likely' or 'very likely' that they will increase production. Around 1 in 4 (26%) also deem it 'likely' or 'very likely' that they will hire new staff. More worrying, however, is that 44% say it is 'likely' or 'very likely' that they will adopt a recruitment freeze. Almost 1 in 4 (18%) still think it 'likely' or 'very likely' that they will make redundancies. That more firms anticipate recruiting than making redundancies implies some increase in employment opportunities

38 ZIPAR/Ipsos Business Survey: 'Q67. How do you think the current economic situation will evolve over the next 12 months (so into the first quarter of 2017)?'. N = 173.

39 ZIPAR/Ipsos Business Survey: 'Q21. Roughly speaking, when would you say that your business felt the impact of these economic challenges most severely?'. N = 173.

40 ZIPAR/Ipsos Business Survey: 'Q27. And when did you make these redundancies?'. N = 173.

(which is clearly important when you consider the level of jobs losses identified in both the business survey and the poll). Consumers will be concerned that further price rises look likely. (Although the survey did not probe how much they could go up by: 70% of businesses took the view they would put prices up).

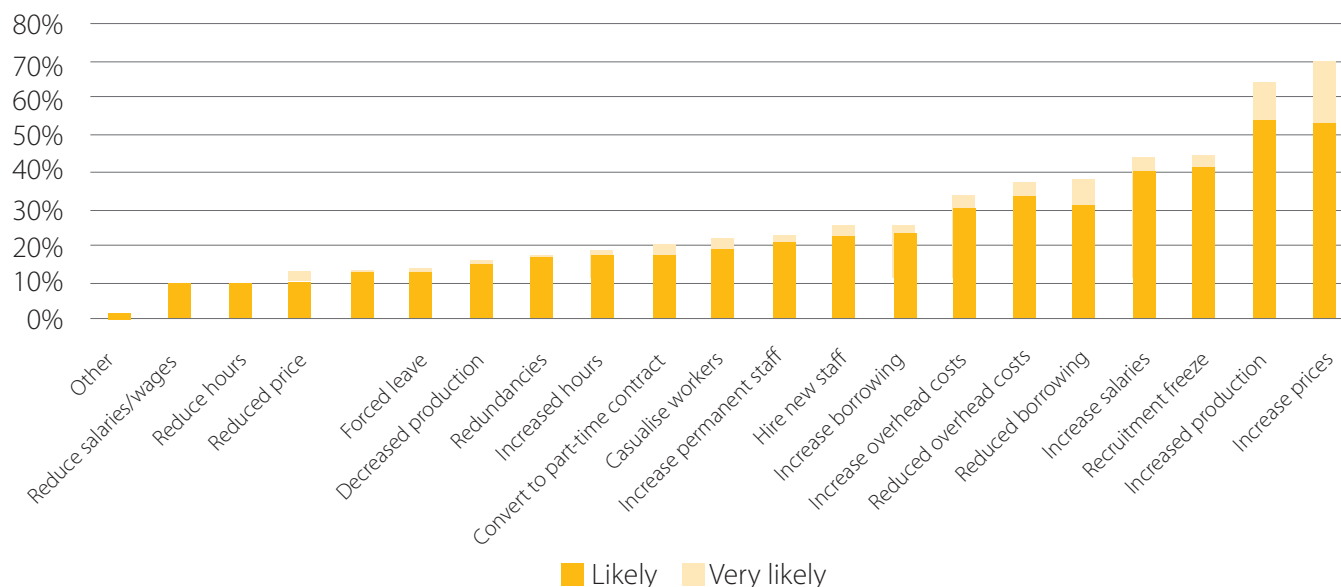
Note: ZIPAR/Ipsos Business Survey: 'Q69. What actions is your business likely to implement in the next 12 months?'. Other options, not reported in the chart above were 'very unlikely', 'unlikely' and 'don't know'.

Some sectors are more likely to still be considering recruitment freezes and redundancies. Interestingly the 'mining and quarrying' and construction sectors – that have been hardest hit so far – are less likely to be considering recruitment freezes or redundancies in the next 12 months. Only one mining firm surveyed was considering redundancies in the next 12 months. The sectors which are more likely to be considering these measures over the coming year are manufacturing, wholesale and retail trade, transport and storage, and accommodation and food services. In all these sectors around 1 in 5 firms surveyed said they were likely or very likely to make redundancies.⁴¹

Summary

There is a relatively high level of optimism about the coming year. There is also some evidence that many businesses have made the difficult decisions they need to in order to weather the storm. They report making most redundancies, for example, in the last three months of 2015. There is, however, some reason to be more cautious: a significant number of businesses appear to be considering adopt a recruitment freeze in the future. Almost 1 in 4 think it likely that they will make redundancies.

Chat 5: Business views on likely and very likely actions in next 12 months



⁴¹ In the case of wholesale and retail trade the percentage saying they are either very likely or likely to consider making redundancies was 24%. For transport and storage it was 22%, for manufacturing 19 and for accommodation and food services it was 17%.

3.4. BUSINESS VIEWS ON POSSIBLE POLICY PRIORITIES

In Section 2.4 we saw how Zambians place most responsibility for improving job opportunities on government. This is a view shared by Zambian businesses too:

- 82% of businesses think that government 'has the most responsibility to improve job opportunities in Zambia'.
- In contrast, only 12% thought the private sector had most responsibility.⁴²
- Businesses are split on whether government is 'adequately addressing job opportunities in Zambia': 46% say no and 39% yes.⁴³

Although it was not the major focus of the business survey, it did probe some issues about potential policy responses. The policy issues which businesses are mostly likely to cite as having a negative effect on their ability to respond to the economic slowdown are 'the current level of interest rates' and the 'existing costs of doing business, including taxes and fees'. In the case of the former 74% of businesses see high rates as having

either a negative or very negative effect. The equivalent figure for the costs of doing business is 67%.⁴⁴

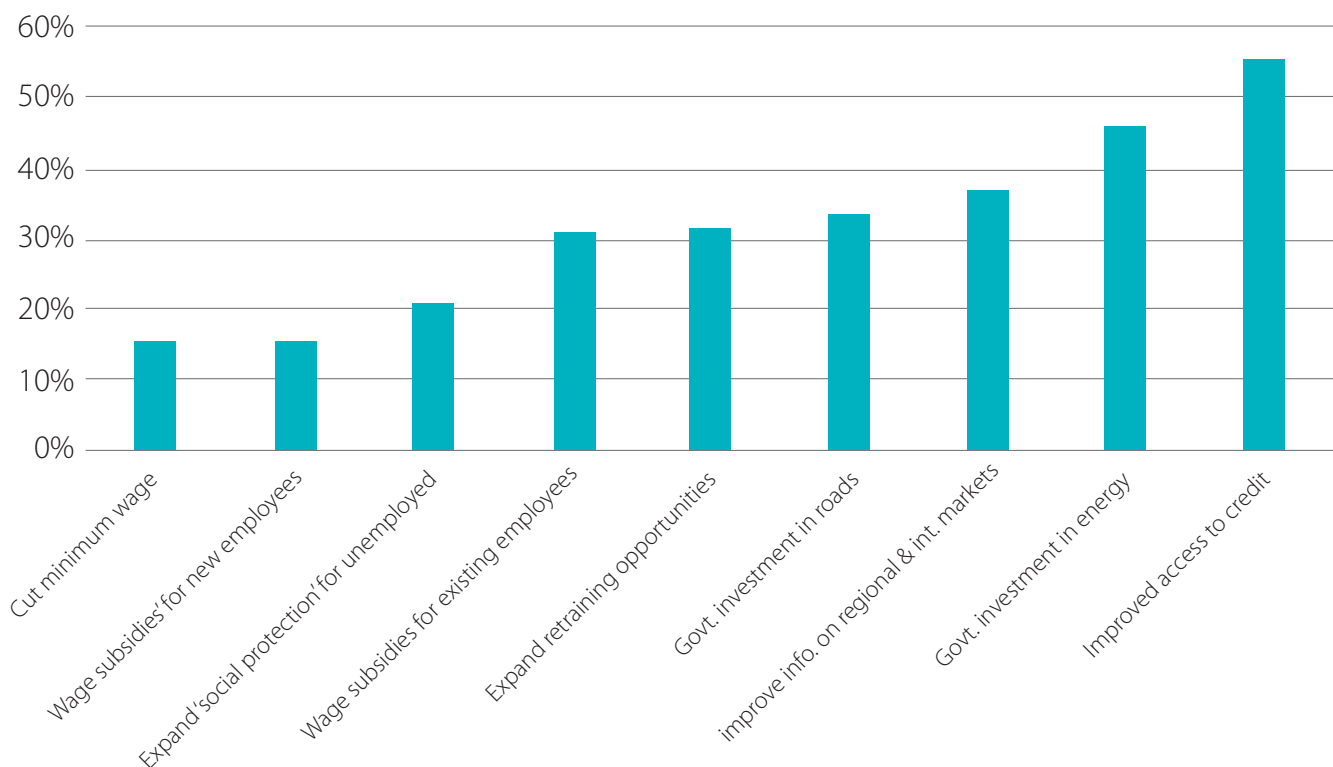
Chart 6 shows businesses responses to a list of potential policy responses to the slowdown. They were asked to identify the three policies they would prioritise. This confirms the priority attached to improved access to credit, with 55% of businesses ranking this in their top three priorities. Investment in energy infrastructure also proves popular. A cut in the Zambian minimum wage is identified by the fewest businesses – just 16%.

Notes: ZIPAR/Ipsos Business Survey: 'Q63. Which of these policies listed below do you feel should be prioritized in Zambia ...'

Summary

Businesses, like the Zambian public, place a lot of emphasis on government's role in improving job opportunities. The policy changes or improvements that they would most like to see include improved access to credit and increased investment in energy infrastructure.

Chat 6: Business priority polices to respond to the slowdown



42 ZIPAR/Ipsos Business Survey: 'Q62. Who do you think has the most responsibility to improve job opportunities in Zambia?'. N = 173.
43 ZIPAR/Ipsos Business Survey: 'Q59. In your opinion do you think the Government is adequately addressing job opportunities in Zambia?'. N = 173.

44 ZIPAR/Ipsos Business Survey: 'Q64. Can you say whether you think these policies have had a positive or negative impact on your ability to respond to the economic slowdown ...?'. N = 173.

Zambia Institute for Policy Analysis and Research (ZIPAR)

P.O. Box 50782, Lusaka, Zambia

CSO Annex Building

Corner of John Mbita and Nationalist Road, Lusaka

Phone: +260 211 252559

Fax: +260 211 252566

Email: info@zipar.org.zm

Website: www.zipar.org.zm

www.facebook.com/OfficialZIPAR

Twitter: [@ZiparInfo](https://twitter.com/ZiparInfo)