

Policy paper

Promoting job-rich urbanisation in Zambia

ZIPAR “More and
Better Jobs” Policy
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Note

The findings and policy proposals presented in this report are embedded in an understanding of the nature of the jobs challenge in urban areas of Zambia and also draw on examples of international good practice. However, the proposals are not intended to be exhaustive. Moreover, these policy ideas and suggestions are presented as a basis for further debate. Further exploration of specific policy proposals and strategies is warranted. The Zambia Institute for Policy Analysis and Research, through its Flagship Project on More and Better Jobs, will undertake some of this further research to offer more detailed policy proposals in some priority areas. These areas will be identified based on the responses to this paper from key stakeholders in Zambia.

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Executive Summary

As the 21st century unfolds, the inevitability that a growing share of people will live in cities is juxtaposed with deep uncertainty about what the urban future holds – particularly in the rapidly urbanizing countries of the global South. Will increasing levels of urbanization coincide with an expansion of economic opportunity and productive employment? Will cities of the future – as many have in the past – create pathways for social and economic mobility? Or will a “pathological” form of urbanization develop, where city growth is not accompanied by the creation of productive jobs with appropriate remuneration, basic social protections, and opportunities for upward mobility?

Zambia finds itself at an important juncture in determining its urban future. The country’s policymakers must actively choose to promote its cities as centers of job creation and opportunity. Over the last 15 years, the decades of economic stagnation that marked the late 20th century have given way to high rates of sustained economic growth. Despite Zambia’s current economic downturn – driven by a decline in global copper prices and energy shortages – the country’s Gross Domestic Product (GDP) is still projected to grow 3 percent in 2016, an indication that the drivers of its growth lie beyond the copper industry alone.

With the process of structural transformation accelerating, Zambia’s cities are assuming greater importance in ensuring its people have access to productive employment. The country is witnessing a dramatic labor market shift, as its workforce moves out of agriculture and into services and industry; between 2008 and 2014, the share of Zambian workers employed in agriculture fell steeply, from 71.4 percent to 48.9 percent. City populations are expanding at an average rate of nearly 4 percent per year. Projections suggest that Zambia must create 1.2 million net new urban jobs by 2025 and 2.8 million by 2035.

Despite the country’s robust economic growth, evidence shows that its urban labor markets are not creating enough of the kinds of jobs that will propel inclusive growth and maximize Zambia’s “demographic dividend.” Real wages declined between 2012 and 2014 in both Lusaka and the Copperbelt – the country’s two heavily urbanized provinces where two-thirds of its city-dwelling population lives. In Lusaka, urban workers earned nearly 17 percent less in real terms in 2014 than in 2012. In both Lusaka and the Copperbelt, the number of unpaid family workers is still growing faster in absolute terms than the number of paid workers. Most urban employment growth is taking place in low-productivity informal services. And several of the sectors where urban jobs are concentrated and growing are in fact declining in terms of their contribution to Zambia’s overall GDP – an early warning that productivity may not be rising fast enough to sustain continued job growth in the long run. These data predate the economic slowdown, which is likely to exacerbate the trends.

There are some positive notes, too: a declining rate of urban unemployment; a booming construction sector that employed 128 percent more workers in 2014 than in 2008; a hospitality sector that expanded formal employment by 63 percent in the same period. But these bright spots cannot outshine the warning signs mentioned above, which point to a severe lack of productive jobs in urban areas, outside the small, and shrinking, formal sector, which employs just over a quarter of urban Zambians.

Nevertheless, Zambia's current policy framework appears based on the assumption that its rural areas are languishing while its cities are thriving. Job creation policies stress rural development. The Revised Sixth National Development Plan (2013-16), for example, "focuses on public capital investments that have a bias to rural development." The country's manufacturing policy is based on a vision of "rural industrialization."

This report calls on the Zambian government to make job-rich urbanization a top policy priority. Urban economies are predisposed to create quality jobs because of their internal and external economies of scale, but the positive relationship between urbanization and quality employment creation is not inevitable. It depends on the extent to which governments strengthen the economic base of cities and create the spaces and enabling environments for productive economic activities.

To manage Zambian cities toward job-rich urbanization, this report proposes three guiding principles for urban governance:

- 1. Zambia must focus on managing existing urban systems, rather than trying to create them anew.** This means taking stock of existing urban systems – such as informal settlements and informal systems for trading and selling goods and services – and determining the ways in which the state can make those systems operate better: more efficiently, more safely, and with better outcomes for the involved stakeholders.
- 2. Zambian cities must enable businesses – particularly micro, small and medium enterprises (MSMEs) – to expand, increase productivity, and (eventually) enter the formal economy.** Current policies in Zambia emphasize the formation and growth of MSMEs in order to spur job creation – particularly for youth. But urban firms, and especially the small, informal enterprises that are formed through policies that promote entrepreneurship and microfinance, face a built environment and urban policy framework that is not conducive to their growth and prosperity.
- 3. Urban planning and infrastructure investment must focus on strengthening the links among firms and between firms and consumers.** Zambia's investments in cities and beyond must advance the goal of strengthening the links within local, provincial, national and international supply chains. Rail and road infrastructure projects must take into account the needs of micro, small and medium enterprises – especially those in labor-intensive sectors like agro-processing. Zambian businesses require a broader enabling environment that can help them connect with one another and with larger foreign enterprises.

The report goes on to make specific policy recommendations. Rather than an exhaustive list of all the reforms that must be introduced, these proposals represent concrete examples of how an approach based on the three guiding principles could manifest in specific policies, taking into account Zambia's particular challenges and opportunities:

- **Bolster efforts to recognize and upgrade informal settlements.** Informal settlements are not only the place of residence for over 70 percent of Zambia's urban residents;

they are also centers of economic activity and employment – representing a physical home for the vast informal urban economy. Currently, the efficiency and productivity of businesses operating in informal settlements is stifled by several factors: poor connectivity to markets; lack of willingness to invest in better facilities and technology due to insecurity of tenure; and limited scale of operations owing to lack of space. If Zambian policymakers hope that MSMEs – led by a government emphasis on entrepreneurship – can sustain job creation, they must address the built environment issues faced by such businesses.

- **Extend cluster-based industrial policy to urban areas and upgrade urban markets.** The cluster approach to industrialization, which the Zambian government is currently pursuing in rural areas, is well suited to an urban economy, as agglomeration effects facilitate clustering. There is significant scope for promoting manufacturing activities in urban Zambia to improve employment outcomes in cities. The urban trading sector would also benefit from a more proactive policy approach.
- **Improve intra- and intercity connectivity and leverage new infrastructure investments to stimulate growth of labor-intensive sectors.** Connectivity – both within the city and between different centers of production – is one of the keys to leveraging the agglomeration effects of urban economies to create more and better jobs. Effective public transportation networks can facilitate better labor market matching and help small businesses that rely on public transit to move their goods to market. Moreover, new investments in national road and rail infrastructure can be harnessed to support the growth of labor-intensive sectors and MSMEs.
- **Revitalize and diversify the Copperbelt to create a more dynamic, job-creating urban region.** The Copperbelt is undoubtedly one of the most important urban regions of Zambia, but today its economic fortunes are imperiled, largely because of its overdependence on the sector that has granted it prosperity – copper mining. The current moment provides an opportunity. Building on the Copperbelt’s existing assets, the right mix of interventions by Zambian policymakers can reverse the province’s downturn and at the same time create a vibrant urban labor market through diversifying its economic output.

Given the current situation – with eroding urban incomes, a decline in the share of formal jobs in non-farm sectors, and large increases in urban unpaid family workers – it is clear that urban employment needs renewed attention among Zambian policymakers. As leaders in the Ministry of Local Government and Housing and beyond consider various ways of improving the quality of urbanization in Zambia, they must make “job-rich” the lens through which each proposed initiative is evaluated.

Introduction

As the 21st century and its attendant challenges and opportunities unfold around the world, it is plainly evident that urbanization will rank among the most defining trends for decades to come. The year 2008 witnessed a symbolic milestone, when the percentage of the global population living in cities crossed 50 percent.¹

Urbanization today is most rapid in the relatively less developed countries of Sub-Saharan Africa and South Asia, where imbricated processes of economic, social and environmental transformation are pushing and pulling people into urban lives and livelihoods. By 2050, the world's urban population is expected to increase by more than two thirds, with nearly 90 percent of the growth taking place in the cities of Africa and Asia.² The unbridled growth of cities in the global South has spawned two competing and reductive narratives – one that celebrates cities as the “engines of growth” and another that laments urbanization as the harbinger of slums, public health crises, and social unrest. Zambia has witnessed the duel between these two versions of the urbanization story.³

The truth is that cities are neither inherently good nor inherently bad. Their ability to generate economic, social and cultural opportunities depends on how well they are managed, which is why governments, the private sector and civil society are paying increasing attention to promoting “good urbanization.” Rather than viewing urbanization as simply a spatial consequence of economic growth, policymakers now realize that they must treat cities as a key site of policymaking in order to achieve the broader aims of sustainable development and inclusive growth.

Leaders in Zambia find themselves at this juncture. The Ministry of Local Government and Housing is currently developing a National Urbanization Policy that will facilitate planning and management of urbanization countrywide. This report is an input to their process of outlining a proactive vision for Zambia's cities – focusing in particular on the need to generate job-rich growth in urban areas. It forms one part of a broader effort by the Zambia Institute for Policy Analysis and Research (ZIPAR) and its partners to propose policy strategies for stimulating the creation of more and better employment opportunities in the country (see **Box 1**).

BOX 1. ZIPAR Flagship: More and Better Jobs

This report is part of an ongoing research program led by the Zambia Institute for Policy Research and Analysis. ZIPAR's flagship project, More and Better Jobs, was launched on June 25, 2015. This flagship project seeks to develop a better understanding of the long-term and acute job challenges in Zambia, and find policy responses to protect and create more and better jobs.

¹ UNFPA. 2007. State of the world population 2007: Unleashing the potential of urban growth. Accessed April 20, 2016. https://www.unfpa.org/sites/default/files/pub-pdf/695_filename_sowp2007_eng.pdf

² United Nations Department of Economic and Social Affairs. 2014. World Urbanization Prospects 2014. Accessed April 20, 2016, <http://esa.un.org/unpd/wup/Publications/Files/WUP2014-Highlights.pdf>

³ The *Zambian Economist*, a well-known blog primarily focused on the Zambian economy, said in 2010 that “cities are clearly engines of growth.” Meanwhile, the National Housing Sector Policy 2016 (forthcoming) points to rapid urbanization as the culprit for the growth of informal settlements, congestion, higher health risks, environmental degradation and urban delinquency.

Defining Good Urbanization: Placing Zambia in a global context

But what does “good urbanization” mean?

Much of the urban agenda has revolved around ensuring better delivery of municipal services like housing, transportation, water, sewerage, and waste collection. In the new United Nations Sustainable Development Agenda, the goal focused on cities emphasizes “access to safe and affordable housing,” “upgrading slum settlements,” and “investment in public transport.”⁴

These are critical issues in many cities around the world, particularly in the global South. In Zambia, over half of urban residents live in slums,⁵ 45.6 percent do not have electricity, and 16.4 percent lack access to a safe water source.⁶

Yet one of the most important roles that cities can play in economic development – creating more and better jobs – seems to have become secondary in the global urban agenda, even in cases where there is a clear nexus between urban services and job creation. Policymakers who plan and manage cities have largely left the critical task of creating urban employment to national policy frameworks. Good jobs have been neglected in definitions of good urbanization. Urban livelihoods have become secondary to urban services.

Policies around informal settlements, for example, demonstrate the consequence of ignoring the livelihood dimension of urban planning. Governments throughout the global South, in order to “eradicate” slums, have pursued policies that have proven destructive to urban employment networks – relocating informal settlements to city peripheries, as if the only goal of urban life is to have a legal residence.⁷

Most importantly, policymakers have all but ignored one of the most worrying patterns of modern urbanization: the lack of quality employment in the cities of the newly urbanizing regions of the world.

Countries in Europe and North America that experienced urbanization in the 19th and 20th century saw a strong link between the growth of cities and the growth of incomes – largely because urbanization was driven by industrialization, which creates formal economy jobs that are more productive and better paying than agricultural work or informal employment. But the connection between urbanization, industrialization, and the growth of formal employment is far more tenuous in the developing world.⁸ Cities throughout the newly urbanizing global South, rather than party to a large-scale expansion of formal, productive

⁴ Sustainable Development Goals. Goal 11: Sustainable cities and communities. Accessed April 20, 2016. <http://www.undp.org/content/undp/en/home/sdoverview/post-2015-development-agenda/goal-11.html>

⁵ United Nations Resettlement Program. Accessed via Zambia Open Data Portal on April 20, 2016. <http://zambia.opendataforafrica.org/>

⁶ Living Conditions and Monitoring Survey, 2010. Accessed April 20, 2016. <http://www.zamstats.gov.zm/report/Lcms/2006-2010%20LCMS%20Report%20Final%20Output.pdf>

⁷ Susan Parnell and Sophie Oldfield (Editors). 2014. The Routledge Handbook on the Cities of the Global South (Pages 92-95) Accessed April 20, 2016. <http://onlinelibrary.wiley.com/doi/10.1111/1468-2427.12234/abstract>

⁸ OECD. 2015. The Metropolitan Century: Understanding Urbanization and its Consequences. Accessed April 20, 2016. http://www.delog.org/cms/upload/pdf-ug/OECD_The_Metropolitan_Century.pdf

employment in manufacturing, are instead witnessing the ballooning of informal employment in low-value-added services. Unemployment may be low, but underemployment and low-productivity employment are high.^{9,10}

Countries like Zambia stake their economic futures on realizing a “demographic dividend,” as the size of the working-age population grows in proportion to the total population. But as the Zambian Ministry of Finance has itself noted, “the demographic dividend is neither automatic nor guaranteed; countries must ensure that the larger labor force is well educated, skilled, healthy, and economically engaged.”¹¹ A different pattern of urbanization – in Zambia and elsewhere – is required to attain that goal.

This report will demonstrate that despite its unique history and early period of industrialization, Zambia is confronting challenges similar to those faced throughout the global South, as the country witnesses rapid urbanization without accompanying rapid expansion of productive urban employment. It will argue that Zambia’s policymakers must make urban jobs central to their vision for “good urbanization” in the country. And it will chart policy directions toward realizing the goal of creating more and better jobs in Zambia’s cities.

The Relationship Between Urbanization and Job Creation

Existing literature on the relationship between urbanization and job creation contains two important messages. The first is that certain unique features of cities make them ripe ground for job creation. The second is a caveat: The relationship between urbanization and job creation – particularly productive, formal employment – is varied and tenuous; not all forms and patterns of urbanization are created equal.

Cities enable both internal and external economies of scale. Internal economies of scale refer to an urban firm’s ability to produce at relatively larger scale than a rural firm, since an urban market is thicker – that is, it has more buyers and sellers – than a non-urban market. Enterprises can produce more, at cheaper prices, enabling them to grow faster, add employees, and make productivity-enhancing investments.¹²

⁹ Ronan Paddison and Tom Hutton. 2015. Cities and Economic Change: Restructuring and Dislocation in the Global Metropolis. Accessed April 20, 2016.

<https://books.google.co.in/books?id=Bd7SAwAAQBAJ&dq=Cities+and+Economic+Change:+Restructuring+and+Dislocation+in+the+Global+Metropolis>

¹⁰ A related phenomenon is what Dani Rodrik calls “premature deindustrialization” (NBER Working Paper Series, Premature Deindustrialization, Dani Rodrik). Manufacturing sectors in many developing countries are peaking long before reaching the heights that were attained in Europe, North America, or East Asia in terms of share of employment or contribution to GDP. In Zambia, the share of employment in manufacturing peaked in the 1980s, and the manufacturing sector’s contribution to GDP has also been in decline.

¹¹ Harnessing the Demographic Dividend: The Future We Want for Zambia, May 2015. Accessed April 20, 2016. https://www.unfpa.org/sites/default/files/event-pdf/icpd2014_key_issues_paper_en.pdf

¹² Hoover, Edgard M. 1975. An Introduction to Regional Economics, 2nd edition. Accessed on April 20, 2016. <http://132.248.45.5/cedrus/descargas/hoover.pdf>

External economies of scale – also known as agglomeration effects – refer to the benefits a firm receives through proximity to other firms. Beneficial agglomeration effects include “labor pooling” – or a thicker labor market with a diversity of skilled workers; lower input costs due to proximity of firms producing inputs and intermediate goods; the “knowledge spillover” that comes from more interaction with related firms; and the lower costs of transportation and other services due to greater density and scale of activity.¹³

These effects enable firms to grow, be more productive, and improve product quality. In turn, they facilitate the creation of employment. But there are other benefits for workers in urban economies, too. With a greater number of job opportunities and firms, the chances of a quality match between workers’ skills and firms’ needs are greater – translating into higher compensation. The greater degree of specialization in urban economies also encourages workers to develop particular skills. And urban labor markets facilitate greater employment security; when a worker loses his/her job, there are relatively more alternative job options available.

But, as scholar Ivan Turok has contended, one of the consistent errors of policy dialogue around cities is that “the connection between urbanization and economic growth is sometimes portrayed as automatic and inevitable, like some kind of universal law governing a single, simple process.”¹⁴ The same is true when considering the relationship between urbanization and employment creation: urbanization is treated as a one-to-one proxy for expanding economic opportunity. Recent research increasingly demonstrates that the phenomenon of urbanization is highly diverse in its forms and patterns, and that different kinds of urbanization influence growth and jobs in different ways.¹⁵

If “good urbanization” is the kind accompanied by industrialization, economic growth and job creation, at the other end of the spectrum lies “pathological urbanization” – as several scholars have termed it. As already discussed, most of the developed economies of today experienced the former, while the relationship between urbanization, economic growth and job creation is more tenuous in emerging and developing economies.

Some literature points to the region of Sub-Saharan Africa (SSA) to illustrate “pathological urbanization” – or urbanization without growth.¹⁶ In SSA, the average country’s urban population grew by 5.2 percent per year between 1970 and 1995, while GDP per capita was falling at an annual rate of 0.66 percent.¹⁷ Kenya, for example, saw its urbanization rate jump

¹³ Gilles Duranton. 2009. Urbanization and Growth - Chapter 3: Are Cities Engines of Growth and Prosperity for Developing Countries?. Accessed April 20, 2016.

http://siteresources.worldbank.org/EXTPREMNET/Resources/489960-1338997241035/Growth_Commission_Vol1_Urbanization_Growth.pdf

¹⁴ Ivan Turok. 2014. Linking Urbanization and Development in Africa’s economic revival. Accessed April 20, 2016.

https://www.researchgate.net/profile/Ivan_Turok/publication/262802198_Linking_urbanisation_and_development_in_Africa's_economic_revival/links/00b49538e29f888904000000.pdf?origin=publication_list

¹⁵ OECD. 2015. The Metropolitan Century: Understanding Urbanization and its Consequences. Accessed April 20, 2016. http://www.delog.org/cms/upload/pdf-ug/OECD_The_Metropolitan_Century.pdf

¹⁶ Patricia Clarke Amnez and Robert M Buckley. 2009. Urbanization and Growth- Chapter 1: Urbanization and Growth: Setting the context. Accessed April 20, 2016.

¹⁷ Marianne Fay. 2000. Urbanization without growth: A not so Un-common Phenomenon. Accessed April 20, 2016. https://www.researchgate.net/publication/23549223_Urbanization_without_Growth_A_Not-So-Uncommon_Phenomenon

from 7 percent to 20 percent between 1960 and 2003, while its GDP per capita rose only from US\$ 1,179 to US\$ 1,218 (in constant prices) over the same period.¹⁸ While rates of GDP growth on the African continent have picked up over the last decade, positive trends have been driven largely by the global demand for commodities – fueling extractive industries that create few jobs. The persistent rates of urban informality and slow pace of industrialization suggest that most Sub-Saharan African countries have yet to address the roots of “pathological urbanization.” With four out of every 10 people living in cities, average income levels in SSA are just 28 percent and 56 percent of what they were in East Asia & the Pacific and the Middle East & North Africa, respectively, when those regions reached the same rate of urbanization.¹⁹

This “urbanization of people without capital,” as some observers have termed it, is motivated by “push” rather than “pull” factors – rural distress and high rates of natural population increase in cities, as opposed to industrialization and urban job growth.²⁰ The negative consequences of such an urbanization pattern are mutually reinforcing: the lack of formal, productive employment means that the vast majority of people wind up in the informal economy, with poor working conditions and low wages. Governing institutions lack tax revenue, therefore, to expand urban services like housing and transportation. With insufficient public investments, widespread urban problems arise – such as congestion and poor sanitation and living conditions – constricting the positives of agglomeration and scale and further incapacitating the growth of a more productive urban economy.²¹

The management of urbanization – the extent to which governments strengthen the economic base of cities and generate a range of employment opportunities by creating the spaces and enabling environments for productive economic activities – determines whether cities can avoid or emerge from this vicious cycle.

Stock-Taking: Zambia’s Urban Jobs Challenge

Zambia is confronting many of the same challenges as other countries in the global South and Sub-Saharan Africa when it comes to rapid urbanization, the exodus of workers from agriculture, and the need to stimulate the creation of high-quality jobs in diversified urban labor markets. Nevertheless, the country has also witnessed a unique history of urbanization, and its current urban centers host different types of economies and labor markets. These characteristics demand a multi-pronged approach to tackling the challenge of urban job

¹⁸ Michael Spence, Patricia Annez, Robert Buckley. 2009. Urbanization and Growth. Accessed April 20, 2016. http://siteresources.worldbank.org/EXTPREMNET/Resources/489960-1338997241035/Growth_Commission_Vol1_Urbanization_Growth.pdf

¹⁹ World Bank. 2016. Africa Pulse: April 2016, Volume 13. Accessed on April 20, 2016. http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2016/04/10/090224b08427c98d/2_0/Rendared/PDF/Africa0sOpulse00April020160.pdf

²⁰ Remi Jedwab, Luc Christiaensen, Marina Gindelsky. 2015. Demography, urbanization and development: Rural push, urban pull and urban push? Accessed April 20, 2016. <http://www.sciencedirect.com/science/article/pii/S0094119015000601>

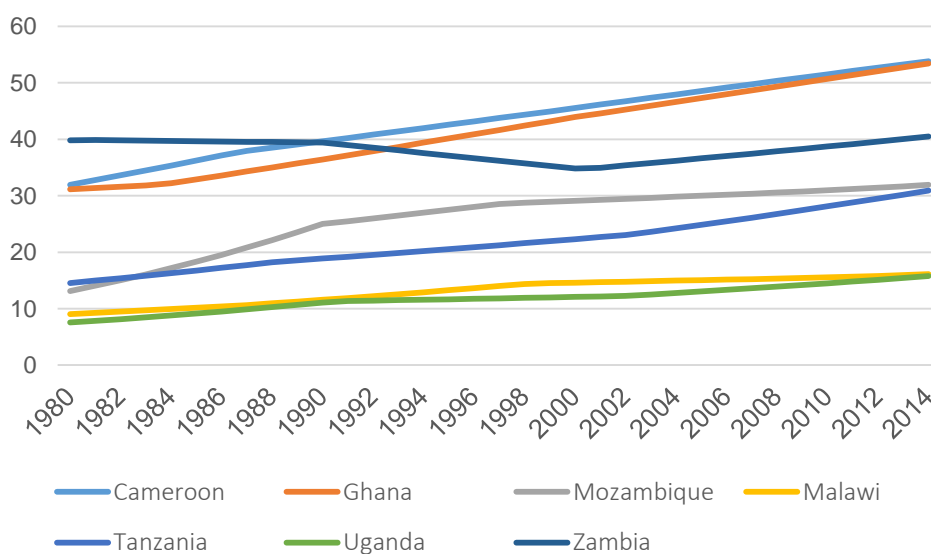
²¹ Michael Spence, Patricia Annez, Robert Buckley. 2009. Urbanization and Growth. Accessed April 20, 2016. http://siteresources.worldbank.org/EXTPREMNET/Resources/489960-1338997241035/Growth_Commission_Vol1_Urbanization_Growth.pdf

creation. First, it is critical to take stock of the trends – where Zambia’s cities have been, where they are today, and what the future may hold.

Urbanization in Zambia: an overview

At the time of its independence in 1964, Zambia was among the most urbanized countries in Africa. As urban centers around the country’s rich copper mines continued to swell, the percentage of Zambians living in cities climbed to nearly 40 percent by the 1980s.²² But declining fortunes in the copper industry combined with hard-nosed structural adjustment policies, which involved large-scale retrenchments of public sector workers, plus the HIV/AIDS epidemic that lowered life expectancy in cities, led to de-urbanization in Zambia through the 1990s. De-urbanization arose from increasing urban mortality rates and declining urban fertility rates, but also from out-migration from urban areas.²³ While most of Zambia’s African peers have seen a steady, linear rise in their rates of urbanization over the last half-century, the percentage of Zambians living in cities has only recently recovered to its 1980 level (see **Figure 1**).

Figure 1. Urban Population as Share of Total Population (%)
Selected African Countries



Source: World Development Indicators, World Bank

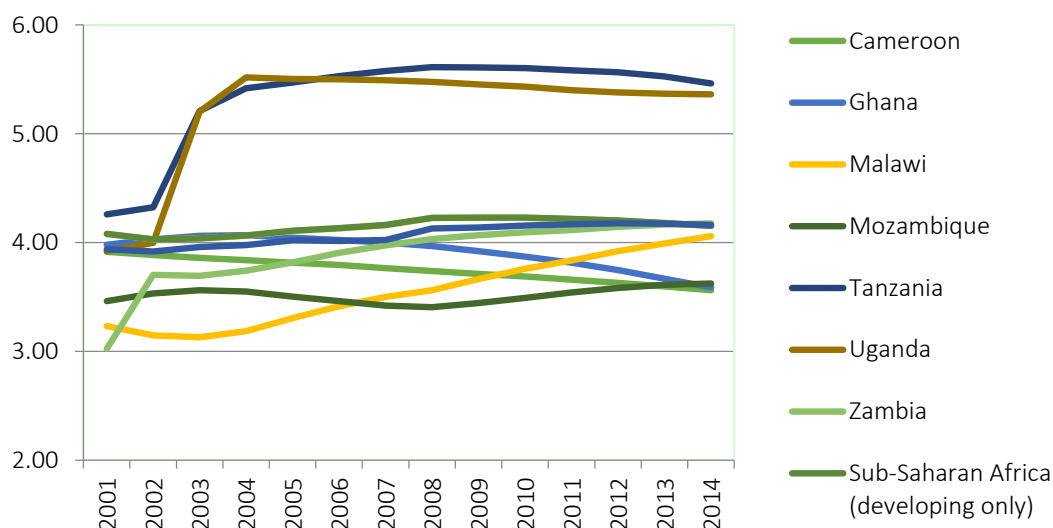
The first 15 years of the 21st century saw relatively stable and sustained growth of Zambia’s urban population – mirroring the patterns observed in other developing countries – as cities in the country finally recovered from the economic downturn faced in previous decades. Zambia’s urban population has grown at an annual rate of around 4 percent since 2000 –

²² World Development Indicators, World Bank Accessed April 20, 2016. <http://data.worldbank.org/data-catalog/world-development-indicators>

²³ Deborah Potts. 2005. Counter-urbanisation on Zambian Copperbelt? Interpretations and Implications. Accessed on April 20, 2016. <http://usj.sagepub.com/content/42/4/583.short>

nearly double the population growth rate of rural Zambia.²⁴ This matches the average urban growth rate of Sub-Saharan Africa and comparator countries in the region (see **Figure 2**), suggesting that the challenges Zambia faces in managing urbanization in this century will not be dissimilar to those confronted by other countries at similar stages of economic development.

Figure 2. Rate of Urban Population Growth (%), Selected African Countries



Source: World Development Indicators, World Bank

Zambia's previous experience with de-urbanization raises the possibility that steady urban population growth could be interrupted by severe economic shocks in the future as well. Zambia in fact finds itself currently in a moment of economic turmoil. Over the past two years, the country has been seriously impacted by declining copper prices, as demand for commodities has fallen across the world and particularly in China. With metal exports accounting for more than 70 percent of all of Zambia's exports, the economy is highly exposed to these kinds of fluctuations.²⁵ Lower revenues obtained from the mining sector are compounded by an energy crisis, as sustained drought has severely limited the generation capacity of hydropower – on which Zambia is heavily dependent. The economic slump has brought massive depreciation of the Kwacha – which lost 51 percent of its value against the U.S. dollar in 2015, the largest depreciation among the 155 currencies regularly monitored by global investors.²⁶ Total Government debt was projected to reach 56 percent of GDP by the end of 2015.²⁷ All these factors have led to a slowdown of the Zambian economy from an

²⁴ United Nations Statistics Division. Country Profile: Zambia. Accessed April 20, 2016.

<http://data.un.org/CountryProfile.aspx?crName=ZAMBIA>

²⁵ Massachusetts Institute of Technology. 2013. Observatory of Economic Complexity, What does Zambia export? Accessed on April 19, 2016,

http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/zmb/all/show/2013/

²⁶ Mail and Guardian Africa. Published on November 6, 2015. Zambia debt soaring as kwacha loses 51% of its value against dollar, World Bank says. Accessed on April 20, 2016. <http://mgafrica.com/article/2015-11-06-zambia-debt-ratio-soaring-as-currency-plunges-world-bank-says>

²⁷ Matthew Hill, 6 November 2015. "Zambia Debt Ratio Soaring as Currency Plunges, World Bank Says." Bloomberg News. Accessed on April 20, 2016. <http://www.bloomberg.com/news/articles/2015-11-06/zambia-debt-ratio-soaring-as-currency-plunges-world-bank-says>

average annual growth rate of 7 percent between 2010 and 2014 to about 3 percent in 2015.²⁸

Despite the magnitude of Zambia's current slowdown, it is unlikely to trigger the sort of de-urbanization experienced in earlier decades. For one, the economy has not slid into recession, and projections suggest that GDP will still grow at 3 percent in 2016.²⁹ For the sake of comparison, the Zambian economy contracted – that is, its growth rate was negative – in six of the ten years between 1975 and 1985.³⁰ Moreover, the biggest reasons behind de-urbanization at that time were the HIV/AIDS crisis and the massive retrenchment of public sector workers, neither of which are grave concerns today. Finally, the return to rural areas witnessed in the earlier period is unlikely to recur given that the agricultural sector is also negatively impacted by the drought that has brought about the current energy crisis; once Zambia sees relief from the ongoing drought, its energy shortage will also be mitigated, alleviating economic woes in cities.

Because the authors of this report believe that Zambia's future trajectory of urbanization will not be substantially impacted by the current economic situation, its focus remains long-term. At the same time, the report's policy framework and recommendations are highly practical and not divorced of the current context; in other words, Zambian policymakers do not need to wait for better economic fortunes to react to the trends identified in this report or implement the ideas presented here.

Lusaka will continue to dominate the urban landscape

In most developing countries, primary cities – those with the largest populations and most dominant economies – are beginning to witness a plateauing of population growth. Various factors contribute to this phenomenon, but one of the most important is the rising barriers to entry for rural-urban migrants. As large cities grow, the saturation of the labor market enhances competition among workers and rising population density drives up the cost of housing and other basic needs. In other words, it becomes more difficult for unskilled migrants to claim space or jobs in the city.³¹

In Zambia, the story is different (see **Figure 3**). Government projections³² show that Lusaka will continue to dominate the urban landscape, and that its population growth will outpace

²⁸The World Bank. Country Overview: Zambia. Accessed on April 20, 2016.

<http://www.worldbank.org/en/country/zambia/overview>

²⁹ *ibid.*

³⁰World Development Indicators, World Bank Accessed April 20, 2016.

<http://data.worldbank.org/data-catalog/world-development-indicators>

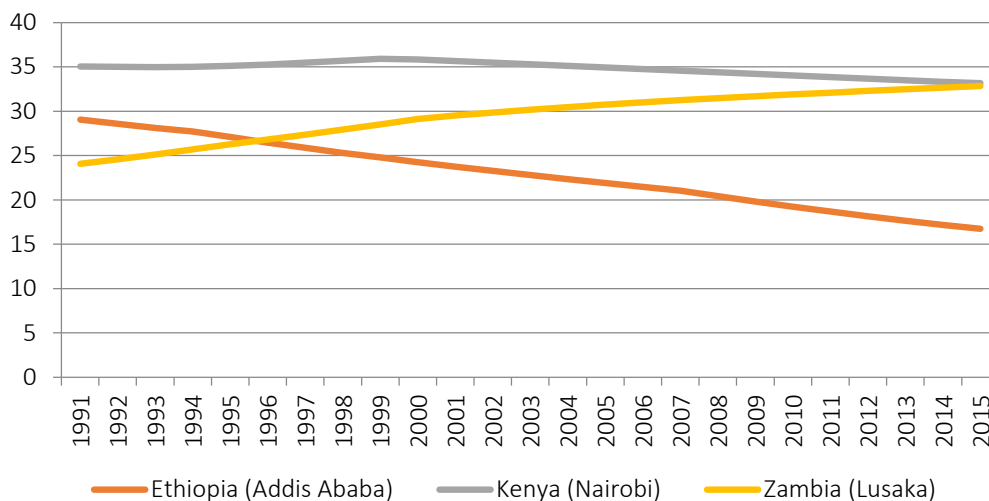
³¹ See, for example: Amitabh Kundu and Debolina Kundu. 2011. India's 'urban' legend. *Business Standard*. Accessed on April 24, 2016. http://www.business-standard.com/article/opinion/amitabh-kundu-debolina-kundu-india-s-urban-legend-111091500114_1.html

³² The 2011-2035 population projections were arrived at using cohort component models developed for rural and urban areas of Zambia and all the ten provinces. The 2010 Census *de jure* count provided the 'base population' figures, disaggregated by age and sex. Corrections relating to undercounting of children in the census were made by making some fertility and mortality rate assumptions. The census figures were backdated from October 16, 2010 to mid-year July 1, 2010. This ensured that all estimations of projected populations referred to mid-year estimates, keeping in line with standard population projections. For details see:

the national rate of urban growth until at least 2030 (see **Figure 4**). This is due to the slower rate of growth in Zambia’s secondary cities, a tier of smaller, older urban centers that lie mostly in the Copperbelt region. The Zambian government projects that these cities will host a declining share of the country’s total urban population (see **Table 1**) – due, perhaps, to the decline in the copper industry’s strength following weak global demand. Beyond 2030, projections suggest that the share of the urban population living in Lusaka will finally begin to taper – as today’s tertiary cities, like Solwezi in the North-Western Province and Kasama in the Northern Province, become more dominant population centers.

This trend is an important one for Zambian policymakers to consider. Given that employment outcomes in Lusaka are not demonstrably better than in the country as a whole (see [Employment outcomes in urban Zambia](#)), its growing share of the urban population is not likely driven by the strength of its labor market, but rather the lack of better options for rural-urban migrants. The trend spells growing pressure on Lusaka to produce jobs for an expanding urban workforce. If Lusaka is unable to meet the demand, the result would be oversaturation of its labor market, which would place downward pressure on wages and working conditions. The report will later discuss what might be done to revive the labor markets of secondary cities in the Copperbelt in order to relieve some of the pressure on Lusaka to generate productive urban jobs (see [Revitalize and diversify the Copperbelt to create a more dynamic, job-creating urban region](#)). These two urban regions drive the bulk of the report’s analysis, as they host over two-thirds of the country’s urban population.³³

Figure 3. Share of urban population in primary city (1991-2015), selected countries (%)

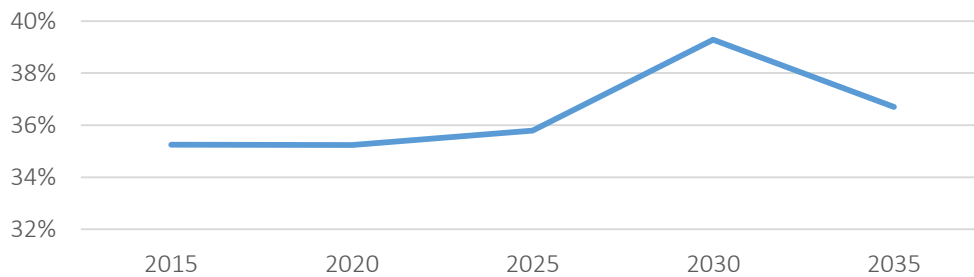


Source: World Development Indicators, World Bank

<http://www.zamstats.gov.zm/report/Census/2010/National/Zambia%20Census%20Projection%202011%20-%202035.pdf>.

³³ Central Statistical Office, Zambia. Population and Housing Census (2011-2035). Accessed on April 20, 2016. <http://zambia.opendataforafrica.org/ZMPHC2015/population-and-housing-census-of-zambia-2011-2035>

Figure 4. Projected Share of Urban Population in Lusaka (%)



Source: Population and Housing Census (2011-2035)

Table 1. Projected Average Annual Population Growth (2015-2035)
Zambia’s Key Urban Centers

City	Projected Annual Growth Rate (2015-35)
Chingola	2.4%
Kabwe	1.1%
Kitwe	3.2%
Livingstone	2.8%
Lusaka	3.5%
Ndola	1.9%

Source: Population and Housing Census (2011-2035)³⁴

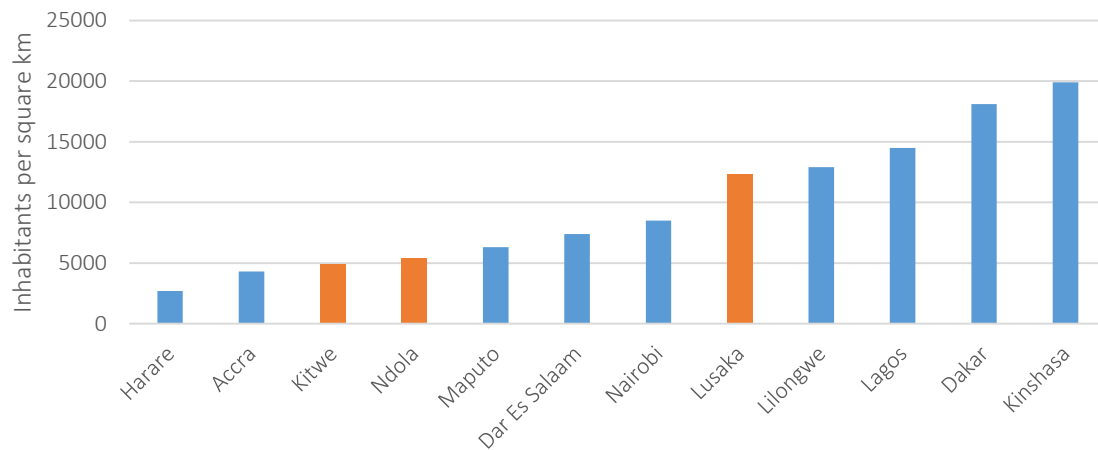
High density without effective land use

Population density plays an important role in facilitating the job-creating characteristics of cities by amplifying the agglomeration effects of urban economies. But the Zambian case demonstrates why high density alone is not enough to create an efficient urban economy.

Lusaka features among the more densely populated cities in Africa, and while Zambia’s largest secondary cities – Kitwe and Ndola – have far fewer people per square kilometer, they are still more densely populated than the primary cities of Ghana and Zimbabwe – Accra and Harare, respectively (see **Figure 5**).

³⁴ The analysis is based on district-level data. For the cities listed, the entire district contains built-up urban area.

Figure 5. Population Density, Zambian Cities Among African Cities



Source: Demographia World Urban Areas

However, population density does not imply efficient use of urban land. As of the year 2000, nearly 50 percent of Lusaka’s land remained vacant.³⁵ The density was largely concentrated in informal settlements – which take up only 20 percent of Lusaka’s land and house 70 percent of its residents.³⁶ Density in the city was highly uneven at the time, suggesting that some areas of the city were too sprawling to enjoy the economic benefits of agglomeration,³⁷ and other parts of the city so congested as to see the benefits of density circumscribed.

At the same point in time, a minimal amount of Lusaka’s land was being used for functions that are associated with job creation in the formal economy – such as manufacturing, financial services, or information technology. Less than 2 percent of the city’s land was being utilized for industrial activities, and the central business district occupied just 0.6 percent.³⁸ In a low-rise city, these spatial characteristics are strongly correlated with high levels of informality in the urban labor market. These land use patterns indicate that most of Lusaka’s workers in the year 2000 were employed in the informal economy – home-based workers and/or working inside informal settlements – a reality that persists today.³⁹

³⁵ Danny Simatele, Munacinga Simatele. 2009. The Evolution and Dynamics of Urban Poverty in Zambia. Accessed April 20, 2016.

[https://www.academia.edu/2122745/The Evolution and Dynamics of Urban Poverty in Zambia](https://www.academia.edu/2122745/The_Evolution_and_Dynamics_of_Urban_Poverty_in_Zambia)

³⁶ The World Bank. 2002. Country Assessment Report: Zambia. Accessed April 20, 2016.

<http://web.mit.edu/urbanupgrading/upgrading/case-examples/overview-africa/country-assessments/reports/Zambia-report.html>

³⁷ For evidence of the negative impact of urban sprawl on economic outcomes, see Belal N. Fallah, Mark D. Partridge, and M. Rose Olfert. 2009. Urban Sprawl and Productivity. Accessed April 24, 2016.

[https://www.academia.edu/2894906/Urban Sprawl and Productivity](https://www.academia.edu/2894906/Urban_Sprawl_and_Productivity)

³⁸ Danny Simatele, Munacinga Simatele. 2009. The Evolution and Dynamics of Urban Poverty in Zambia. Accessed on April 20, 2016.

[https://www.academia.edu/2122745/The Evolution and Dynamics of Urban Poverty in Zambia](https://www.academia.edu/2122745/The_Evolution_and_Dynamics_of_Urban_Poverty_in_Zambia)

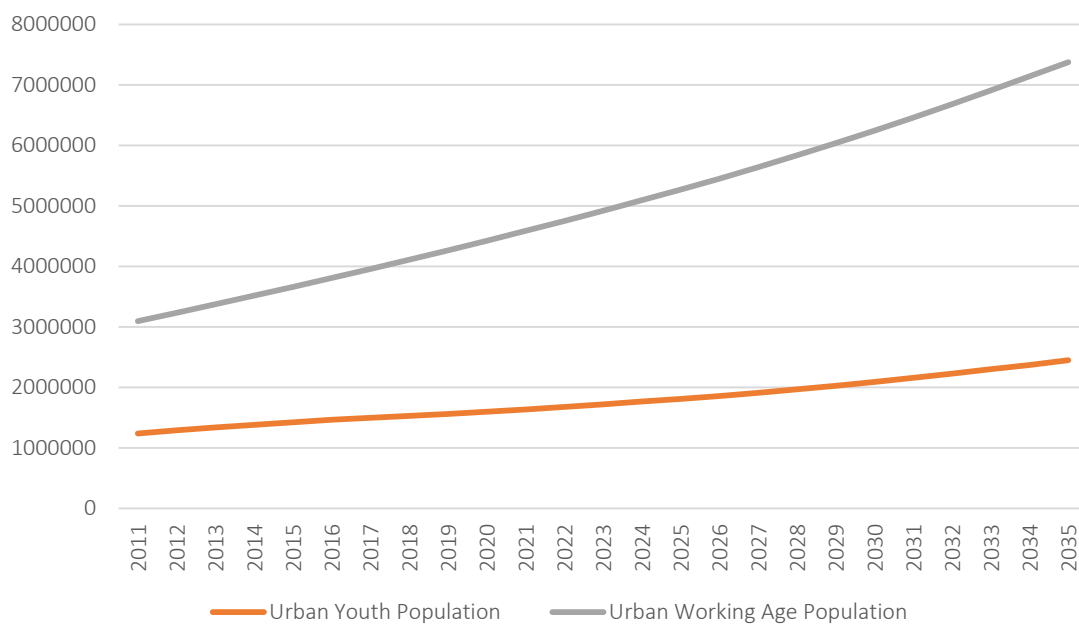
³⁹ Unfortunately, more recent data on land use in Lusaka or other Zambian cities was unavailable at the time of this report’s publication.

The Employment Landscape in (Urban) Zambia

While policymakers grappling with rapid urbanization often focus on solving issues related to service delivery, such as waste management and piped water, the growth of cities also means growth in the demand for urban jobs – a challenge that policymakers in Zambia have yet to prioritize. Population projections from the Zambian government suggest that Zambia’s urban working age population (aged 15-64) will grow by 3.7 million people between 2015 and 2035, 1 million of whom will be youth (ages 15-24) (see **Figure 6**).⁴⁰ Given Zambia’s high urban labor force participation rate, which stood at 74.7 percent in 2014,⁴¹ this translates into a requirement of nearly 2.8 million net new urban jobs over the next 20 years, with over 1.2 million urban jobs required in the next 10 years.

Within Zambia’s urban job creation plans, a key priority must be ensuring pathways for young people to enter the labor market. Today, youth make up 40 percent of the working age population in cities, and in 2035 they will still comprise about a third of all working age people.⁴²

Figure 6. Urban Working Age Population (Total and Youth)*



*Working age population is defined as all those 15-64 years of age. Youth is defined as those aged 15-24.
Source: Population and Housing Census (2011-2035)

⁴⁰ Population and Housing Census, Zambia 2011-2035. Accessed April 20, 2016.

<http://zambia.opendataforafrica.org/ZMPHC2015/population-and-housing-census-of-zambia-2011-2035>

⁴¹ World Development Indicators, World Bank Accessed April 20, 2016. <http://data.worldbank.org/data-catalog/world-development-indicators>

⁴² Population and Housing Census, Zambia 2011-2035. Accessed April 20, 2016.

<http://zambia.opendataforafrica.org/ZMPHC2015/population-and-housing-census-of-zambia-2011-2035>

How employment is shifting

The sectoral shifts in employment in Zambia offer clues to how the country is urbanizing. One of the most defining trends – which signals unmistakably a move toward more urban livelihoods – is the movement out of agriculture among Zambian workers. Between 2008 and 2014, the share of all Zambian workers in agriculture fell from 71.4 percent to 48.9 percent.⁴³

The speed of this exodus out of agriculture – an average annual drop of 3.75 percent in agricultural share of employment over the six-year period – is almost unparalleled when considering other countries in the process of structural transformation. For purpose of comparison, Bangladesh and Cambodia, which like Zambia are Least Developed Countries (LDCs) witnessing fast-paced economic growth, have seen their share of workers in agriculture decline by an average annual rate of 1.5 percent and 2 percent, respectively. In Tanzania the figure is about 1 percent.⁴⁴

Part of the reason for the rapid movement of workers out of agriculture may be the fact that productivity in the sector has been increasing markedly, with an influx of experienced and well-capitalized farmers from South Africa and Zimbabwe, a growing cohort of medium-scale farmers with access to capital, and increases in foreign direct investment in agriculture.⁴⁵ The movement toward a more capital-intensive form of Zambian agriculture has boosted the sector's output, but has also perhaps decreased the demand for agricultural labor.

Where do the Zambian workers leaving agriculture wind up?

Employment trends in non-farm sectors offer several insights – some positive, some worrying. The informal economy – where jobs are more likely to be low-paid, low-productivity, insecure and unsafe – has seen most of the employment growth in non-farm sectors. In 2008, 66.2 percent of all non-farm jobs were informal, but by 2014 the figure had risen to 80.7 percent.⁴⁶

Among the sectors that have expanded the most rapidly since 2008 is informal community, social and personal services.⁴⁷ This catch-all term encapsulates many of the low-value-added service sector occupations that proliferate across the developing world, such as domestic work. By 2014, there were over 1.2 million people employed in these informal services, over

⁴³ Central Statistical Office, Zambia. Labor Force Survey 2008 and 2014. Accessed on April 20, 2016. <http://www.zamstats.gov.zm/report/Demo/2008%20Labourforce%20Survey%20Report.pdf> (Note: LFS 2014 is not available in the public domain and was made available separately to the authors.)

⁴⁴ World Development Indicators, World Bank Accessed April 20, 2016. <http://data.worldbank.org/data-catalog/world-development-indicators> (Note: For Bangladesh and Cambodia, timeframe is 2000 to 2010. For Tanzania, timeframe is 2006 to 2014.)

⁴⁵ 2015 Global Agricultural Productivity Report. Accessed on April 20, 2016. http://www.globalharvestinitiative.org/GAP/2015_GAP_Report.pdf

⁴⁶ Central Statistical Office, Zambia. Labor Force Survey 2008 and 2014. Accessed on April 20, 2016. <http://www.zamstats.gov.zm/report/Demo/2008%20Labourforce%20Survey%20Report.pdf> (Note: LFS 2014 is not available in the public domain and was made available separately to the authors.)

⁴⁷ The Labor Force Survey 2008 has ten sector classifications with 'Community, Social and Personal Services' being used as a catch-all category for various kinds of services. Since 2012, the Labor Force Survey has split these into nine new categories resulting in 21 sector categories. For purposes of comparison, the authors maintain the aggregated category in analysis of 2012 and 2014 trends.

1 million of whom were engaged in “activities of households as employer” – domestic work like cleaning, cooking, and gardening.⁴⁸ Many of those leaving farm work are staying home, toiling as unpaid family workers, while others are seeking informal jobs in the homes of others. The trend illustrates a lack of productive jobs available to those who leave the agricultural sector.

Other kinds of urban service sectors are among those where growth in employment has been rapid. Employment in the wholesale and retail trade sector expanded by 64 percent between 2008 and 2014 – from about 426,000 workers to nearly 700,000 (see **Table 2**). Logistics and hospitality also grew quickly: employment in the Transportation and Storage sector and the Hotels & Restaurants sector expanded by 60 percent and 72 percent, respectively. Manufacturing employment grew by 41 percent in the same period, but still employs only about 224,000 Zambians.

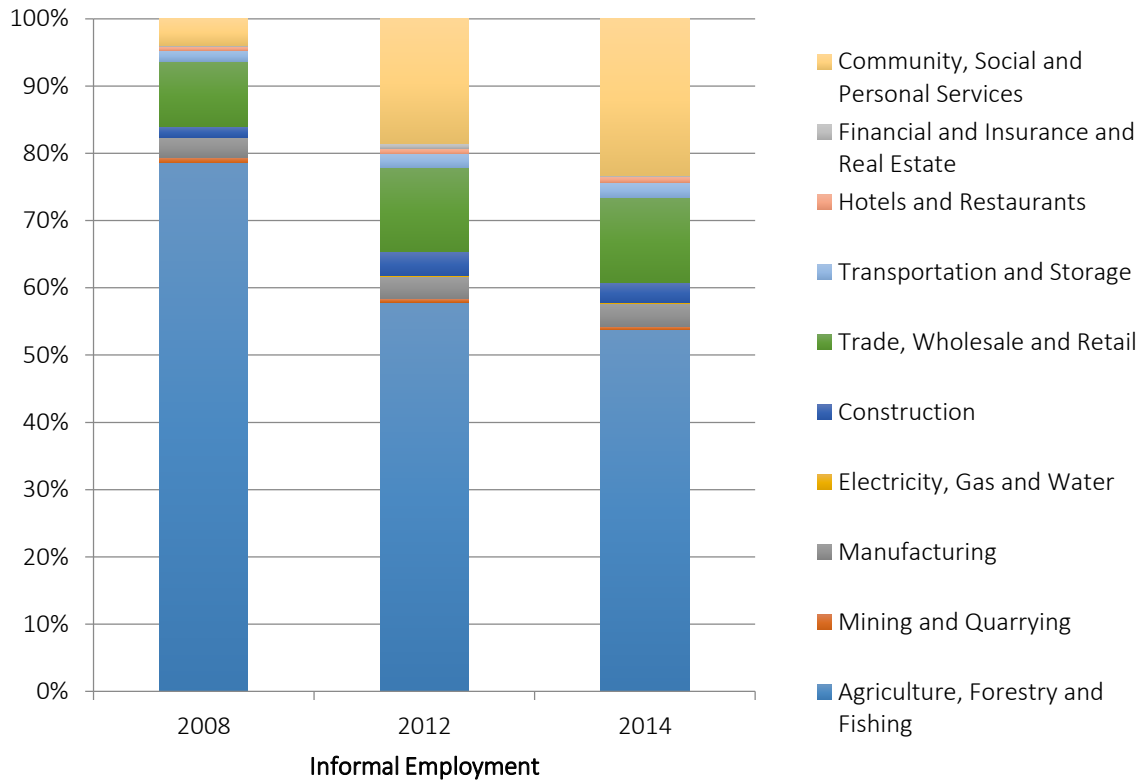
Despite the fact that most of this employment growth was informal, a few sectors maintained impressive formal employment growth. In hospitality and community, social, and personal services, formal employment grew by 58 percent and 44 percent, respectively, though absolute numbers remain small. The manufacturing sector saw significant growth in formal employment between 2008 and 2012, when it grew by almost 50 percent, though a slight contraction in formal manufacturing jobs occurred between 2012 and 2014 (see **Table 2**).

The construction sector is one of the bright spots in the labor market. Employment in construction expanded by 128 percent between 2008 and 2014, with formal jobs in construction more than doubling. The trend signals urban expansion as well as growing public investment in infrastructure.

Importantly, these employment figures predate the dramatic downturn in the Zambian economy. The rapid depreciation of Zambia’s currency and the energy crisis that are currently affecting the country may have the effect of reversing some of the positive trends in the labor market and exacerbating the worrying trends. For example, formal employment may be scaled back, compelling even more Zambian workers to take up jobs in the informal economy.

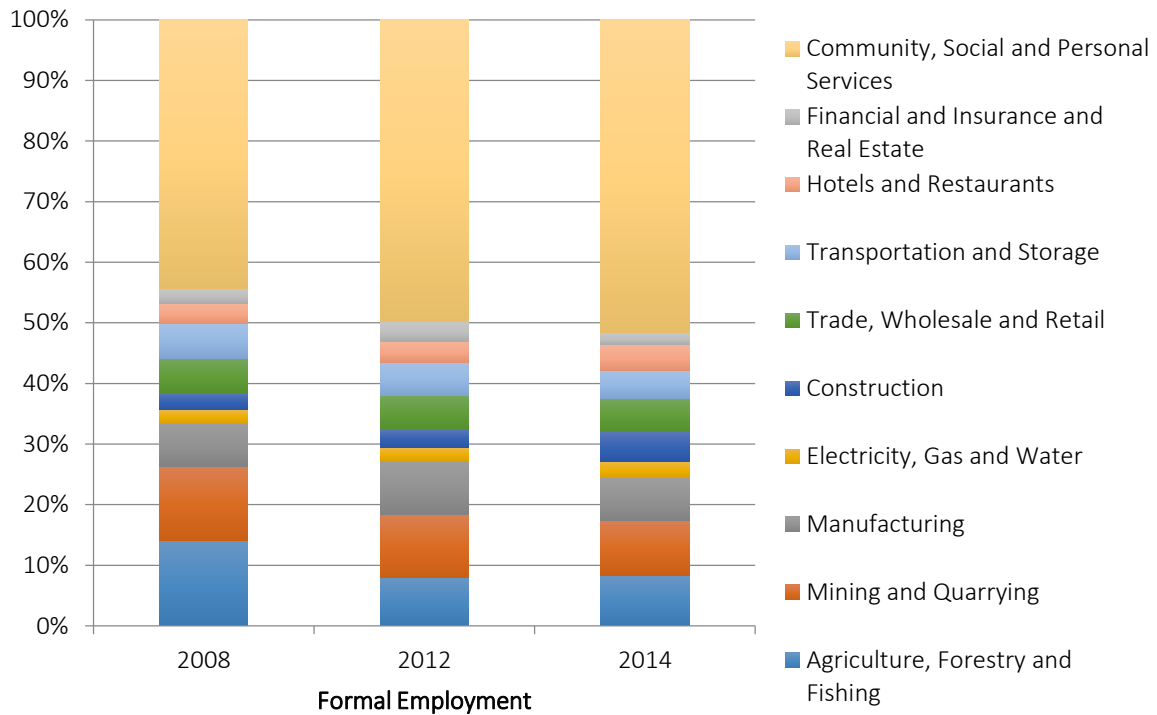
⁴⁸ Central Statistical Office, Zambia. Labor Force Survey 2014. (LFS 2014 is not yet available in the public domain.)

Figure 7. Composition of Informal Employment (2008, 2012, 2014)



Source: Labor Force Survey (2008, 2012, 2014)

Figure 8. Composition of Formal Employment (2008, 2012, 2014)



Source: Labor Force Survey (2008, 2012, 2014)

Table 2. Sector-Wise Employment – Formal, Informal and Total (2008, 2012, 2014)⁴⁹

Sector	Formal Employment ('000s)			Informal Employment ('000s)			Total Employment ('000s)		
	2008	2012	2014	2008	2012	2014	2008	2012	2014
Agriculture, Forestry and Fishing	72	50	52	3212	2821	2812	3284	2871	2864
Mining and Quarrying	62	65	57	31	23	25	93	88	82
Manufacturing	37	55	45	122	161	179	159	216	224
Electricity, Gas and Water	11	14	17	3	10	10	14	24	27
Construction	14	19	31	66	169	152	80	188	183
Trade, Wholesale and Retail	29	34	34	397	610	658	426	644	692
Transportation and Storage	29	34	29	65	103	123	94	137	152
Hotels and Restaurants	17	22	27	25	40	45	42	62	72
Financial, Insurance and Real Estate	13	21	13	6	35	10	19	56	23
Community, Social and Personal Services	226	311	325	161	902	1215	387	1213	1540

Source: Labor Force Survey (2008, 2012, 2014)

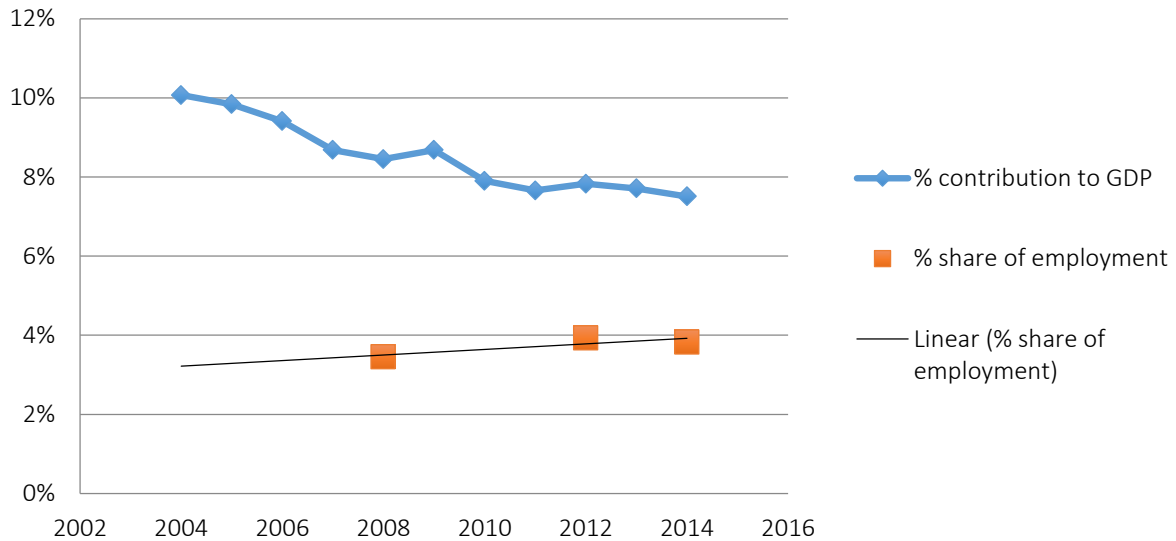
Growth: Employment vs GDP in urban sectors

The analysis of sector-wise employment growth must be accompanied by an examination of how sector-wise contribution to Zambia's Gross Domestic Product (GDP) is changing. Juxtaposing trends in sector-wise employment share and sector-wise GDP share can shed light on important questions: How productive are the new jobs that certain sectors are creating? How sustainable is job growth in particular sectors?

In Zambia, several sectors where urban jobs are concentrated and growing are in fact declining in terms of their contribution to Zambia's overall GDP. The manufacturing and trade sectors demonstrate this trend (see **Figures 9 and 10**). Both sectors still contribute more to GDP than to employment – meaning that productivity per worker is higher in both than in the overall economy. But as these sectors become more prominent in their contribution to employment – 26 percent of urban workers are now employed in either manufacturing or trade – they become less important in terms of their contribution to GDP.

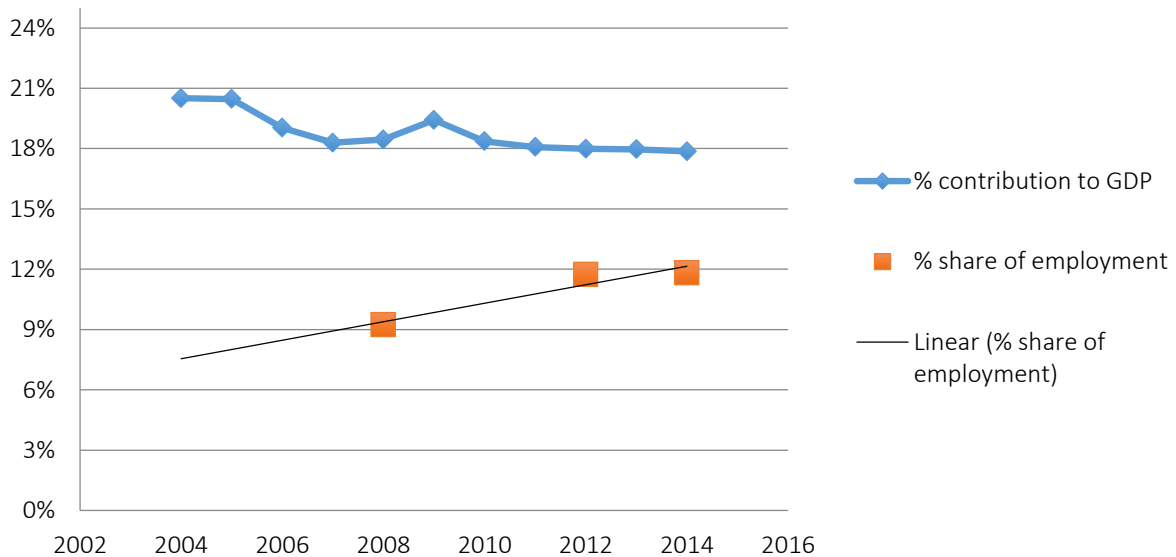
⁴⁹ The LFS 2008 defines informal and formal employment by combining the concepts of employment in informal/formal enterprises and informal/formal employment. In 2012 and 2014, the LFS separates informal/formal employment from employment in informal/formal enterprises, as is international best practice. This must be taken into account when assessing 2008 data against 2012 and 2014 data.

Figure 9. Manufacturing in Zambia: Share of Employment & GDP



Source: Central Statistical Office and Labor Force Survey (2008, 2012, 2014)

Figure 10. Wholesale and Retail Trade in Zambia: Share of Employment & GDP



Source: Central Statistical Office and Labor Force Survey (2008, 2012, 2014)

There are a few possible explanations for this trend. It may signal that productivity per worker is declining in these sectors, compelling firms to hire more employees. Another possibility is that productivity in these sectors is still rising as they absorb more workers, but growing more slowly than the overall economy. A final possibility is that these sectors are seeing rapid growth of micro and small enterprises that are still in their initial stages of growth; these enterprises may be employing significant numbers of people but may not be particularly productive or prolific in terms of their output. Given the Zambian government's strong emphasis on the formation of micro, small and medium enterprises (MSMEs), this is the most likely explanation.

In any case, the problem remains that, for any sector, a rising share of employment and a declining share of GDP is not a desirable trend. Unless their productivity and output grow alongside the overall economy, it is likely that firms in the manufacturing and trade sectors will eventually find themselves unable to absorb more workers. Moreover, workers in these sectors are unlikely to experience substantial wage growth as long as this trend persists. As long as workers are sharing low-productivity work, they will be unable to realize their full productive potential.

Firm-level investments, such as technology, or improvements in the business environment in which these firms operate, can improve productivity, facilitate upgrading, and ensure that the manufacturing and trade sectors continue to employ growing numbers of workers. So can skill development, in which the government has stepped up investment (See [Zambia's Current Approach to Job Creation](#)). This is particularly critical in the case of manufacturing, which is most often the backbone of job-rich urbanization.

Employment outcomes in urban Zambia

The sectoral shifts occurring in Zambia – that is, the movement out of agriculture into low-productivity and informal services in urban areas – are mirrored in the employment outcomes of urban workers.

Labor force participation, unemployment and underemployment⁵⁰

Labor force participation has generally increased across urban Zambia since 2008 – from 62.9 to 74.7 percent (see **Figure 11**). While it fell slightly in Lusaka Province between 2012 and 2014 – from 74.5 to 72.6 percent – it remains much higher than it was in 2008, when it stood at only 65.6 percent. The Copperbelt observed a similar trend of increasing labor force participation, while rural Zambia saw a relatively stable labor force participation rate, hovering around 80 percent.

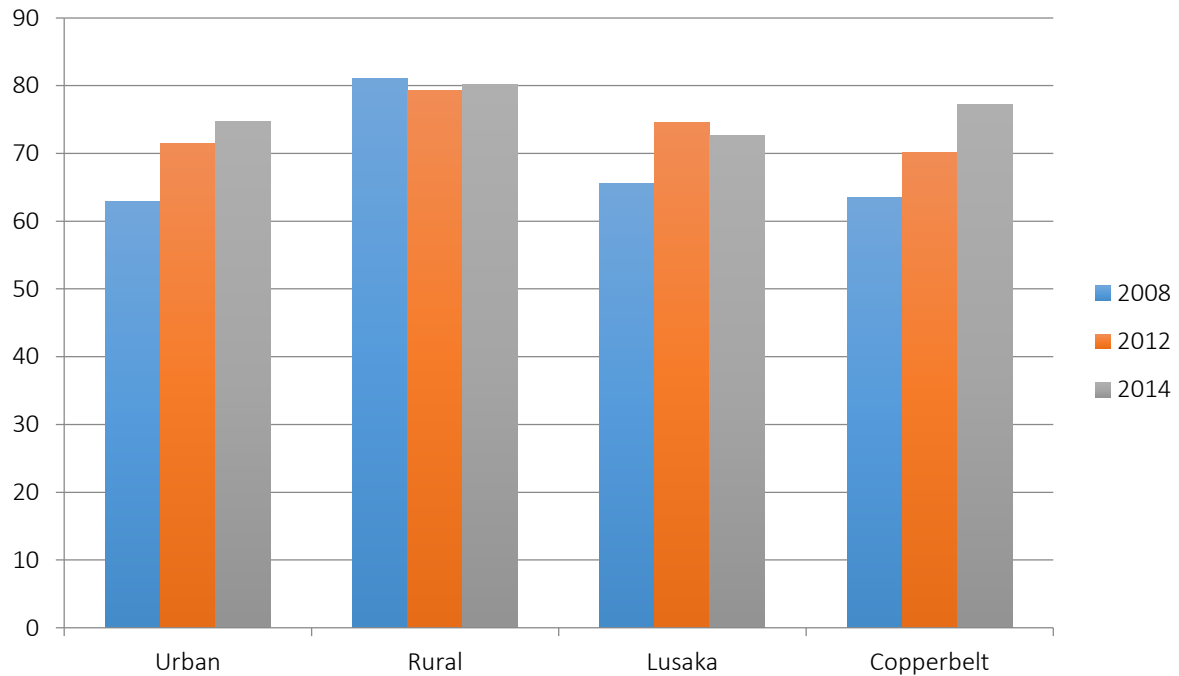
Despite an increasing proportion of urban dwellers participating in the workforce, urban unemployment has fallen – from 18.1 to 11.5 percent between 2008 and 2014 (see **Figure 12**) – a positive indication that the labor market is not only absorbing new entrants but also incorporating those who were previously out of work, even if through informal work.

Nevertheless, the upward trend in underemployment in urban areas – from 3.4 to 4.8 percent over the same time period – calls attention to a possible increase in low-productivity work (see **Figure 13**). Underemployment remains, however, far lower in urban Zambia than

⁵⁰ The Zambian government defines these terms accordingly: Labor force participation rate is the percentage of the population aged 15 and above that is either employed or looking for work. The unemployment rate is defined as the share of the labor force that is jobless but looking for employment. Underemployment is defined as a situation in which the number of working hours is insufficient in relation to an alternative employment situation in which the individual would be willing and able to work for more hours. The underemployment rate is the percentage of underemployed individuals as a share of all employed individuals. The reference period in labor force surveys is the previous seven days.

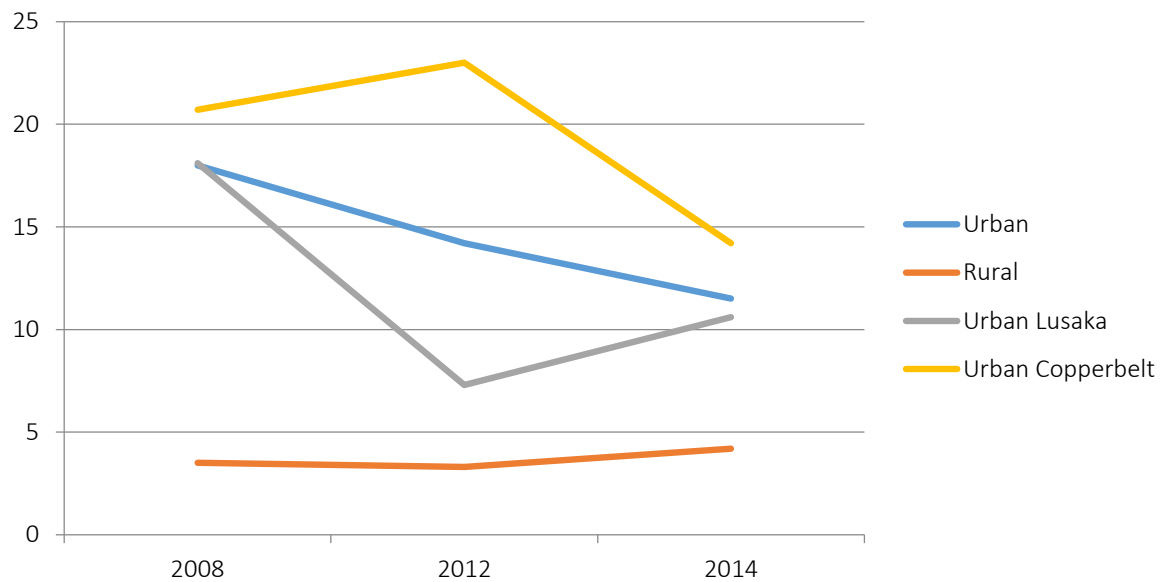
in rural areas, where seasonality of employment in agriculture contributes to a rate of nearly 11 percent.

Figure 11. Labor Force Participation (%) - Selected Geographies, Zambia



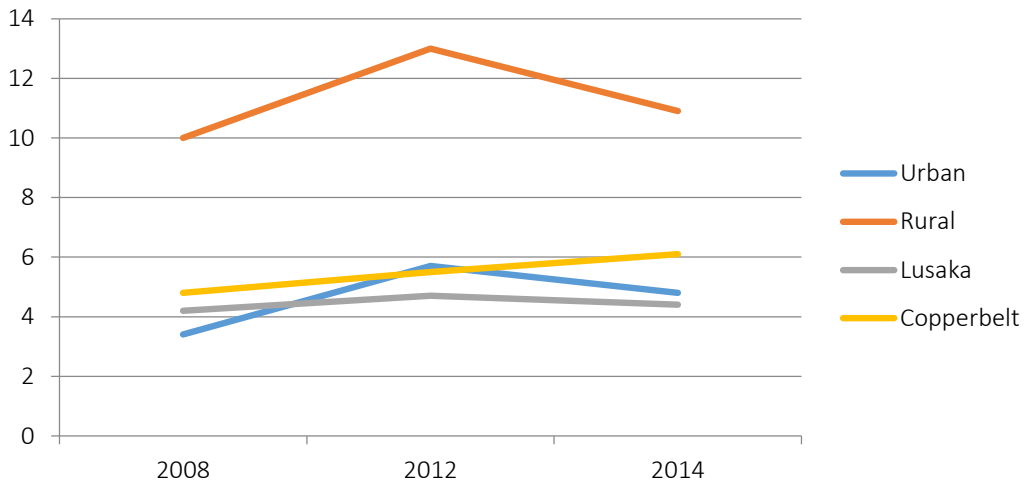
Source: Labor Force Survey (2008, 2012, 2014)

Figure 12. Unemployment Rate (%) - Selected Geographies, Zambia



Source: Labor Force Survey (2008, 2012, 2014)

Figure 13. Underemployment Rate (%) - Selected Geographies



Source: Labor Force Survey (2008, 2012, 2014)

Wages

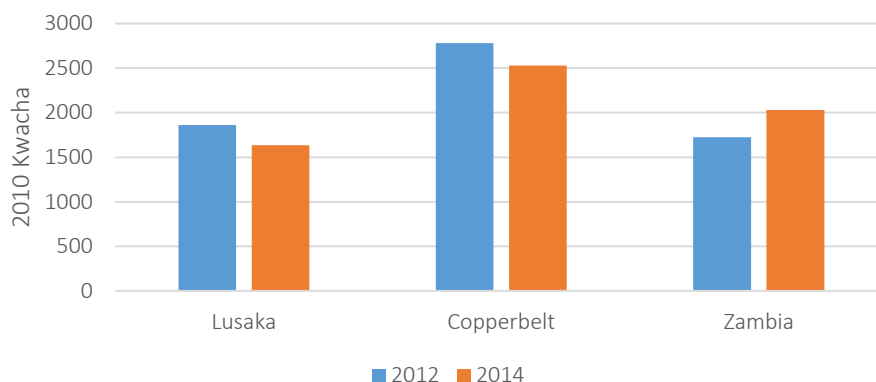
Trends in compensation tell a far less positive story. More workers are entering the labor market, and fewer find themselves unemployed, but the job outcomes they face call into question the type of urbanization Zambia is witnessing.

The most startling labor market trend in Zambia today is the decline in real wages in the country’s most urbanized provinces. In real terms, average monthly earnings among paid workers⁵¹ in both Lusaka and the Copperbelt declined between 2012 and 2014, though in Zambia overall real earnings rose (see **Figure 14**). This trend makes evident that the labor markets of the most urbanized regions of Zambia are underperforming relative the rest of the country.

While real wages among paid urban workers increased slightly at the national level – growing about 5.9 percent between 2012 and 2014 – the growth paled in comparison to that witnessed by rural paid workers, who saw their wages rise by 26.7 percent in the same period. Urban paid workers in Lusaka, the largest urban labor market in the country, saw a decline in their wages of about 17 percent between 2012 and 2014 in real terms.

⁵¹ In the context of compensation statistics, the Zambian Labor Force Survey includes apprentices and interns in the category of “paid worker.”

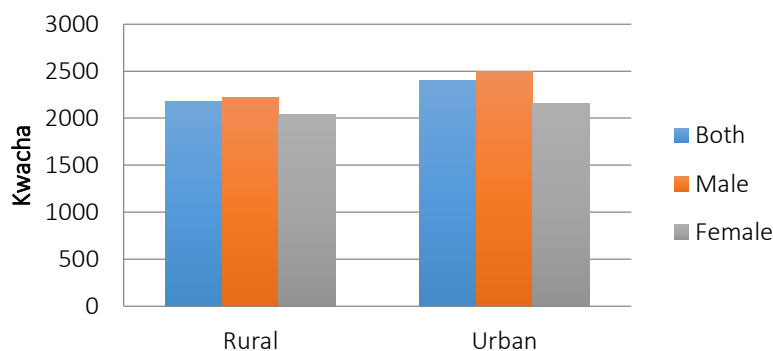
Figure 14. Real Monthly Earnings Among Paid Workers in Zambia - Selected Geographies



Source: Labor Force Survey (2012, 2014)⁵²

Pay differentials between rural and urban workers in Zambia are much smaller than would be anticipated in a country that is rapidly urbanizing. The difference between average monthly earnings among paid workers in rural and urban Zambia is only 10.6 percent – before taking into account the difference in cost of living (see **Figure 15**).⁵³ In India, another developing country experiencing rapid urbanization, the rural-urban wage differential is 25 percent – *after* taking into account the difference in cost of living.⁵⁴

Figure 15. Average Monthly Earnings Among Paid Workers in Zambia (2014)



Source: Labor Force Survey (2014)

The low earnings potential of urban workers becomes starker when examining the informal economy. As of 2014, rural informal paid workers were actually earning 13.5 percent more than their urban counterparts (see **Figure 16**). In considering this trend, however, one must bear in mind that a far greater percentage of rural workers are self-employed or unpaid

⁵² Consumer Price Index was used as the deflator to calculate real wages. The wages are expressed in terms of 2010 Kwacha.

⁵³ Central Statistical Office, Zambia. Labor Force Survey 2014. (LFS 2014 is yet not available in the public domain)

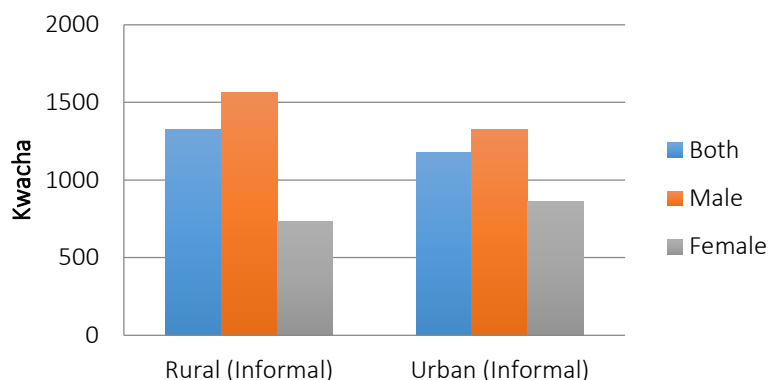
⁵⁴ Kaivan Munshi, Mark Rosenzweig. 2013. Networks and Misallocation: Insurance, Migration, and the Rural-Urban Wage gap. Accessed April 20, 2016.

http://www2.warwick.ac.uk/fac/soc/economics/intranet/calendar/munshi-rosenzweig_10_13.pdf

family workers – that is, not paid employees – so this statistic does not compare all informal rural workers to all informal urban workers.

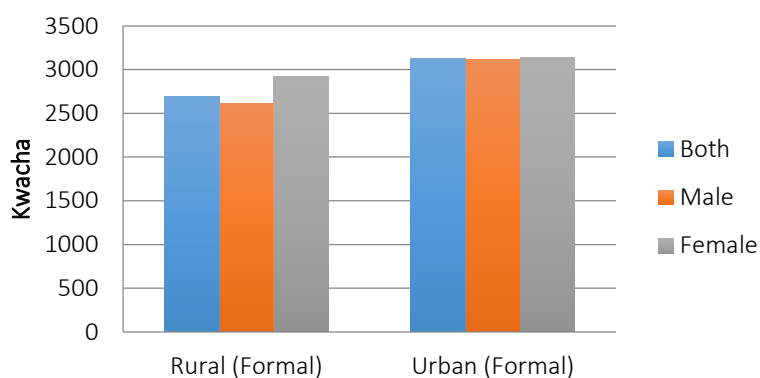
While the Copperbelt and Lusaka provinces host over 60 percent of paid employees in Zambia, the number of unpaid family workers is still growing faster in absolute terms than the number of paid workers in both provinces. Between 2008 and 2012 – a relatively positive period for the labor market – Lusaka’s workforce added roughly the same number of unpaid family workers as it did paid employees, and the Copperbelt’s workforce added 43 percent more unpaid family workers than paid employees.⁵⁵ These figures tell a different side of the same story, further evincing the fact that workers in the most urbanized provinces have few productive employment opportunities available to them.

Figure 16. Average Monthly Earnings Among Informal Paid Workers in Zambia (2014)



Source: Labor Force Survey (2014)

Figure 17. Average Monthly Earnings Among Formal Paid Workers in Zambia (2014)



Source: Labor Force Survey (2014)

One bright spot in wage trends is among public sector employees. Between 2008 and 2014, central government employees saw their wages rise 81.5 percent in real terms, and local

⁵⁵ Central Statistical Office, Zambia. Labor Force Survey 2008 and 2012. Accessed on April 20, 2016. <http://www.zamstats.gov.zm/nada/index.php/catalog/61>; <http://www.zamstats.gov.zm/nada/index.php/catalog/62>

government employees saw theirs grow by 76.1 percent. This wage growth was far more impressive than that among any other group of paid workers. However, the share of workers employed by the government is declining. Among all workers, it shrunk from 5.5 percent to 4.4 percent between 2008 and 2014. Among paid employees, the share shrunk from 30.7 percent to 19.7 percent in the same period.⁵⁶

These trends point to the severe lack of productive jobs in urban areas, outside the small, and shrinking, formal sector, which employs just over a quarter of urban Zambians.⁵⁷ The trend of declining real wages in urban Zambia could be driven by multiple factors. For one, Zambia's rapid pace of structural transformation – with an employment shift from agriculture to industry and services that is faster than in comparator countries – may be placing downward pressure on wages in urban sectors (see the earlier discussion of this phenomenon in [Lusaka will continue to dominate the urban landscape](#)). Another possibility is that rural areas are receiving greater government attention, while urban areas are suffering from poor infrastructure and underinvestment (see [Zambia's Current Approach to Job Creation: A rural bias?](#)); this may be constricting the productivity, and therefore wages, of urban jobs.

Comparing urban regions

An urban worker's likelihood of finding employment, and the type of employment s/he will find, depends on the region in which s/he resides. The country hosts two heavily urbanized provinces – Lusaka and the Copperbelt – both with an urbanization rate above 80 percent.⁵⁸

Economic fortunes in these two provinces do not always align, given the different structures of their economic output and labor markets. For example, while urban unemployment in the Copperbelt grew between 2008 and 2012 and fell between 2012 and 2014, the inverse trend was observed in Lusaka (see **Figure 12**). In 2012, the Copperbelt was suffering from 23 percent urban unemployment, whereas Lusaka's urban unemployment rate stood at just 7 percent.

Partly, the difference in employment outcomes between Lusaka and the Copperbelt stems from the sectoral composition of their economies. The economy in the Copperbelt – shaped by large-scale investment in the mining sector – is driven more by global factors, like the demand for copper exports. Though its workers find themselves more vulnerable to the boom-bust cycle of the mining industry, they also earn more. As of 2014, average monthly earnings among paid workers in the Copperbelt were 24 percent higher than the national average. Surprisingly, given that it contains the country's capital and largest city, paid workers in Lusaka province were earning about 20 percent less than the national average (see **Figure 18**).

⁵⁶ Central Statistical Office, Zambia. Labor Force Survey 2008 and 2014.

<http://www.zamstats.gov.zm/nada/index.php/catalog/61>; LFS 2014 is yet not available in the public domain.

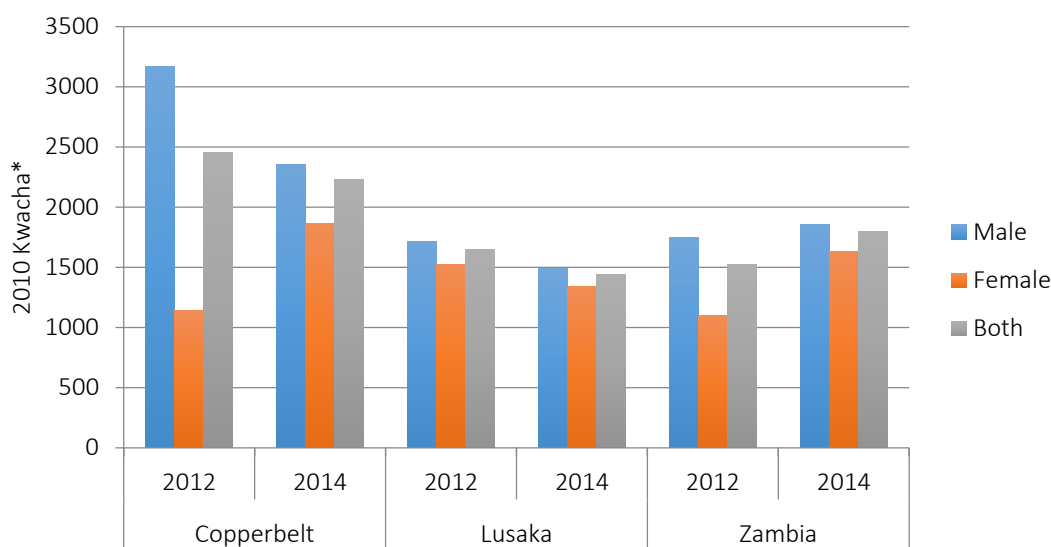
⁵⁷ Central Statistical Office, Zambia. Labor Force Survey 2014. (LFS 2014 is yet not available in the public domain)

⁵⁸ Population and Housing Census, Zambia 2011-2035. Accessed April 20, 2016.

<http://zambia.opendataforafrica.org/ZMPHC2015/population-and-housing-census-of-zambia-2011-2035>

The distribution of employment across industries suggests greater diversification in Lusaka, however. The share of workers in key urban sectors – construction, hospitality and logistics – is nearly double in Lusaka compared to the share in the Copperbelt.⁵⁹ This is part of the reason for Lusaka’s lower unemployment – a diverse informal economy that has the capacity to absorb more workers. Lusaka’s labor market also exhibits a smaller gender wage gap. Men in the Copperbelt earn 26 percent more than women, whereas in Lusaka the figure stands at 11 percent (see **Figure 18**).

Figure 18. Average Monthly Earnings Among Paid Workers in Copperbelt and Lusaka, Male and Female (Real Terms, 2010 Prices)



Source: Central Statistical Office, Zambia. Labor Force Survey 2012, 2014.

*To show earnings in constant prices, the currency has been deflated to 2010 Kwacha. However, the figures reflect the Kwacha in its re-based, post-2013 form.

Zambia’s Current Approach to Job Creation: A rural bias?

Job creation is already high on the list of priorities for the Zambian government. The policy framework in place to achieve sustained job growth has three distinguishing features: (1) it emphasizes the formation and growth of micro, small and medium enterprises; (2) it seeks to promote diversification and higher-value-added activities; and (3) it places emphasis on rural areas of the country.

The country’s policies supporting MSMEs are seen as a way to bolster youth employment, reduce poverty and enhance the MSME contribution to GDP – as approximately 88 percent of the Zambian workforce is employed in informal MSMEs.⁶⁰ Promotion of entrepreneurship is the linchpin of these policies – with incubation programs, technology innovation schemes, and even SME universities planned. An Upstream and Downstream Industries Collaborative

⁵⁹ Central Statistical Office, Zambia. Labor Force Survey 2014. (LFS 2014 is yet not available in the public domain)

⁶⁰ Zambia Business Survey. 2010. The Profile and Productivity of Zambian Businesses. Accessed April 20, 2016, http://siteresources.worldbank.org/INTZAMBIA/Resources/The_Profile_and_Productivity_of_Zambian_Businesses.pdf

will seek to develop SMEs in the manufacturing sector by establishing supply chains and subcontracting networks between SMEs and large enterprises. And the Go Global Initiative seeks to enhance the ability of SMEs to export their products internationally through a comprehensive support package and preferential low interest loans.⁶¹

Linking these MSMEs to supply chains to stimulate upgrading is one way Zambia seeks to promote higher-value-added activities, diversify its non-agricultural economy and reduce dependence on the volatile mining sector. Manufacturing, particularly agro-processing, construction, and tourism are the purported priority sectors. In the government's vision, Multi-Facility Economic Zones (MFEZs) – similar to “special economic zones” – will be the nodes through which supply chains are built.⁶² It has also sought to encourage more innovation and technological advancement by modernizing the country's intellectual property laws.

The current MSME and industrial policies carry a strong emphasis on developing rural Zambia. The Revised Sixth National Development Plan (2013-16) “focuses on public capital investments that have a bias to rural development.”⁶³ Moreover, the youth employment policy defines the country's overarching “framework for growth and employment expansion” as a “rural industrialization strategy.”⁶⁴ Ninety percent of the funds allocated to the industrial clusters program are restricted to rural areas.⁶⁵ Skill development policies have also favored rural Zambia in recent years; between 2008 and 2014, skilled workers as a share of all employed rural workers jumped from 3.2 to 16.9 percent, while in urban areas the rise was minimal by comparison – from 17.5 to 20.9 percent.⁶⁶ Moreover, the national development plan directs national savings and credit banks to prioritize lending to rural entrepreneurs.⁶⁷

⁶¹ Government of Zambia. 2014. Small and Medium Enterprise Development Strategy (DRAFT). (Note: This document was provided privately to the authors and is not available in the public domain.)

⁶² Zambia's Multi-Facility Economic Zones policy was introduced in 2005 and the zones were declared in 2007. According to the government, the MFEZs are special industrial zones for both export-oriented and domestic-oriented industries, though most are funded through public-private partnerships with foreign companies. The government claims that they blend the best features of the free trade zones, export processing zones, and industrial parks. The main offering to companies is a zero tax rate on profits and dividends and zero import tariffs on raw materials, capital goods and machinery for the first five years. (Source: <http://www.mcti.gov.zm/index.php/investing-in-zambia/multifacility-economic-zones>;

<http://www.zda.org.zm/?q=content/multi-facility-economic-zone-mfez>)

⁶³ The Revised Sixth National Development Plan (2013-16) Accessed on April 20, 2016.

[http://www.gwp.org/Global/Activities/Impact Stories/Supporting documents/Revised Sixth National Development Plan.pdf](http://www.gwp.org/Global/Activities/Impact%20Stories/Supporting%20documents/Revised%20Sixth%20National%20Development%20Plan.pdf)

⁶⁴ Ministry of Youth and Sport, Government of Zambia. 2015. Action Plan for Youth Empowerment and Employment. Accessed on April 20, 2016.

[http://www.mofnp.gov.zm/jdownloads/Policy%20Documents/2015%20NATIONAL%20YOUTH%20POLICY%20AND%20ACTION%20PLAN/action plan for youth empowerment and employment.pdf](http://www.mofnp.gov.zm/jdownloads/Policy%20Documents/2015%20NATIONAL%20YOUTH%20POLICY%20AND%20ACTION%20PLAN/action_plan_for_youth_empowerment_and_employment.pdf)

⁶⁵ Ministerial Statement on the Status of the Industrial Clusters Development Programme. March 2015. Accessed April 20, 2016.

[http://www.parliament.gov.zm/sites/default/files/images/publication_docs/Ministerial%20Statement%20-%20Cluster%20development%20\(Final%20-%20A5%20version\).pdf](http://www.parliament.gov.zm/sites/default/files/images/publication_docs/Ministerial%20Statement%20-%20Cluster%20development%20(Final%20-%20A5%20version).pdf)

⁶⁶ Central Statistical Office, Zambia. Labor Force Survey 2008 and 2014. Accessed on April 20, 2016.

<http://www.zamstats.gov.zm/report/Demo/2008%20Labourforce%20Survey%20Report.pdf> (Note: LFS 2014 is not available in the public domain and was made available separately to the authors.)

⁶⁷ The Revised Sixth National Development Plan (2013-16) Accessed on April 20, 2016.

<http://www.gwp.org/Global/Activities/Impact%20Stories/Supporting%20documents/Revised%20Sixth%20National%20Development%20Plan.pdf>

The Zambian government's job creation initiatives are, for the most part, grounded in a sound approach. Supporting MSMEs, fostering a move up the value chain, emphasizing agro-processing as a bridge between agriculture and manufacturing, and focusing on exports are all appropriate strategies for employing the country's growing working age population. In some priority areas, significant progress has been made – for example, in the development of rural clusters.

In some cases, however, there is a disconnect between the ambitious plans put forward in policy documents and the situation on the ground. In the case of MFEZs, for example, job creation is one of the stated aims of these special zones. But only about 10,000 jobs have been created in the six MFEZs declared in 2007, and over 80 percent of those jobs are in just one of the zones.⁶⁸ Another issue raised by the Zambia Institute for Policy Analysis and Research (ZIPAR) in a recent report is the fact that MSME policies are designed primarily to support small- and medium-sized enterprises, lacking a framework that can realistically support the needs of micro-enterprises and self-employed entrepreneurs – the source of employment for 44 percent of Zambian workers.⁶⁹

The rural bias in job creation strategies also requires deeper reflection among policymakers. While developing Zambia's rural areas is important to ensure equity in economic development, the government should avoid prioritizing rural areas at the expense of its urban regions. The fact that paid worker earnings in Zambia's biggest urban economies are declining (see **Figure 14**) while rural wages are growing should motivate a rebalancing of the geographic emphasis in job creation policies. If leaders in Zambia mistake urban as a proxy for economic prosperity, then the trend of worsening employment outcomes in Zambian cities will continue.

Moreover, given the resource crunch facing the Zambian government in the context of the declining value of the Kwacha, it is worth considering that urban areas – due to their agglomeration effects and internal economies of scale – are more efficient job creators in non-agricultural sectors than are rural areas. The impact of smart investment in labor-intensive sectors is greater in urban areas, since city-based enterprises have the built-in benefits of connectivity, a bigger labor market, and inter-firm learning or “knowledge spillovers.” Furthermore, it is easier in cities, logistically and financially, to deliver other kinds of productivity-enhancing public services – such as electricity and transportation – that enable firms to thrive. Geographic dispersion, meanwhile, comes with extra costs of production and trade, for the firm and for the government services supporting it.⁷⁰

⁶⁸ Email correspondence with Zambia Development Authority, 22 March 2016.

⁶⁹ ZIPAR. 2015. Unexploited Potential: A critical review of policies supporting the self employed in Zambia. Accessed on April 20, 2016. http://www.zipar.org.zm/index.php?option=com_docman&view=download&alias=50-unexploited-potential-a-critical-review-of-policies-supporting-the-self-employed-in-zambia&category_slug=flagship-documents&Itemid=120

⁷⁰ Ivan Turok. 2014. Linking Urbanization and Development in Africa's economic revival. Accessed April 20, 2016. https://www.researchgate.net/profile/Ivan_Turok/publication/262802198_Linking_urbanisation_and_development_in_Africa's_economic_revival/links/00b49538e29f888904000000.pdf?origin=publication_list

The strong potential for Zambia's cities to be centers of productive employment creation is evinced by the difference in earnings between Zambia's urban and rural firms. While 70 percent of MSMEs in Zambia have reported sales of less than 500 Kwachas per month, 76 percent of microenterprises in Zambia's major cities have monthly sales of greater than 2,000 Kwachas.⁷¹ However, the lack of a coherent, jobs-focused policy framework for Zambia's cities means their potential to create productive employment is circumscribed.

Without neglecting the importance of equitable development across the entire country, Zambian policymakers should recognize that their industrial policies must harness the benefits of urban economies in order to maximize good job creation and growth.

Managing Urbanization for More and Better Jobs: A Policy Framework

Zambia requires a new way of managing urbanization in order to promote the creation of more and better employment in its cities and meet the growing demand for urban jobs – 2.8 million over the next two decades. This new policy framework must accelerate positive trends, like the decline in urban unemployment, and reverse worrisome trends, like the decline in real earnings in both the country's major urban regions.

This section first outlines three core principles that must guide the thinking of policymakers as they evaluate strategies for promoting job-rich urbanization in Zambia. These principles grow out of lessons learned by urban planners and policymakers around the globe over the last half-century, but they are tailored to the challenges that Zambia currently confronts.

The policy recommendations that follow are not an exhaustive list of all the reforms that must be introduced; rather, they represent concrete examples of how an approach based on these principles could manifest in specific policies, taking into account Zambia's particular challenges and opportunities.

1. Zambia must focus on managing existing urban systems, rather than trying to create them anew.

Like many countries in the emerging world, Zambian policymakers have often made the mistake of envisioning and executing master plans that are divorced from the realities of how Zambia's urban citizens live and work and how its urban economies function.^{72,73} The result in many cases is that municipal planning acts as an impediment to, rather than a facilitator of, a better functioning urban labor market.

⁷¹ Kedia Shah. 2012. The Informal Sector in Zambia: Can it Disappear? Should it Disappear? Accessed April 21, 2016, <http://www.theigc.org/wp-content/uploads/2014/09/Kedia-Shah-2012-Working-Paper.pdf> (Note: These figures have been adjusted from the original source according to the rebasing of the Kwacha in 2013.)

⁷² Wilma Nchito. 2006. An Analysis of the location of markets in Lusaka. Accessed April 20, 2016. http://www.isocarp.net/Data/case_studies/816.pdf

⁷³ Deborah Potts, 2007. The State and the Informal in Sub-Saharan African Urban Economies: Revisiting Debates on Dualism. London School of Economics, Crisis States Research Centre, Working Paper No. 18.

The alternative approach is to take stock of existing urban systems – such as informal settlements and informal systems for trading and selling goods and services – and determine the ways in which the state can make those systems operate better: more efficiently, more safely, and with better outcomes for the involved stakeholders. By engaging with these systems, government agencies also create inroads that can be utilized to encourage and incentivize formalization.

What does this principle mean in practice? It could mean, for example, a focus on revitalizing and diversifying the Copperbelt – Zambia’s historic industrial belt – rather than building a brand new economic corridor for industrial production. Or it may mean placing equal emphasis on upgrading informal settlements as on stimulating the growth of new real estate developments.

This approach is more practical, and it’s also more cost-effective than the types of greenfield infrastructure investments that seek to remake cities completely – a primary concern for Zambia as it likely faces severe fiscal constraints for years to come.

2. Zambian cities must enable businesses – particularly micro, small and medium enterprises (MSMEs) – to expand, increase productivity, and (eventually) enter the formal economy.

Current policies in Zambia emphasize the formation and growth of MSMEs in order to spur job creation – particularly for youth.⁷⁴ But urban firms, and particularly the small, informal enterprises that are formed through policies that promote entrepreneurship and microfinance, face a built environment and urban policy framework that is not conducive to their growth and prosperity.

A range of policy interventions at the urban scale is required to enable businesses, especially MSMEs, to expand and become more efficient. For example, improving firms’ access to productivity-enhancing services like piped water and electricity and upgrading the infrastructure at urban markets would be good initial steps.

Beyond giving firms more of the tools necessary to grow and be productive, the policy framework for urban enterprises must include pathways to formalization. While it is impractical to imagine that the vast and growing informal economy in urban Zambia can be rapidly formalized, it is crucial to create incentives for firms to become formal over time. This will ensure that (a) tax revenues support the growing infrastructure needs in Zambian cities in the long run, and (b) the quality of jobs in the urban labor market steadily improves.

3. Urban planning and infrastructure investment must focus on strengthening the links among firms and between firms and consumers.

⁷⁴ The Micro, Small and Medium Enterprise Development Policy, 2008. Accessed April 20, 2016. www.zda.org.zm/?q=download/file/fid/72

Beyond giving urban firms more tools to grow and prosper, Zambia's investments in cities and beyond must advance the goal of strengthening the links within local, provincial, national and international supply chains. Rail and road infrastructure projects must take into account the needs of micro, small and medium enterprises – especially those in labor-intensive sectors like agro-processing, textiles, and wood products. Zambian businesses need not only government support in traditional forms – training and low-cost finance – but require a broader enabling environment that can help them connect with one another and with larger foreign enterprises.

This is particularly crucial to ensuring that foreign investment entering Zambia is leveraged not purely for the export of raw commodities, such as copper, but is embedded in economic relationships with Zambian firms. Once those inter-firm webs are woven, investment is more likely to remain in Zambia, preventing enclave economies or other arrangements not beneficial for the country.

Policy Recommendations

With these three core principles as a guiding framework, Zambian policymakers have before them concrete and actionable steps that can be taken to promote the job-creating functions of the country's urban areas.

- **Bolster efforts to recognize and upgrade informal settlements.**

Governance of informal settlements is generally relegated to policy frameworks that deal specifically with urban housing. In reality, informal settlements are not only the place of residence for over 70 percent of Zambia's urban residents; they are also centers of economic activity and employment⁷⁵ – representing a physical home for the vast informal urban economy, which employs 72 percent of the country's urban workforce.⁷⁶

Currently, the efficiency and productivity of businesses operating in informal settlements is stifled by several factors: poor connectivity to markets; lack of willingness to invest in better facilities and technology due to insecurity of tenure; and limited scale of operations owing to lack of space.⁷⁷ While forward-thinking proposals are on the table to enhance access of small businesses to Zambia's Multi-Facility Economic Zones (MFEZs),⁷⁸ the reality is that the vast majority of urban MSMEs will continue to operate out of informal settlements for the foreseeable

⁷⁵ Urban Habitat: Zambia, Published on August 26, 2014. Accessed April 20, 2016. <https://www.wm-urban-habitat.org/eng/zambia/>

⁷⁶ Urban Employment in the informal sector/Urban labor force. Central Statistical Office, Zambia. Labor Force Survey 2014. (LFS 2014 is not yet available in the public domain.)

⁷⁷ Jain, Chileshe, Muwowo, Lupiya. 2016. Perceptions of Customary Land Tenure Security in Western Province of Zambia. Accessed April 20, 2016. <http://redfame.com/journal/index.php/ijsss/article/view/1264>;

Zambia Business Survey. 2010. The profile and productivity of businesses in Zambia. Accessed April 20, 2016. <http://documents.worldbank.org/curated/en/2010/06/16362605/zambia-zambia-business-survey-vol-1-5-profile-productivity-zambian-businesses>

⁷⁸ For example, the Lusaka South MFEZ plans to set up an SME Fund, SME Credit Guarantee Initiative, and SME Tax Incentives Package, as per its Small and Medium Enterprise Development Strategy.

future. If Zambian policymakers hope that MSMEs – led by a government emphasis on entrepreneurship – can sustain job creation, they must address the built environment issues faced by such businesses.

Many of the issues that small, informal enterprises in urban areas face can be tackled by a more progressive and proactive approach to upgrading informal settlements. First of all, giving security of tenure to business-owners in informal settlements will encourage them to invest in their enterprises. Lack of security of tenure creates a disincentive for business-owners in informal settlements to make productivity-enhancing investments in their enterprises. As Rikke Brandt Broegaard has pointed out, “unreliable property titles provide no guarantee that investors will reap the benefits of their efforts.”⁷⁹ Evidence from Belize, Brazil, China, Thailand, and Turkey suggests that *de jure* security of tenure provides collateral for accessing credit, which can be used to upgrade physical structures or invest in enterprises housed in those structures.^{80,81,82} Over half of urban MSMEs in Zambia report that access to finance is a serious obstacle – making it the most common problem in the sector.⁸³

Beyond security of tenure, other forms of investment that governments can make in informal settlements also serve to promote the urban livelihoods they house. Improvements in basic infrastructure like roads can dramatically reduce the cost for firms to move their goods from workshops based in informal settlements to the urban markets where they sell to consumers – enabling higher profit margins and more capital to invest in workers and productivity enhancements.⁸⁴ About a quarter of urban MSMEs currently report that transportation is a serious obstacle.⁸⁵

Enhancing access to electricity will have obvious benefits for enterprises based in informal settlements. Currently, only 24 percent of urban MSMEs have access to electricity. Zambian policymakers cannot expect MSMEs to be the backbone of the country’s industrialization strategy without providing basic services in the localities where most MSMEs operate.

⁷⁹ Rikke Brandt Broegaard. 2013. Biting the barefoot: Land titles and tenure security in the context of inequality. Danish Institute for International Studies. Accessed April 20, 2016.

https://www.diis.dk/files/media/publications/import/rp2013-32_land-titles_rikke-b-broegaard_web.pdf

⁸⁰ Payne and Quan. 2008. Secure land rights for all. Accessed April 20, 2016.

<https://www.responsibleagroinvestment.org/sites/responsibleagroinvestment.org/files/Secure%20land%20rights%20for%20all-UN%20HABITAT.pdf>

⁸¹ Deininger et al. 2006. Legal Knowledge and economic development: The case of land rights in Uganda. Accessed April 20, 2016. <http://web.worldbank.org/archive/website01066/WEB/IMAGES/WPS3868.TXT>

⁸² Doug Saunders. 2012. *Arrival City: How the Largest Migration in History is Reshaping Our World* (New York: Vintage Books), 161-197.

⁸³ World Bank Enterprise Surveys. Accessed April 20, 2016. <http://www.enterprisesurveys.org/>

⁸⁴ Zambia Business Survey. 2013. The business landscape for MSMEs and large enterprises in Zambia. Accessed April 20, 2016. <http://documents.worldbank.org/curated/en/2010/06/16362608/zambia-zambia-business-survey-vol-3-5-business-landscape-msmes-large-enterprises-zambia>

⁸⁵ World Bank Enterprise Surveys. Accessed April 20, 2016. <http://www.enterprisesurveys.org/>

Government policy in Zambia, unlike in many other developing countries, has generally not been antagonistic toward informal settlements.⁸⁶ A process is in place for declaring informal settlements “Improvement Areas,” but only if they satisfy a long list of criteria, meaning that many settlements – particularly newer ones – are still unrecognized. Those who live in Improvement Areas supposedly have the right to 30-year occupancy leases, but implementation of this provision is variable, and as of 2002, only 12 percent of those living in informal settlements had a legal claim to the land on which they were living.⁸⁷ Other kinds of infrastructure upgrading that Improvement Areas are entitled to has also been slow and mired in lengthy bureaucratic procedures. In other words, despite a friendly policy toward informal settlements on paper, the Zambian government largely has failed to deliver meaningful change for the residents and enterprises of these urban neighborhoods. An updated, streamlined policy, together with the full force of all the involved ministries and departments, is required for effective upgrading.

Expanding security of tenure and providing basic services to informal settlements also carries another potential benefit: putting informal enterprises on the path to formalization. Once enterprises in informal settlements are given formal access to land, water, and electricity, local government is empowered to collect revenue in the form of lease payments and electricity and water bills. By pulling informal businesses out of the shadows, the next step to formalization – registering the firm and collecting information on its earnings and employees – comes within reach. This process can be undertaken carefully and incrementally, to ensure that the incentives to be formal continue to outweigh the burdens.

Those pathways to formalization can also open up channels to implement active labor market policies, such as skills training programs or unemployment benefit schemes. Many countries in Latin America and the Caribbean have successfully formalized small firms by introducing special social security schemes for certain segments of workers, companies or sectors – targeting own-account workers, contributing family workers, and MSMEs.⁸⁸ Upgrading of informal settlements enhances the ability for such formalization schemes and active labor market policies to reach the targeted group of firms and workers.

Finally, the process of upgrading can itself act as a source of employment. Global best practices around informal settlement upgrading emphasize the importance of community involvement and participation.⁸⁹ Construction and related activities

⁸⁶ UN Habitat. 2012. Zambia Urban Housing Sector Profile. Accessed April 20, 2016.

<http://unhabitat.org/books/zambia-urban-housing-sector-profile/>

⁸⁷ The World Bank. 2002. Country Assessment Report: Zambia. Accessed April 20, 2016.

<http://web.mit.edu/urbanupgrading/upgrading/case-examples/overview-africa/country-assessments/reports/Zambia-report.html>

⁸⁸ International Labour Organization. 2014. Policies for the formalization of micro and small enterprises. Accessed on April 21, 2016, http://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/documents/publication/wcms_318208.pdf

⁸⁹ David Jordhus-Lier, Pamela Tsolekile de Wet. March 2013. City Approaches to Upgrading of Informal Settlements. Accessed April 20, 2016.

associated with infrastructure upgrading can source the necessary labor from the communities themselves –not only fostering a sense of ownership in informal settlements for the new public assets but also creating direct livelihood opportunities.

BOX 2

Bolster efforts to recognize and upgrade informal settlements

Action Plan

1. Simplify the process for declaring unrecognized urban neighborhoods as Improvement Areas – which are legally entitled to occupancy leases and upgrading – by reducing the number of criteria involved (e.g. removing the stipulation that the settlement must have existed prior to 1974).
2. Streamline the process for upgrading by establishing a special informal settlements upgrading committee – building on the inter-ministerial committee convened to intervene in informal settlements in mining areas⁹⁰ – that has authorization to act on behalf of all the ministries and departments that carry out functions related to upgrading.
3. In the processes of settlement upgrading, source construction labor from the locality in order to create direct employment and enhance community participation and buy-in.
4. In city zonal plans, declare 2-3 newly upgraded informal settlements in each city “mixed-use zones” – legally open to both residential and commercial land use.⁹¹ Utilize these settlements as a policy experiment to examine the social and economic benefits of mixed-use development in Zambian cities.

- **Extend cluster-based industrial policy to urban areas and upgrade urban markets**

While the mining sector, and in particular copper exports, have long driven the Zambian economy – with the majority of Zambians employed in agriculture – the manufacturing sector holds the key to formal economy job creation in Zambian cities. Because the sort of manufacturing undertaken in countries like Zambia is inherently

http://www.chance2sustain.eu/fileadmin/Website/Dokumente/Dokumente/Publications/pub_2013/C2S_PB_N o10_WP3_City_Approaches_to_the_Upgrading_of_Informal_Settlements.pdf

⁹⁰ Parliamentary Monitoring Group. 2015. Inter-Ministerial Committee on eradicating informal settlements in mining areas: Department of Human Settlements update, Limpopo Oversight Report. Accessed April 21, 2016, <https://pmg.org.za/committee-meeting/20461/>

⁹¹ Mixed use development involves blending of residential, commercial, institutional or industrial uses, where these are functionally integrated and provide pedestrian connections. Some initial studies suggest that promoting these forms of development has significant economic benefits for local businesses (see, for example, [World Resources Institute](#)). Given the fact that they already integrate residential and commercial activities, informal settlements in developing countries – if upgraded and well integrated with the rest of the urban fabric – have the potential to function as mixed-use neighborhoods that bring social and economic value to the city as a whole.

labor-intensive – concentrated in sectors like agro-processing, textiles, and wood products – the sector is crucial to non-farm employment generation. A growing share of Zambians work in manufacturing, though the figure stands at only 3.8 percent.⁹²

The trade sector has also emerged as a key employer for urban Zambians. About 12 percent of all Zambians and 20.4 percent of urban Zambians are involved in wholesale and retail trade.⁹³

As in many economies at the beginning of structural transformation, manufacturing and trading activities in Zambia are still dominated by micro, small and medium enterprises.⁹⁴ Successful emerging economies, including those that have managed to attract large-scale foreign investment, have all promoted the growth of MSMEs – partly because those firms form a supportive infrastructure for large firms by providing inputs and intermediate goods.⁹⁵ Any job creation strategy, therefore, involves supporting MSMEs, particularly in trade and manufacturing.

But these sectors have another common feature in Zambia. Both host a rising share of the workforce and a declining share of GDP (see **Figures 9 and 10**). This trend is a threat to the ability of these sectors to continue growing in terms of employment. It also demonstrates the need for a more supportive policy environment, especially in cities, where the manufacturing and trade sectors have the most potential for growth.

With respect to manufacturing, the Ministry of Commerce, Trade and Industry has made strides in supporting the development of industrial clusters in rural Zambia. The program promotes value-chain clusters – where firms in the same geographic area fulfill different functions along the value chain, from growing a primary product, to processing it, to marketing and distribution. As part of the Industrial Clusters Development Programme, the government is enabling mango juice production, cage fishing, rice processing, dairy processing, cotton processing, production of protein supplements, production of cooking oil, and processing of honey – creating 13,000 direct jobs.⁹⁶

The cluster approach, while it can also succeed in rural areas, is naturally suited to an urban economy, as agglomeration effects inherently promote clustering. But the targeting for the Industrial Clusters Development Programme has been almost

⁹² Central Statistical Office, Zambia. Labor Force Survey 2014. (LFS 2014 is not yet available in the public domain.)

⁹³ Central Statistical Office, Zambia. Labor Force Survey 2014. (LFS 2014 is not yet available in the public domain.)

⁹⁴ Chibwe Chisala. 2008. Unlocking the potential of Zambian Micro, Small and Medium Enterprises: Learning from the international best practices- the Southeast Asian Experience. Accessed April 20, 2016.

https://ir.ide.go.jp/dspace/bitstream/2344/725/3/ARRIDE_Discussion_No.134_chisala.pdf

⁹⁵ *ibid.*

⁹⁶ Ministerial Statement on the Status of the Industrial Clusters Development Programme. March 2015. Accessed April 20, 2016.

[http://www.parliament.gov.zm/sites/default/files/images/publication_docs/Ministerial%20Statement%20-%20Cluster%20development%20\(Final%20-%20A5%20version\).pdf](http://www.parliament.gov.zm/sites/default/files/images/publication_docs/Ministerial%20Statement%20-%20Cluster%20development%20(Final%20-%20A5%20version).pdf)

exclusively rural – 90 percent according to the Ministry of Commerce, Trade and Industry.⁹⁷ This policy decision is based on the false notion that Zambian cities are prospering while rural areas are languishing, when in fact real household earnings in Zambia’s biggest urban economies are in decline (see **Figure 14**) and rural wages are growing. There is significant scope for promoting manufacturing activities in urban Zambia to improve employment outcomes in cities.

Some may argue that for the agro-processing sector in particular, a rural industrialization policy is more intuitive. But that sort of policy direction makes more sense in countries where farmers have run out of space to expand. In Zambia, rural areas would benefit most from efforts to expand and commercialize the agriculture sector, as 32 percent of land in Zambia is fertile but unutilized.⁹⁸ An effective strategy for developing the agro-processing sector, while maximizing the economic potential of rural and urban areas and creating jobs in both, would focus on boosting productivity and output in Zambia’s agriculture sector and then processing those goods in cities, where the benefits of economies of scale can be realized. This strategy, of course, requires strong linkages between rural and urban areas, but so does a rural industrialization strategy, as processed goods must ultimately be transported to larger markets.

⁹⁷ *ibid.*

⁹⁸ FAO. 2006. Country Pasture Resource Profile: Zambia. Accessed April 19, 2016. <http://www.fao.org/ag/agp/agpc/doc/counprof/zambia/zambia.htm>

BOX 3

Tackling Urban Food Security and Urban Employment Together

Food security, in addition to employment generation, is among the most important challenges facing cities in Zambia. Great scope exists for addressing both issues through common solutions. A substantial proportion of the roughly 70 percent of urban Zambians who live in unplanned settlements are unemployed and lack basic education. With the right support and infrastructure, planned urban cultivation can boost this population's income and at the same time address problems around access to healthy, affordable food. Moreover, the growth of agricultural, horticultural and livestock-rearing activities in peri-urban areas would create indirect employment in the logistics, transportation and trade sectors.

Evidence from Zambia and other countries in Sub-Saharan Africa shows that urban cultivation is widespread. While most of those who undertake urban farming do so for home consumption, a substantial number see it as an additional source of cash income.^{100,101} With support from government and non-profit organizations, the potential for urban and peri-urban agriculture to act as a source of employment and simultaneously address issues around food security can grow substantially. Models exist elsewhere in the region. For example, the Mazingira Institute in Kenya has trained about 3,000 urban farmers and also established networks for those trained farmers to mentor other cultivators, with a special emphasis on youth and women. The organization has also successfully lobbied the Nairobi city government to change its position from anti- to pro-urban farming.¹⁰²

The first step in Zambia will be to change existing legal norms that render urban agriculture illegal,¹⁰³ and to support community-based initiatives that seek to support urban and peri-urban cultivators.

The urban trading sector would also benefit from a more proactive policy approach. The Lusaka Master Plan unveiled the fact that nearly 40 percent of Lusaka's urban markets, developed for the benefit of wholesale and retail traders, were lying vacant. This points to two factors: (1) a poor record on the part of urban authorities in maintaining urban markets and equipping them with basic facilities; and (2) poor planning decisions regarding where to locate markets. The latter is made further evident in the fact that traders are carrying out their vending activities *near* empty markets, but in more strategic locations – such as closer to a main road or other attraction than the market itself.⁹⁹

⁹⁹ Lusaka Master Plan. 2000. (Not available in the public domain.)

¹⁰⁰ Asomani-Boateng, Raymond. "Urban cultivation in Accra: an examination of the nature, practices, problems, potentials and urban planning implications." *Habitat international* 26.4 (2002): 591-607.

¹⁰¹ Mudimu, Godfrey D. "Urban agricultural activities and women's strategies in sustaining family livelihoods in Harare, Zimbabwe." *Singapore Journal of Tropical Geography* 17.2 (1997): 179-194.

¹⁰² "Changing Lives: Urban Farmers in Nairobi." 2013. FoodTank. Accessed May 25, 2016. <http://foodtank.com/news/2013/12/changing-lives-urban-farmers-of-nairobi>

A presidential decree in 2011 prohibited the removal or prosecution of street vendors, a positive step in decriminalizing one of urban Zambians' most important livelihood activities. But this measure is at best a "band-aid" solution. The urban trading sector requires not the absence of any regulation, but rather a regulatory framework that affirms street vendors' right to a livelihood while introducing a simple set of rules that take into account concerns around public health, sanitation, and congestion. India's Street Vendor Act of 2014 is a good model. The law gives street vendors the right to obtain a vending certificate and to sell their goods in designated areas; stipulates a 30-day notice period before any street vendor can be relocated by authorities; and directs municipalities to set up a Town Vending Committee to manage and regulate street vending activities.¹⁰⁴

¹⁰³ Danny Mulala Simatele and Tony Binns. "Motivation and marginalization in African urban agriculture: the case of Lusaka, Zambia." *Urban Forum*. Vol. 19. No. 1. Springer Netherlands, 2008.

¹⁰⁴ The Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act, 2014. Government of India. Accessed May 25, 2016. <http://www.indiacode.nic.in/acts2014/7%20of%202014.pdf>

BOX 4

Extend cluster-based industrial policy to urban areas and upgrade urban markets

Action Plan

1. Leverage the agglomeration effects of urban economies and the successful cluster model piloted in rural Zambia to roll out a cluster-based industrial policy for urban Zambia.
 - a. Establish clusters that involve processing of an agricultural product on the urban periphery, where strong links to rural and “rurban”¹⁰⁵ areas already exist.
 - b. For other kinds of industrial clusters utilize vacant urban land and/or facilitate the growth of existing clusters based in informal settlements.
2. Introduce comprehensive legislation to promote a more rational street vending system in Zambian cities that accomplishes the following:
 - a. Affirms the right of street vendors to a livelihood
 - b. Establishes a simple, straightforward system for street vendors to obtain a permit to sell their goods in designated areas
 - c. Sets in place a system for collecting nominal rents from street vendors to support public maintenance of the areas they occupy
 - d. Provides a public budget for upgrading and widening the footpaths and other public spaces street vendors rely on, so as to avoid congestion arising from vendors occupying space designed for cars, cyclists, and pedestrians
3. In consultation with the small-scale traders that rely on them, review the location and use of designated urban markets. For markets that are underutilized or poorly maintained, develop an action plan to relocate and/or upgrade them.

- **Improve intra- and intercity connectivity and leverage new infrastructure investments to stimulate growth of labor-intensive sectors**

Connectivity – both within the city and between different centers of production – is one of the keys to leveraging the agglomeration effects of urban economies toward creating more and better jobs.

When it comes to transport within Zambian cities, one of the primary challenges the country currently faces is affordability. As analysis by the Zambian Institute for Policy Analysis (ZIPAR) has shown, Lusaka is one of the most expensive cities in the world when it comes to public transportation. Measuring affordability in terms of the ratio

¹⁰⁵ “Rurban” is a neologism that refers to geographies that exhibit both rural and urban characteristics and therefore resist the neat classification of either urban or rural.

of bus fare to GDP per capita, transport in Lusaka is three times more expensive than Kampala, Uganda, and 10 times more expensive than Mumbai.¹⁰⁶

Today, the average Lusaka household spends 26 percent of its income on public transportation. Moreover, congestion leads to long commutes. Nearly 40 percent of riders on the Lusaka bus system report that an average trip takes longer than 40 minutes, relatively long for a city of Lusaka's size.¹⁰⁷

While the case for affordable public transit is usually made in terms of the environmental impact of private vehicle usage, there is a strong labor market argument for better transport connectivity.

For one, a well-connected city where all members of the workforce can travel affordably facilitates better labor market matching. The current situation – defined by expensive transportation and high levels of congestion – incentivizes a worker to seek employment that is proximate, rather than a job that is the right match for his or her skills. Limited mobility also constricts the flow of labor market information, as people from poorly connected parts of the city are unlikely to interact and share knowledge about training and employment opportunities.

In short, a more affordable transportation system in Zambia's cities would improve the quality of matching between firms and workers,¹⁰⁸ which in turn promotes higher productivity for firms and higher compensation for workers.

Better transport networks in Lusaka and smaller cities will also help small businesses that rely on the public transportation system to move their goods to market. Currently, 20 percent of urban MSMEs rely on buses to transport products.¹⁰⁹ With a more affordable system, the cost of doing business would fall for these firms, freeing up more capital for growth- and productivity-enhancing investments.

At a regional and national scale, Zambia is undertaking large-scale efforts to improve road and rail infrastructure. These investments hold the potential to strengthen linkages in the country's supply chains and improve access to markets – local, national, and international – for urban MSMEs. Zambia is building or planning to build five new rail lines in addition to the TAZARA line, which links Zambia's Central

¹⁰⁶ ZIPAR. 2013. Trip Modeling and Cost Analysis for Public Road Transport System for the City of Lusaka. Accessed April 20, 2016.

<http://dspace.africaportal.org/jspui/bitstream/123456789/34694/1/Trip%20Modeling%20and%20Cost%20Analysis.pdf?1>

¹⁰⁷ *ibid.*

¹⁰⁸ OECD. 2015. Urban Policy Review: China. Accessed April 20, 2016. <http://www.oecd.org/china/oecd-urban-policy-reviews-china-2015-9789264230040-en.htm>

¹⁰⁹ Zambia Business Survey. 2010. The Business landscape for MSMEs and Large Enterprises in Zambia. Accessed April 20, 2016. <http://documents.worldbank.org/curated/en/2010/06/16362608/zambia-zambia-business-survey-vol-3-5-business-landscape-msmes-large-enterprises-zambia>

Province to the Dar Es Salaam port.¹¹⁰ Road infrastructure has improved dramatically over the last two decades.¹¹¹ Current and future road projects will focus on both construction of new road network and the rehabilitation of existing road infrastructure.¹¹² In addition, the Road Development Agency has introduced a much needed Road Maintenance Plan (2014-2024) to ensure that newly constructed roads do not fall into disrepair and ultimately require expensive rehabilitation.¹¹³

The impetus for these projects has largely come from Zambia's mining industry, but the infrastructure must be harnessed to support the growth of labor-intensive sectors, which will bring far greater benefit to Zambia from the perspective of job creation. While the mining industry is dominated by large, multinational players that can afford relatively high transport costs, labor-intensive sectors such as agro-processing and wood products are made up of many smaller players – MSMEs for whom high transport costs limit access to markets. The Zambian government must adopt a policy framework that enables enterprises in labor-intensive sectors to utilize the country's growing infrastructure network.

¹¹⁰ Nicholas Bariyo. July 16, 2014. "Zambia Plans Five New Railway Lines to Boost Trade and Cut Costs." Wall Street Journal. Accessed on April 20, 2016. <http://blogs.wsj.com/frontiers/2014/07/16/zambia-plans-five-new-railway-lines-to-boost-trade-and-cut-costs/>

¹¹¹ René Meeuws. 2004. Zambia- Trade and Transport Facilitation Audit. Accessed April 20, 2016. https://tis.sadc.int/files/9713/2644/8955/Zambia_Transport_Sector_Study_WBank_2004.PDF

¹¹² ZIPAR. 2014. Optimization Study for Core Road Network Planning to link Zambia. Accessed April 20, 2016. <https://www.africaportal.org/dspace/articles/optimization-study-core-road-network-planning-link-zambia>

¹¹³ Road Development Agency of Zambia. Road Maintenance Strategy (2014-2024). Accessed May 25, 2016. http://www.rda.org.zm/index.php/pavedroads/doc_download/323-road-maintenance-strategy-2014-2024

BOX 5

Improve intra- and intercity connectivity and leverage new infrastructure investments to stimulate growth of labor-intensive sectors

Action Plan

1. Adopt the policy framework proposed by ZIPAR experts to improve affordability of public transportation in Lusaka. Based on better management of vehicle supply, addition of high-occupancy buses, and other innovations, the proposal would reduce costs for riders by close to 50 percent.¹¹⁴ Treat the Lusaka intervention as a policy experiment – testing what works and what does not – and design policy interventions for other Zambian cities accordingly.
2. Introduce policy innovations that can ease access to national and international transport networks for Zambian MSMEs seeking to sell their products in new markets. For instance:
 - a. Introduce a discounted freight rate on Zambian railways for MSMEs in labor-intensive sectors (agro-processing, textiles, etc.);
 - b. Introduce a freight charge system for MSMEs– who often cannot fill entire containers with their goods – that is per square foot rather than per container; and/or
 - c. Introduce a discount on road tolls for MSMEs in labor-intensive sectors transporting their goods.

- **Revitalize and diversify the Copperbelt to create a more dynamic, job-creating urban region**

The Copperbelt is undoubtedly one of the most important urban regions of Zambia. Its economic might is demonstrated by the fact that raw and refined copper – nearly all of which comes from the province – constitutes about 70 percent of the country’s total exports.¹¹⁵ Moreover, 17 percent of the Zambian workforce and 18.4 percent of non-agricultural workers reside in the province.¹¹⁶

Today, however, the economic fortunes of the Copperbelt are imperiled, largely because of its overdependence on the sector that has granted it prosperity. The economic slowdown in China and the fall in international commodity prices are hurting the copper industry

¹¹⁴ ZIPAR. 2013. Trip Modeling and Cost Analysis for Public Road Transport System for the City of Lusaka. Accessed April 20, 2016.

<http://dspace.africaportal.org/jspui/bitstream/123456789/34694/1/Trip%20Modeling%20and%20Cost%20Analysis.pdf?1>

¹¹⁵ Massachusetts Institute of Technology. 2013. Observatory of Economic Complexity, What does Zambia export? Accessed on April 19, 2016,

http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/zmb/all/show/2013/

¹¹⁶ Central Statistical Office, Zambia. Labor Force Survey 2014. (LFS 2014 is not yet available in the public domain.)

worldwide. Moreover, since 60 percent of the energy Zambia generates is used by the mining sector,¹¹⁷ the current energy crisis is yet another headwind battering the copper industry – compelling a 30 percent reduction in energy consumption.¹¹⁸

BOX 6

The Challenges of Municipal Governance in Zambia

The implementation of a policy agenda around job-rich urbanization will inevitably require the cooperation and participation of urban local bodies across the country. However, like in many other countries throughout the global South, municipal authorities in Zambia suffer from several issues: (1) a lack of skilled personnel to engage in city planning and policymaking; (2) a lack of resources and overdependence on the central government for funds; and (3) mismanagement of resources.

These problems are interconnected. While the Local Government Act of 1991 attempted to remove the authority of the central government over local urban governing bodies, allowing authorities to mobilize resources without seeking ministerial approval,¹¹⁹ the reality is that local governments remain highly dependent on the central government for funds.¹²⁰ The Ministry of Local Government and Housing, therefore, sets the development agenda for cities; municipal and city councils have little control over the process of making policies, though they are responsible for implementing many of them. The lack of autonomy and ownership over urban governance exacerbates the inadequate supply of skilled personnel, the mismanagement of funds, and the ability of urban citizens to demand more of their local governments. One estimate suggests that the Ndola City Council spends 70 percent of its funds on salaries,¹²¹ an indication that Zambia's urban bodies suffer from serious mismanagement of funds and/or function as vehicles for resource capture by local officials – as opposed to channels for provision of municipal services.

The central government will need to design its policy frameworks for job-rich urbanization in ways that empower and challenge local authorities to become key stakeholders in the policymaking process. One positive development is a newly introduced system for selection of mayors in Zambian cities. While mayors were previously elected by city and municipal councils, they will now be directly elected. This system might serve to hold local government more accountable, while at the same time offering mayors more authority and political capital.

¹¹⁷ KPMG. 2012. Country Mining Guide: Zambia. Accessed April 19, 2016.

<https://assets.kpmg.com/content/dam/kpmg/pdf/2013/08/zambian-country-guide.pdf>

¹¹⁸ Bloomberg. Published on August 12, 2015. Zambia to cut Copper Mines' power supply by 30% on Shortage. Accessed April 19, 2016. <http://www.bloomberg.com/news/articles/2015-08-11/zambia-to-cut-copper-mines-power-supply-by-30-amid-shortage>

¹¹⁹ The Local Government Act of the Republic of Zambia. Accessed on April 20, 2016.

<http://www.parliament.gov.zm/sites/default/files/documents/acts/Local%20Government%20Act.pdf>

¹²⁰ Danielle Resnick. March 2010. "Failing to Capitalize? Urban Service Delivery in opposition-controlled African Cities" Accessed on April 20, 2016.

<http://www.worldbank.org/content/dam/Worldbank/document/urban/places-we-live-competition-Resnick.pdf>

But the current moment provides an opportunity. The Copperbelt's dependence on the mining sector has never reflected the best strategy in terms of job creation, since copper mining is a capital-intensive industry. Only 5.9 percent of the provincial labor force works in the mining sector,¹²² and while the copper industry does spur indirect job creation, it has largely failed to create a dynamic local economy with formal jobs. With the right mix of interventions, Zambian policymakers can reverse the Copperbelt's economic downturn and at the same time create a vibrant urban labor market in the region through diversifying its economic output.

The province has significant assets that can be built upon. For one, the Copperbelt is home to about a quarter of the country's skilled labor.¹²³ After Lusaka, the Copperbelt has the second largest number of training and vocational education institutions in Zambia.¹²⁴ It has the largest number of institutes offering advanced certificate courses, in fields like Mechanical and Automotives, Commerce and Business, Information Technology and Electronics.

And in terms of infrastructure, the province is well connected by road and rail to other important trade centers, both within Zambia and internationally. Projects like Link Zambia 8000 and Lusaka-Copperbelt Corridor are leading to large-scale upgrading of various roads linking commercial centers like Ndola, Chingola, Mufulira, Chililabombwe. The impetus for such projects may be the mining industry, but other, more labor-intensive industries can benefit, too. The government is also expanding railways in the Copperbelt by both direct investment and through public-private partnerships. New lines are being built to connect Chingola to Lumwana, which will ease trade between the Copperbelt and the North-Western Province. The Northwest Rail Company has awarded a 590-kilometer line contract to link the Copperbelt to Angola.^{125,126}

Moreover, because of the mining sector's historically voracious appetite for electricity, the Copperbelt is well placed on the Zambia National Grid. Despite the ongoing crisis with hydroelectric power, the Copperbelt hosts some of the few alternatives: the Ndola Energy Extension, a heavy fuel oil (HFO) plant, and a biomass plant operated by the Copperbelt Energy Corporation.¹²⁷

¹²¹ Godfrey Hampway. 2008. The limits of Decentralization in Urban Zambia. Accessed on April 20, 2016.

<http://link.springer.com/article/10.1007%2Fs12132-008-9040-y#page-1>

¹²² Central Statistical Office, Zambia. Labor Force Survey 2014. Accessed on April 20, 2016. (LFS 2014 is yet not available in the public domain)

¹²³ Central Statistical Office, Zambia. Labor Force Survey 2012. Accessed April 20, 2016.

<http://www.zamstats.gov.zm/nada/index.php/catalog/62>

¹²⁴ Technical Education, Vocational and Entrepreneurship Training Authority Annual Report. 2014. (Not available in the public domain.)

¹²⁵ African Review of Business and Technology. Published on September 24, 2012. Zambia to build new US\$500 million rail line. Accessed April 19, 2016. <http://www.africanreview.com/transport-a-logistics/rail/zambia-to-build-new-us-500mn-rail-line>

¹²⁶ African Review of Business and Technology. Published on February 5, 2014. Zambia to get railway line linking copper mines. Accessed April 19, 2016. <http://www.africanreview.com/transport-a-logistics/rail/zambia-to-get-railway-line-linking-copper-mines>

¹²⁷ IRENA. 2013. Renewables Readiness Assessment: Zambia. Accessed April 19, 2016.

http://www.irena.org/documentdownloads/publications/rra_zambia.pdf

Finally, the Copperbelt's large swathes of uncultivated land and adequate rainfall leave much unrealized potential for its agriculture sector, which could form the backbone of a successful agro-processing industry based in its cities.

Given these advantages, the Copperbelt can become a more competitive, job-creating urban region by developing the following sectors: agro-processing; building materials; copper product manufacturing; and gemstone processing. The depreciation of the Kwacha means that these industries could be successfully export-oriented, though firms will also have to grapple with higher prices for imported technology and intermediate goods.

There is another important reason to focus on revitalizing the Copperbelt. The projections for Lusaka's population growth, combined with the weak employment trends in its labor market, raise a red flag. These patterns spell a possibility of the labor market in Zambia's capital becoming increasingly oversaturated, placing downward pressure on wages and working conditions, unless rural-urban migrants and other workers have alternative destinations. If revitalized, the Copperbelt's cities – such as Chingola, Kitwe, Ndola – can relieve some of the stress on Lusaka by absorbing rural-urban migrants and other new entrants into the labor market.

The following sectors represent opportunities for the Copperbelt to stimulate job creation and diversify its economy.¹²⁸

- **Agro-processing:** While the Copperbelt records high crop yields for maize, wheat, soy beans and rice, much of its arable land is not under cultivation. A Copperbelt-based agro-processing industry, then, could benefit dramatically from two different interventions: (1) stimulating the growth of commercial agriculture to bring more land under cultivation and increase yields of primary products, and (2) developing export-oriented processing industries around soy, corn and wheat.
- **Building Materials:** Cement is one of most important building materials and the Copperbelt has the largest deposit of limestone in Zambia, a key input in cement production. With the construction industry one of Zambia's fastest growing sectors – now comprising 14 percent of GDP – and the government's massive commitments to housing construction and infrastructure projects, the Copperbelt has significant opportunity to expand its cement production. Moreover, some of the continent's largest cement importers are adjacent to Zambia. The combined market for cement imports in Angola, the Democratic Republic of Congo (DRC), Malawi and Mozambique is worth nearly US\$ 600 million – and among these DRC is the only significant importer of Zambian cement today.¹²⁹ The depreciation of the Kwacha gives Zambia a competitive advantage to expand cement exports to its neighbors.

¹²⁸ The proposals for priority sectors draw in part on the following report: Simon Roberts, Judith Fessehaie, and Reena Das Nair. 2015. Growth promotion through industrial strategies. International Growth Centre. Accessed April 15, 2016. <http://www.theigc.org/project/growth-promotion-through-industrial-strategies/#outputs>

¹²⁹ Massachusetts Institute of Technology. 2013. Observatory of Economic Complexity, Which countries import cement? Accessed on April 19, 2016, http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/show/all/2523/2013/

- **Copper Product Manufacturing:** Copper is the primary input for many high-value-added products – cathodes, copper wire, household appliances, and motor parts, to name a few – only a fraction of which the Copperbelt has developed the capacity to produce at scale. A new Multi-Facility Economic Zone (MFEZ) in Chambishi can be a central player in facilitating growth of both heavy and light industries. In order to ensure the MFEZ is part of a larger, job-creating value chain, policy interventions should seek to build industrial clusters and infrastructure that foster forward and backward linkages between economic activities within the MFEZ and those in nearby areas.
- **Gemstones Mining and Processing:** Given the abundant supply of emeralds and other precious stones in the Copperbelt, the gemstones industry can create a substantial number of jobs. The new Sub-Sahara Gemstone Industrial Park is dedicated to gemstone processing, a labor-intensive industry projected to create 30,000 jobs in Ndola alone.¹³⁰ But as observers have noted, the ability for this sector to generate employment also depends on whether local businesses are empowered to join the supply chains and produce higher-value-added gemstone products for export. Local manufacturers in the sector require affordable credit to invest in better technologies for extraction and finishing.

¹³⁰ Zambia Daily Mail. October 2011. Accessed April 20, 2016. <http://agoa.info/news/article/4839-zambia-gemstone-industrial-park-to-create-30-000-jobs-agoa-exports-forecast.html>

BOX 7

Revitalize and diversify the Copperbelt to create a more dynamic, job-creating urban region

Action Plan

1. Partner with international donors to create a Copperbelt Urban Innovation Fund, where municipal bodies in the Copperbelt compete with each other in applying for funds to implement programs around job creation, skill development, and support for priority sectors. Convene a high-level committee of independent experts, central government officials, provincial government officials and participating donors to review applications for funds, monitor progress and extract key policy lessons for the province and country as a whole. Such a program would not only make available greater resources for municipal bodies; it would also encourage local authorities to engage more in the policymaking process and enhance their capacity to implement new ideas.
2. Facilitate partnerships between multinationals seeking to invest and set up operations in Zambia and domestic firms involved in complementary activities in the Copperbelt¹³¹ – for example, international mining companies and local firms involved in copper product manufacturing. Create incentives for global firms to enter into these partnerships, through, for example, preferential tax rates.
3. Launch a “Food Export Mission” in crops like soy, corn and wheat, headquartered in the Copperbelt, to identify the right markets, invest in market creation, and help small- and medium-sized enterprises meet international standards of quality. Create an export hub and demand servicing center for the agro-processing industry in the Copperbelt, where companies can procure, store, process and export from a single location.
4. Leverage the continent-wide recognition of the Copperbelt as one of Africa’s first industrial regions to build a “Brand Copperbelt” centered on consumer products – including food and other agro-products and building materials like cement.
 - Create a province-wide quality assurance board that certifies Copperbelt-made products as meeting international norms and offers those products a “Brand Copperbelt” label at no cost to the firm.
 - Invest in marketing efforts in priority export markets – such as South Africa and Tanzania – to build the reputation of “Brand Copperbelt.”
5. Retrofit and/or expand existing Technical, Vocational and Educational Training (TVET) institutions to meet the demands of emerging sectors – agro-processing, gemstone mining, building materials, and copper product manufacturing. Encourage apprenticeship programs that place new trainees in small- and medium-sized domestic firms to improve labor market linkages and enhance the human capital of Zambian enterprises.

¹³¹ This idea was originally proposed by Ivan Turok in “Linking urbanisation and development in Africa’s economic revival” – a chapter in the volume *Africa’s Urban Revolution*, eds. Susan Parnell and Edgar Pieterse.

Conclusion: Placing employment at the center of Zambia’s urban strategy

Zambian policymakers face many challenges as the country rushes headlong toward an uncertain urban future: an acute housing shortage, large proportions of the urban population still unserved by piped water and electricity, and a fiscal crunch that will put strain on municipal budgets – to name a few. Zambia must avoid the vicious cycle that emerges from poor public investment in cities, failure to leverage the built-in benefits of urban economies, and resource-strapped municipalities – a cycle that results in poor employment opportunities and outcomes for urban workers.

It is critical that these challenges Zambian cities face are addressed with an integrated policy framework that seeks to leverage complementary objectives. Many of the proposals contained within this paper would serve multiple priorities within the urban agenda. Better public transit, for example, improves small enterprise efficiency and supports labor market matching, but it also addresses concerns about the growing carbon footprint of Zambian cities. This complementarity should enhance public support for the right interventions.

Given the current situation – with eroding urban incomes, a decline in the share of formal jobs in non-farm sectors, and large increases in urban unpaid family workers – it is clear that urban employment needs renewed attention among Zambian policymakers. As leaders in the Ministry of Local Government and Housing and beyond consider various ways of improving the quality of urbanization in Zambia, they must make “job-rich” the lens through which each proposed initiative is evaluated.



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