

# **THE ROLE OF THE STATE IN ECONOMIC DEVELOPMENT:**

## **EMPLOYMENT CHALLENGES IN EASTERN AFRICA - THE CASE OF TANZANIA**

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# TABLE OF CONTENTS

<b>Acronyms</b> .....	<b>iii</b>
<b>Executive Summary</b> .....	<b>iv</b>
<b>1.0 Introduction</b> .....	<b>1</b>
<b>2.0 Employment Concepts</b>	
2.1 Employment .....	2
2.2 Unemployment.....	2
2.3 Underemployment.....	2
<b>3.0 Status and State Interventions</b> .....	<b>2</b>
3.1 The macro-economic context .....	2
3.2 Labour Market situation. ....	3
3.3 Employment by main sectors .....	3
3.4 Employment by major Industrial sub sectors.....	4
3.5 Unemployment rate by Area and Age group.....	4
3.6 Government efforts.....	5
<b>4.0 Policy Issues: The National Employment Policy 2008</b> .....	<b>6</b>
<b>5.0 Description and Evaluation</b> .....	<b>11</b>
5.1 Gaps in the Performance of National Labour Markets .....	11
5.2 Gaps in the Performance of NEP and Programmes .....	12
5.3 Role of the Informal Economy Strategies .....	13
5.4 Enterprise Development Strategies Enhancing Employability.....	13
5.5 Skills for technological catch-up and Delivery .....	14
5.6 Strengthening Labour Market Institutions.....	15
5.7 Framework for Policy Implementation.....	15
<b>6.0 Way Forward</b> .....	<b>16</b>
<b>7.0 Conclusion</b> .....	<b>17</b>

## ACRONYMS

AIDS	Acquired Immuno-deficiency Syndrome
BDS	Business Development Services
CBOs	Community Based Organisations
EAC	East African Community
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEFC	Global Economic and Financial Crisis
GNI	Gross National Income
HIV	Human Immuno-deficiency Virus
ICT	Information and Communication Technologies
ILO	International Labour Organization
IMF	International Monetary Fund
IT	Information Technology
KAB	Know About Business
KILM	Key Indicators of the Labour Market
PRSPs	Poverty Reduction Strategy Papers
PWDs	People With Disabilities
LMI	Labour Market Information
LMIs	Labour Market Institutions
M & E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MFIs	Micro Finance Institutions
MSME	Micro Small and Medium Enterprises
NAP	National Action Plan
NAPY	National Action Programme for Youth
NDPs	National Development Plans
NEP	National Employment Policy
NGOs	Non-Governmental Organisations
NSDS	National Skills Development Strategy
NYS	National Youth Service
OECD	Organization for Economic Cooperation and Development
PRGSP	Poverty Reduction and Growth Strategy Paper
PRS	Poverty Reduction Strategy
PRSAP	Poverty Reduction Strategy and Action Programme
PRSPs	Poverty Reduction Strategy Papers
SADC	Southern Africa Development Community
SEDA	Small Enterprise Development Agency
SIYB	Start and Improve Your Business
TVET	Technical Vocational Education Training
UNECA	United Nations Economic Commission for Africa
UN	United Nations
UNEP	United Nations Environmental Programme
UNIFEM	United Nations Fund for Women
USAID	United States Agency for International Development
YEN	Youth Employment Network

## Executive Summary

The state of the labour force in Tanzania shows that the majority of the able-bodied population continues to be primarily under-employed. Most labour market analysis studies have shown a persistent exclusion of the majority of the labour force from productive activities of a dynamic and sustainable form, of the underdevelopment of rural and urban non-formal economies, and of the inability of the formal economies to generate adequate employment opportunities. There is a high level of underemployment amongst the youth, with new entrants in the labour market estimated to be one million youths each year.

The high GDP growth rates for Tanzania over past few years (5 – 8 percent) and expected to remain high in the coming years, may not necessarily be accompanied by increased job creation generally and also specifically for disadvantaged groups such as youth. Increased economic growth, while necessary, is therefore, not a sufficient condition for increased employment generation, particularly for young people. This paper calls for comprehensive measures to tackle youth unemployment, within the overall development context.

This paper recognizes that employment is a cross-cutting issue and calls for strategic cross-cutting linkages and interventions which will help to fill the gap that still exists in the development process. Furthermore, the paper provides for the contents of the revised National Employment Policy 2008 and identifies gaps in the performance of labour markets and in the implementation of the Policy.

The paper addresses a number of labour market barriers that need to be tackled by stakeholders in order to combat unemployment and mass poverty which still persist in Tanzania. These barriers include mismatch between jobs and skills; inadequate job matching; poor signaling; poor information systems; lack of tax cut incentives to employers; lack of access to capital; and existence of financial and investment policies which are insensitive to the issues of employment solve.

The paper concludes by underscoring the fact that work is a source of personal dignity, family stability and peace.

## 1.0 Introduction

Poverty reduction in Tanzania and in the Eastern Africa in general have remained the biggest challenge to the region as a whole with worrying consequences on the security and economic well being of its citizens. Tanzania hitherto implemented economic reforms at the macro level aimed at achieving economic growth and subsequently reducing mass poverty. The creation of productive employment and the reduction of unemployment is a priority in terms of adopting favorable policies and strategies. This includes pursuing the goals of ensuring that quality jobs are created and safeguarding the basic rights and interest of employers and workers and promoting the principles of enterprise development and respect for the relevant International Labour Standards.

However, despite the renewed economic growth, unemployment and poverty remain major challenges that continue to confront Tanzania.

The employment challenges in Tanzania are enormous and calls for an urgent need for an adequate response and a comprehensive approach towards addressing it. Employment promotion for poverty reduction is a primary goal in Tanzania. For example the Decent Work Country Programme strives for economic growth with equity, whereas contributing to all the eight Millennium Development Goals (MDGs).

Therefore it's important that the national employment policy provides for strategic cross-cutting linkages which will help to fill the gap that still exists in the development process. The policy should provide the necessary guidelines in its efforts to tackle unemployment and mass poverty that still affects Tanzanians.

The new millennium has brought about new emerging challenges growing from an open world market characterized by competition and accelerated technologies advancements. These included the challenges of pursuing of employment policies that are aimed at creating a conducive environment for investment and development of the private sector, with a view to creating employment opportunities for poverty reduction through small enterprises; strengthening vocational training institutions; employment-intensive technology development in Rural and Urban areas; Facilitation of labour mobility; and productivity improvement, extension of social security coverage and benefits to the people.

In other words, according to NEP (2008), employment situation remains one of the key challenges in Tanzania which can be characterized by the following features:

- Imbalance between supply and demand of labour in the labour market;
- Increasing of urban employment pressures with outflow of rural surplus labour to non-agricultural sectors;
- New entrants in the labour market ( estimated between 800,000 – 1,000,000,school and college graduates each year) resulting to high number of unemployed youth;
- There is a good number of laid-off employees - some faced with difficulties of reemployment;
- A number of youth remaining in the labour market for long period without accessing employment;
- Freezing employment by the Public Sector (minimum recruitment of new entrants);
- Limited capacity of the Private Sector in absorbing a bigger number of new labour entrants, and
- Low labour productivity at enterprise level including in rural settings

## **2.0 Employment Concepts**

### **2.1 Employment**

In view of the vision of the Tanzania National Employment Policy (NEP) 2008, employment will encompass:

- Legally accepted activities, which are within the national accounts production boundary.
- Activities aiming at attaining decent work goals
- Activities yielding an income at least equivalent to the set sectoral minimum wage.

And that “employed persons” comprise all persons above the age of 14 years, who during a specified reference period are either at work performing some legal work for (i) wage or salary, in cash or in kind, or, (ii) in self employment and performing some work for profit or family gain, in cash or in kind, including those with jobs but not at work (temporarily not at work), earning a minimum income equivalent to the minimum wage in the wage employment

### **2.2 Unemployment**

According to NEP 2008, unemployment is defined as a situation of total lack of work of an individual. It can be viewed as an enforced idleness of potential wage earners or self employed persons that are able and willing to work, but cannot find work. In Tanzania where a significant amount of the people can earn a living only by working for others; being unable to find a job is a serious problem. Lack of work makes a person feel deprived and rejected by society. The Unemployment rate is thus the percentage of the unemployed relative to the total labour force.

### **2.3 Underemployment**

The underemployed persons comprise all persons in paid or self-employment, whether at work or not at work, involuntarily working less than the normal duration of work determined for the activity, who were seeking or available for additional work during the reference period. Such persons are considered to be visibly underemployed as opposed to invisible underemployment characterized by low income, under-utilization of person’s skills, low productivity and other factors. Underemployment rate is the percentage of underemployed persons relative to the total labour force.

## **3.0 Status and State Interventions**

### **3.1 The macro-economic context**

According to NEP 2008, the problem of unemployment and underemployment has now become so serious, that it should be regarded as a major national development challenge with ramifications for economic welfare, social stability and human dignity. Unemployment and underemployment have remained one of the intractable problems facing Tanzania since the 1970s, whereby the country went through an economic crisis reflected by the fall in the annual GDP growth rate from 5% to an average of 2.6% in the early 1980s, and about 1% in the beginning of the 1990s (URT: Economic Survey 2000).

Since the mid 1980s, Tanzania embarked on implementing a series of economic reforms that gradually placed the economy on a sounder footing. After an initial recovery in economic growth in the late 1980s,

the early 1990's were again plagued by macroeconomic instability and poor economic growth that called for the adoption of macro-economic reforms.

The on-going reforms have yielded substantial economic growth and impressive performance of the economy at the macro level in the past ten years. The overall economic growth has been rising consistently (except for 2003 due to drought) from 3.3% in 1997 to 6.8 percent in 2005, constituting an annual growth rate of 5.1% (URT: Economic Survey, 2005 ) The achievements in GDP growth stemmed from improved performance in agriculture, wholesale and retail trade, hotels, restaurants, tourism, mining, and manufacturing.

In spite of the positive achievements recorded through Tanzania's macroeconomic stabilization policies, crucial challenges remain. One of these; is the high levels of unemployment and poverty in the country.

In addition to macro-economic stabilization and structural reforms, more efforts have been directed to poverty issues through the initial Poverty Reduction Strategy (2000/01-2002/03) and the National Strategy for Growth and Reduction of Poverty (NSGRP), 2005-2010, aimed at addressing comprehensively the critical issues of economic growth and reduction of income poverty, improvement of quality of life and social wellbeing, as well as governance and accountability.

### **3.2 Labour Market situation**

According to NEP 2008, the economically active population in Tanzania in 2005/06 was estimated to be 18.8 Million. This represents an increase of 3.3 million or 21.5 percent compared to the findings of the 2000/2001 Integrated Labour Force Survey (ILFS), with the corresponding Labour force growth rate 4.1 annually, equivalent to about 800,000 new labour force entrants into the Labour Market each year. In 2006, 16.6 m workers or 88.3% of the economically active labour force were employed, and the majority of the employed, worked in the rural areas, primarily on smallholdings as self-employed or unpaid family workers. The remaining 2.2m people (11.7% persons aged 15 year and above) were unemployed. There was a noticeable increase in the number of those employed in the private sector over the decade, especially in urban areas, although from a low base. In 2006, approximately 3.0% of the total employed, worked in the public sector, central and local government and parastatal organizations. Employment in the public sector declined between 1990 and 2000 as a result of privatization of public entities and structural adjustment policies.

### **3.3 Employment by main sectors**

The 2005/06 Integrated Labour Force Survey showed that, employment in agriculture (i.e. implies crop farming, livestock keeping, fishing and forestry) decreased from 80.9% (2000/01) to 75.1%, but still employs the vast majority of the total labour force; this was contributed by the growth of the private sector (both formal and informal private), where employment share had increased from 13% (2000/01) to 19.3 % while on the other hand the Public and Parastatal sectors are beginning to grow again though at a slower pace.

The Surveys that was conducted also revealed that one-third of all Tanzanian households had at least one member involved in informal sector activity. The number of these households is increasing over time. We expect new figures on households this years as a result of the National Census 2012.

There was a decrease in unemployment between 2000/01 and 2006. Using the national definition of employment, which requires that a person be without work, be available for work and be seeking work,

including those who work seldom, the number of unemployed persons dropped slightly. Between 2003 and 2008, the number of unemployed persons decreased from 2.3 m. to 2.2 m. The rate of decrease was highest in urban areas –especially in the city of Dar es Salaam.

### **3.4 Employment by major Industrial sub sectors**

According to the Integrated Labour Force Surveys that undertaken, Labour in Tanzania is engaged mainly in 22 occupations. The largest occupation group of these is the small holder farming in the agricultural sector, followed by service/shop sales workers and elementary occupations, which account for 91% of the total occupational employment. The data shows a high dependence on agricultural employment. The agricultural sector employs about 75% of the total Labour Force and contributes 50% to Gross Domestic Product (GDP). The dominant mode of employment in agriculture is self-employment with households operating smallholdings and using low levels of technology, simple and rudimentary tools, hence low productivity. The rural sector on the other hand, continued to experience high underemployment and low productivity. The urban informal sector is increasingly becoming an important labour sponge and a sector of last resort for job seekers in the urban areas. The sector exhibits a high degree of vibrancy in job creation but is faced with a number of constraints and suffers from low productivity and low technology use and the use of rudimentary tools. In this regard, there is a need to shift this imbalance in total employment, by exploring and developing employment generation potentials in other sectors, without losing focus of the significant labour absorptive capacity of the agricultural and informal sector.

The Mining and tourism sectors were the fastest growing along with transport and communication. The industrial sector accounted for 16% of GDP in 2002 and grew by 8.6% in the same year compared with 7% in the previous years. The sector's productivity is plagued by weak infrastructure development including-transportation, unreliable water and power supply (electricity), factory power shedding, and by low business, management and entrepreneurship skills. Establishment of more agro-processing industries is needed in order to increase job opportunities and diversify the economy, and also provide more reliable markets for agro-products, thereby increasing earnings through higher prices of value-added products. The construction sector which employs about 10% of the total labour force in Dar es Salaam, is growing relatively rapidly, hence it has a high potential for employment creation. This is triggered largely by public construction projects both in the urban and rural areas, as well as residential and commercial housing. The sector is expected to show buoyant growth under the National Strategy for Growth and the Reduction of Poverty, as the government and private sector aim to increase investments in 'lead' sectors including agriculture, tourism, mining, manufacturing and infrastructure development particularly through community-based construction and maintenance of rural roads.

The Services sector has also improved its performance, growing at 6.6% in 2002 from 4.8% in the previous year. Trade which include hotels, retail and wholesale trade, expanded by 7% in 2002.

### **3.5 Unemployment rate by Area and Age group (National Definition)**

Unemployment rates differ substantially depending on the locality. The rural areas have the lowest unemployment rate of 7.5% followed by other urban areas (excluding Dar es Salaam) at 16.5 % and are highest in Dar es Salaam at 31.5%. In 2006 the total National unemployment rate is at 11.7% (persons aged 15 years and above).

The ILFS 2006 shows that unemployment rates are highest for persons below 35 years of age in all areas. Persons in the age of 18 -34 years living in all localities face the highest rate of unemployment at 13% for

female and 10% for males. With youth (15-24 years) unemployment is highest among female youths at 15.4% as compared to 14.3% for males.

The total number of employed youth (aged 15-34) according to the National Definition is 9,056,217 while the unemployed youth are 1,398,677, about 13.4% of the total youth workforce (ILFS 2006.) This high rate is calling for the attention of the government and other stakeholders to prepare well-targeted policies and programmes that address youth unemployment.

In Tanzania, the growth in the labour force consists mainly of primary and secondary school leavers with little or no skills. This demands substantial investments in human capital development as well as development strategies to ensure future job creation opportunities and accordingly also the elimination of child labour country wide. On the other hand, the increasing number of entrants into the labour market also offers an opportunity for increased production and productivity if these new entrants are equipped with the employable knowledge, skills and training, required by the labour market.

### **3.6 Government efforts**

According to the Government of Tanzania, it recognizes the link between economic growth, poverty reduction and labour market performance and has implemented a number of measures and policies to strengthen the labour market institutions and systems that promote and coordinate employment. Since the adoption of the National Employment Policy in 1997, the Government in collaboration with other stakeholders continued to design and implement a number of policies and programmes aimed at enhancing job creation. These programmes included National Youth Development Policy 2007 and Youth Action Plan; a comprehensive employment creation Programme 2011 - 2015 with special focus on youth; and Youth Entrepreneurship Facility Programme -(Kazi Nje Programme). Supportive policy and legal frameworks have been developed and reviewed for enhancing employment creation. Such programmes and projects implemented, include those focusing on increasing financial support for micro credit schemes for the youth, women, entrepreneurs and other vulnerable groups, skills training through vocational education and training, management and business training and counseling as well as review of labour and employment related laws. It is accepted, however, that past efforts have not been sufficient to prevent an increase in national Unemployment and Underemployment rates. Hence the need arise to promulgate a new national employment policy (2008) to reverse the past trends and not only reduce Unemployment, Underemployment rates but also increase labour productivity.

#### **4.0 Policy Issues: The National Employment Policy 2008**

The National Employment Policy of Tanzania provides for a number of policy issues and statements. These policy issues include:

- 1. Creating a common understanding of the employment and unemployment concepts and definitions.**  
Different stakeholders perceive employment concepts and definitions differently and hence address them differently sometimes conflicting with each other. This in turn negatively affects the implementation of the employment programmes.

Therefore there is a need to have common understanding of employment concepts, definitions and value of work among stakeholders.

- 2. Accelerating and Making the Pattern of Economic Growth more employment intensive.**

Current annual economic growth has accelerated in recent years to 6.8% in 2005 from 3.3% in 1997 (URT: Economic Survey, 2005). Despite the recorded economic growth, unemployment and underemployment rates have continued to increase, implying that past economic growth rates have not been high enough to reduce Unemployment and underemployment rates to obtain a noticeable impact on reducing unemployment and eliminating underemployments.

- 3. Enhancing an effective and efficient Labour Market Information (LMI) system.**

Current availability of LMI is grossly inadequate in many areas and lacking in other areas, thus making decision making difficult.

- 4. Balancing the number of new entrants and the proportion that can get paid employment.**

Formal paid employment opportunities are increasing at a far lower rate than the rate at which demand for those jobs is growing.

- 5. Improvement and Transformation of the Informal Sector for creating decent jobs**

The growth in the size of the informal sector activities has mainly been due to the fact that for many members of the labour force informal sector activities are the only available economic activity for their survival, while for formal sector employees the informal sector activities are necessary for supplementing their earnings to support their families.

The informal sector faces several constraints such as unfavorable regulations, inability to qualify for credit, scarcity of land for work premises, lack of relevant skills and marketing constraints. Since the development of the informal sector is not in conformity with current industrial and trade regulations, most of the operators engage in petty trade which does not provide gainful employment.

- 6. Enhancing the Promotion of Youth employment**

The youth constitute the majority of the active labour force not fully utilized. The nature and extent of the youth unemployment problem varies considerably across gender and geographical division.

One of the objectives of the Youth Development Policy is the creation of human resource development opportunities for the acquisition of demand driven skills and competencies for wage and self employment. This entails preparation of youths for work; by ensuring quality basic education for all young women and men, and developing a demand-driven vocational and technical education system. Therefore there is a need also to remove the negative perception of youths to be self employed by sensitizing them on the employment potentials in the private sector.

## **7. Facilitating Tanzanian jobseekers to acquire appropriate skills**

The Labour Market is characterized by an increasing number of school leavers, graduates and adults who do not find jobs in the formal sector.

One of the factors mentioned as limiting investors from employing Tanzanians is their lack of proper skills required in the jobs available. Most of them have attended schools and colleges and have graduated with high qualifications. However, the qualifications do not match with the required skills by employers.

Therefore, there is a need to remove or reduce the existing mismatch between skills imparted to graduates and those that are needed in the labour market.

## **8. Reducing Rural Unemployment and Underemployment and Rural to Urban Migration**

Tanzania is basically an agricultural country and most of its population is engaged in smallholder farming, using mainly manual labour. The rural areas have the added advantage of having agriculture capable of employing over 81% of the labour force. The unsatisfactory agricultural sector support services like passable rural roads, energy, water and the dependency on rains leads to poor performance of agriculture. This unsatisfactory performance of the sector, together with lack of alternative employment opportunities in rural areas lead to forced rural to urban migration, which compounds unemployment in urban areas. The current challenges are on the one hand to be able to retain the active labour force and on the other, to increase productivity in the rural areas.

Currently, the focus in the sector is to increase output and improve productivity by modernizing and intensifying production in the sector. With this, there are signs indicating that under intensive production and mechanization of the agricultural sector some labour is likely to be idle in future. On the other hand opportunities for expanding and diversifying rural incomes from natural resources are not realized in part due to bureaucratic and legal hurdles. The proportion of rural households who derive incomes from more than three sources is 65%. The trend is already towards increasing employment in non-farm activities in the rural areas. However this is growing at a very slow pace and without coordination and support. Non-farm earnings need support from both a strong agricultural sector and other dynamic rural sectors such as forestry, wildlife, fisheries and tourism in order to increase opportunities for earning incomes in rural areas from environment friendly non-farm activities.

Therefore there is a need to reduce rural unemployment, underemployment and attain increased rural productivity

## **9. Empowerment of individuals through enhancing accessibility to business support services including capital, markets access for Private Sector entrepreneurs including self employers for enhancing productivity and incomes.**

The shortage of capital and limited access to credit facilities are among the most common mentioned problems among Tanzanian investors. Most of the local investors find it very difficult to get credit or are unable to identify credit sources that have affordable conditions. Some of them are, on the other hand considered by banks and other financial institutions as being too risky and are thus not credit worthy.

Therefore there is a need to establish sufficient and user friendly credit facilities and accessibilities by local entrepreneurs for enhancing their employability and increase income.

## **10. Enhancing the capacity of the domestic private sector investors in creating new and better employment opportunities**

Inadequate or lack of capital on the part of the private sector and potential job creators is a hindrance to es-

establishing viable businesses that match the number of job seekers. Whereas it is well known that the role of the Government in doing business and hence job creation has been reduced, the private sector, which is supposed to fill in the emerging gap has been slow in responding to that need.

Therefore there is a need to enhance capacity of local investors to adequately promote pro-employment investments that matches the labour supply

#### **11. Mainstreaming Employment as a cross-cutting issue**

Given the multidimensional nature of the employment challenge, the implementation of employment creation initiatives requires the active participation and involvement of many actors, and their effective coordination by Government. Currently there is lack of cooperation and proper coordination among the key stakeholders, namely the central Government, local Government, Private sector and the civil society organizations, when dealing with employment issues, leading to disharmony in execution and sometimes compounds the problem instead of reducing it. The impacts of unemployment affect various stakeholders in the public and private sectors, because the problem cannot be de-linked from economic stagnation, insecurity, and overall poverty. The solution to this problem requires efforts from different sectors involved in economic growth and poverty reduction programs.

Therefore there is a need to influence Sectors to accord priority to employment creation in their development policies, plans and programmes; and accordingly also, the stakeholders to play their respective roles in employment creation initiatives.

#### **12. Harmonizing policies and establishing institutional framework for effective and efficient coordination of employment creation initiatives and deliveries.**

Lack of cooperation and proper coordination among the key stakeholders, namely, the central Government, local Government, Private sector and the civil society organizations, when dealing with employment issues, leads to disharmony in execution, and sometimes compounds the problem instead of reducing it. The lack of focal points at the district levels to deal with employment issues leaves a gap between the central Government planning machinery and the implementing organs at the level of the local Government.

Therefore there is a need to have a policy harmonization process that establishes linkages and synergies alongside with having in place a strong Institutional framework for stimulating and manage employment creation initiatives at all levels

#### **13. Rationalising the Employment of foreigners in Tanzania**

The Government recognizes the role of foreign workers for the use of technology and skills that are not available locally, particularly those foreign workers who will facilitate the acquisition of the required skills by local personnel, through training for skills transfer in strategic areas. However, there is a growing tendency of investors to employ foreigners in jobs that could be well performed by Tanzanians thus depriving them of the rights of employment and in many cases skills transfer is not effectively undertaken.

Therefore there is a need to ensure that work permit issued to foreign workers in the country do not prejudice skilled Tanzanians access to employment opportunities emerging from local and foreign investments. The EAC Common Market protocol addresses this issue of free movement of labour within the region.

**14. Reducing the impact of HIV/AIDS and other diseases on employment creation and at the workplaces.**

One of the major threats to labour force participation in Tanzania, is the HIV/AIDS pandemic and other related killer diseases such as Malaria and Tuberculosis. The worst aspect of HIV/AIDS is that the active working populations especially the young people are particularly vulnerable to the pandemic. Labour market related impacts of the pandemic are absenteeism from work and decline in productivity, both of which are costly to employers in terms of medication, terminal benefits to the diseased, burial, and replacement costs. The pandemic is also a threat to human capital formation as the working population generation; the productive and trained workers that are needed most in effecting technological development are the most at risk of contracting HIV/AIDS and facing untimely deaths.

There is a need therefore, to curb new infections and reduce the impact of HIV/AIDS and other diseases on employment creation initiatives and at work places.

**15. Improving access to employment opportunities and productive resources for People with Disabilities (PWDs)**

One of the factors contributing to the increasing impoverishment of PWDs is their difficulty in accessing employment opportunities and productive resources. They have special needs in terms of education, training and the jobs they are able to take. The introduction of free market economy and stiff competition in the labour market make it difficult for PWDs to access employment opportunities.

There is a need therefore to ensure that PWDs access equality both paid and self employment opportunities

**16. Mainstreaming Environmental issues in employment creation**

As far as environment is concerned, some of the activities that generate employment opportunities may have adverse impacts on the environment if not well administered.

Therefore there is a need to ensure that employment creation initiatives comply with environmental requirements as stipulated in National environment Policy and law.

**17. Promoting Human Capital Development as part of the national strategic objective for growth, employment and poverty reduction**

Development of human capacity plays a critical role in overall employment promotion, increased productivity and poverty reduction. This embraces among others education, skills and health development and employability of the workforce. However the education system has not been able to supply the required skills in the labour market, as a result there is a mismatch between the required skills in the labour market and the one supplied by the education system. This reduces the chance of the labour force to be absorbed both in paid and self employment.

Therefore there is a need to enhance human capability for employability and increased productivity at workplaces.

**18. Enhancing Research and Development (R&D), for providing inputs for Employment Policy and Legal reforms for enhancing employment creation and poverty reduction interventions**

Research and development is an area that for a long time has not been accorded priority in the employment sector development programmes. Research works are necessary for the purpose of identifying areas of gaps in terms of policies and programmes and accordingly so, provide the necessary recommendations for interventions.

Therefore there is a need to promote research studies that will enhance employment creation and services

deliveries at all levels.

### **19. Improving and Expanding Employment Services**

Employment Services provide job seekers with appropriate advisory services, placement services, cross-boarder placement and recruitment services, work permit processing, job access facilitation and regulatory services. Currently the coverage and provision of these services is still limited, however the demand for these services is high and growing.

There is a need therefore to have in place effective and efficiency centres that will provide employment services countrywide.

### **20. Facilitating and coordinating employment of Tanzanians abroad and the return of skilled Tanzanians to fill skills gaps**

There are many employment opportunities in other countries which qualified Tanzanians could access if given the relevant assistance or facilitation. At the same time there is no coordination of those opportunities or those people who are already working abroad. Likewise there are numerous skill gaps in the country which could be filled by some of the skilled Tanzanians who live and work in foreign country. Therefore, there is a need to enable and assist Tanzanians acquires employment abroad and establish a mechanism of easy remittances collection; and to encourage skilled Tanzanians leaving or working abroad to come and fill the existing skill gaps.

### **21. Improving Employment Conditions and respect for Labour Rights**

National adherence to conducive labour standards including satisfactory working conditions including living income, health and safety, and adequate Social Protection which greatly depend on effective and efficient factory and labour inspection and labour administration machinery.

Therefore there is a need to ensure that employment creation initiatives comply to labour standards as stipulated in National and International instruments

### **22. Eliminating Child Labour**

Child labour is prohibited in Tanzania, but it has been recorded that it is prevalent and worst in the rural areas. The Child Labour Survey 2000/2001 found that children in the labour force were 1.2 million. The worst forms of child labour are in four major areas: commercial agriculture; mining & quarrying; domestic services and commercial sex. This fundamentally deprives children of their rights to education and recreation in violation of international conventions. Currently, labour inspection services are provided on a limited basis due to the shortage of qualified manpower and logistic support. This has resulted in non-fulfillment of obligations and also complaints from stakeholders.

Therefore there is a need to eliminate or reduce to the minimal level child labour practices countrywide

### **23. Improving and Expanding Employment Related Social Protection Services**

Employment related social protection services have been limited to social security services and particularly to formal wage employees and urban dwellers. At the moment when private and self employment initiatives are being promoted, extension of social security services to cover workers in the less formal sector is a desired objective. Due to the large size of the informal sector in comparison to the formal sector, social protection and social security are enjoyed by a small percentage of the labour force, while large groups of employed and self-employed people remain unprotected.

Therefore there is need to have in place extended affordable social protection services and social security schemes to cover previously unprotected workers

## **24. Gender Mainstreaming**

While it is acknowledged that positive action has been taken by the Government and other stakeholders towards addressing existing gender inequalities and disparities, these problems still present a serious challenge which prevents the society from realizing its full potential in all aspects of social, economic and political development. Furthermore, sexual harassment and violence against women still persist in some places of work. Likewise due to their multiple roles as producers, reproducers and providers of family care, women are severely limited in preparing for, and accessing formal employment opportunities and self-employment particularly in the private sector.

Therefore there is a need to promote gender equity and equality in the world of work.

## **5.0 Descriptions and Evaluation**

### **5.1 Gaps in the performance of National labour markets**

Despite renewed effort within the Government to address employment challenges at macro, meso and micro levels, there are some issues that persist as labour market barriers:

- **Mismatch between jobs and skills:** Overall within the country, an argument that has been raised in many fora is that as far as formal sector employment is concerned, and the skills {both technical and non-technical} those jobs seekers possess do not match the need and demand of employers. The education system, with its liberal bias, does simply not produce the type of skills demanded in formal employment. There are also other reasons, including the underlying perception among policy makers and also among the ultimate beneficiaries, the youth – employment means a job with a wage or salary and working for somebody else. These perceptions have strongly influenced institutions that provide skills training. Training programmes and curricula are biased towards preparing for formal sector wage jobs. Since these jobs do not exist in required numbers, there is a serious mismatch between skills of job seekers and available job opportunities.
- **Addressing skills mismatches:** Examples of programmes that aim to offset the mismatch of technical skills among youth are as follows: vocational training programmes; re-training of unemployed or discouraged youth and youth; workplace training schemes; the creation or improvement of apprenticeships systems; entrepreneurship training programmes; soft and life skills training programmes for disadvantaged youth; linking employers with educational institutions.
- **Addressing inadequate job matching:** programmes to bring relevant information about the labour market and access to networks for those who seek work; for example, development of public employment services or subsidizing private employment services;
- **Addressing poor signaling:** programmes to ensure that first-time jobseekers can effectively signal their acquired skills to employers; for example, skills certification systems;

- **Supporting strong labour market information systems:** support in the areas of data collection, tabulation, analysis and dissemination to national statistical offices and other producers of LMI, and in strengthening institutional relationships between producers and users of LMI within national labour market information and analysis systems;
- **Addressing slow job growth barriers:** programmes that aim to boost job creation, especially for young people; public works programmes and tax cut incentives for business that hire long-term unemployed are examples;

Lack of access to capital, financial, physical or social;

- **Financial and macroeconomic policies:** Ultimately, job growth will not come from labour market policies alone. Additional measures are needed to remove the obstacles to growth, such as: bank restructuring so that it focuses on empowerment initiatives and target micro finance institutions (MFIs).
- **Investment policies:** Local and foreign direct investments in agro-processing, manufacturing and services industries should by law utilize and purposely seek and promote for utilization of local agricultural and other products and manpower as much as possible.

## 5.2 Gaps in the performance of the NEP and programmes

In general Tanzania has developed a National Employment Policy which is of high international standards. Along NEP, Tanzania has developed programmes and other sector policies including those for agriculture, mining, tourism, science and technology, industrial development, investment, competition, national youth policies, health, in particular, HIV and AIDS, gender mainstreaming and others. Programmes include those on poverty alleviation, formal and informal education and training, micro and small enterprise development, including entrepreneurship training, micro-finance schemes, infrastructure development, implementation of NAPs on youth employment and other nationally and internationally supported interventions. According to ILO Report (2012), an analysis of the track record of Tanzania and other SADC countries highlight that despite the existence of good documents, there is a *weak capacity to implement policies and programmes*, including provisions of protocols agreed at regional and international levels. Monitoring and evaluation of implementation of policies and reporting on progress to take timely remedial action and learn from experience is also an area of weakness. Extraordinary measures are required to get out of a business as usual mode, taking a more action oriented approach designed to deliver results envisaged in the design of the many policies and programmes already developed and those being designed.

Another key challenge is that most of the interventions planned for implementation require the support of a great variety of players, including the international community and other development partners, beyond government actors. In many cases, there has been a demonstration of an absence of a sustained multi-stakeholder approach, including in resource mobilisation from various potential national resources. If you look into the national budget and expenditure you will see that national resources do not seem to have been channeled adequately to leverage resources from other development partners. For example, despite the mineral resources endowments in the country, its contribution to the national economy has remained at 3.3 percent for the past five years.

### **5.3 Role of the informal economy**

It is noted that the business environment in Tanzania has improved over years and this tends to promote enterprise creation, discourage informality and improve good governance. Making further improvements to the business environment is key to helping markets work better for MSMEs and also improving the investment climate in Tanzania. This implies the need to focus on basic issues (basic education and health, macroeconomic stability, good governance and addressing infrastructure weaknesses) that create the opportunity for the private sector to grow and diversify and thus provide more productive and decent jobs for women and men. It is critical to recognize that Tanzania as a huge country (close to 1 million square kilometers and a population of about 50 million) and has specific challenges in different parts of the country, therefore solutions may vary.

The development of micro-and small enterprises in the informal economy is a means of promoting decent work for all women and men, irrespective of where they work. The deep causes of informality are not only in the legal frameworks but accompanied by numerous reasons, and many of them are not related to the legal field itself. In the immediate term, actors in the informal economy must be recognized by labour and labour-related laws.

In the short and medium terms, a responsive regulations allowing and encouraging MSMEs to gradually enter the formal economy must be formulated. In the long term, macroeconomic policies ensuring the creation of formal employment opportunities must be developed. The Government needs to combine conducive regulatory frameworks with coordinated policies and transparent governance at both national and local level to succeed in the task of formalization.

### **5.4 Enterprise development strategies**

Enterprise development strategies that promote decent work and ensure economically sustainable and competitive enterprises are central to the achievement of full and productive employment. There are numerous and sometimes confusing licensing procedures involved in formalising business. Property rights are poorly enforced, with only a small proportion of land in the country officially registered, widespread problems concerning contract enforcement and obstacles in trading across borders; credit is invariably hard to come by and where it becomes available it is insufficient to undertake substantial projects.

In addition, MSMEs are often faced with inconsistency and unpredictability in taxation. Women in particular often face legal obstacles to land ownership and access to formal credit. Consequently, the region suffers from low domestic and foreign investment, high capital flight and low remittance flows relative to other developing countries. There is a big challenge to ensure that the business environment is more conducive to the creation and growth of sustainable enterprises across the full spectrum of society so that the potential for enterprises to create decent jobs is enhanced.

Business development services do play an important role in upgrading the productivity of informal economy units. It is important to increase access to appropriate services in finance, training, marketing, quality improvement and information. Access to finance is a vital concern for operators in the informal economy. Microfinance can play a critical role in facilitating the passage to the formal economy for those wishing to undertake that step. Business development services can be delivered between businesses within value chains and clusters, by constituents and independent organizations or by mass media, which can provide a platform for information, advocacy and dialogue.

### **5.5 Skills for technological catch-up and diversification**

The combination of technical, business and management skills increases the capacity of the more dynamic enterprises to adopt more advanced technologies, diversify into new and higher-quality products and become more competitive.

A major policy challenge is to reform and upgrade formal vocational education and training systems for improved effectiveness and response to new opportunities. Greater involvement on the part of the private sector in skills development is critical, both in the design of reforms and in the provision of skills. For example, through a well networked structure, where appropriate, incentives need to be provided to formal enterprises to transfer relevant technological knowledge and skills to sub-contractors to ensure that they meet quality standards of products and services<sup>1</sup>.

Local or regional clusters of firms have the potential to support the catching-up and learning process in more dynamic informal enterprises, thereby boosting local economic growth and development. The upgrading of product and work processes requires firms to invest in a learning process, adjust technologies to local circumstances and develop new skills and competencies. Within the framework of cluster development, the provision of adequate and affordable premises or operating space serviced with water, toilet facilities, electricity, roads, transport and telecommunication networks at strategic location is central to achievement of micro and small enterprise competitiveness and successful transition from informality to formality. Close working relationships between firms within clusters also facilitate knowledge-sharing, problem-solving and skills development.

With recent studies having established a causal relationship between telecommunications infrastructure investment and economic performance, ICT is now being used in ways that directly affect the lives of a growing number of people in the Tanzania, including youth, than ever before.

In the **creative economy** it is possible to consider activities such as the arts, the media or design as the driving force of an economy, which has far-reaching effects in providing new avenues of employment, as well as leading to rapid economic growth. This has great potential to act as a development strategy in Africa, to drive forward a new kind of development that would entail the inclusion of all the population to the fullest, especially young people, who are bursting with various talents, creating a new generation of youth employment.

The film industry in Nigeria and Tanzania for example is a success story employing many youth and emergent talents.

As African governments strategize and plan on ways to reduce youth unemployment and underemployment, they should give significant focus to the creation and expansion of green economies and green jobs<sup>2</sup>. There are a range of options available for governments to finance or invest in the creation of green jobs. For example, to date, whilst participation by SADC countries in the Clean Development Mechanism<sup>3</sup> has been quite limited, the potential benefits of involvement are high. According to documented sources, only 32 out of approximately 2,200 project activities registered since 2005 have occurred in Africa, primarily

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1 In Zimbabwe, there have been a number of initiatives to facilitate large firms enter into sub-contracting arrangements with micro and small enterprises. From the early 1990s through to 2000, when an unprecedented economic decline set in, sub-contracting and networking between small and large firms were gaining momentum, especially relating to manufacturing based operations.

2 Green jobs span a wide array of skills, educational backgrounds and occupational profiles. They occur in research and development; professional fields such as engineering and architecture, project planning and management, auditing, administration, marketing, the retail sector and customer services, as well as in many traditional blue-collar areas such as plumbing or electrical wiring. This shows the great potential of job creation through the expanding green economy.

3 Following the Kyoto Protocol, the Clean Development Mechanism is a vehicle of participating in the Kyoto process, where countries have implemented projects in different sectors designed to reduce or eliminate greenhouse gas emissions within their territories.

because of limited awareness of such opportunities and a substantial lack of skills to operate such complex projects (UNEP, 2008).

### **5.6 Strengthening Labour Market Institutions (LMLs)**

Strategies must be put in place to strengthen Labour Markets Institutions (LMIs) through improvement of job quality in micro and small enterprises, increased economic opportunities for women, promote enterprise support networks within and between a great variety of actors, strengthening building of associations of employers and workers, and upgrading employment for workers in the informal economy. The ultimate goal must be to unlock the potential for creating more and better jobs in MSMEs. For small enterprises, acquiring the management skills to survive and grow is critical. Support is needed to build national and local capacity to deliver cost-effective and sustainable business development services, such as management training, access to finance, information on technologies, export and domestic market access, and inter-firm linkages.

Strategies need to be in place to support the involve local enterprises in value chains at the global, national and local levels; horizontal linkages between firms through approaches such as partnerships and clustering, networks and area-based development strategies; and vertical linkages between producers, suppliers and market buyers. Such linkages can be particularly effective in overcoming many of the traditional constraints facing MSMEs, in particular, enterprises owned by women, such as access to markets, services, technologies and know-how. Once such access is provided, MSMEs can create and maintain quality jobs by increasing their productivity, market presence and share.

### **5.7 Framework for Policy Implementation**

Formulation of the National Employment Policy is designed to contribute to the acceleration of employment growth and move the nation towards full employment and the reduction of poverty. This goal can be achieved only if the policy is vigorously pursued and fully implemented. Being a dynamic exercise, the Employment Policy implementation strategies need to be reviewed regularly to ensure their continued relevance to the National Development Vision 2025 objectives and other National Policy Frameworks.

Given the multidimensional nature of the employment challenges, the implementation of the National Employment Policy requires the active participation and involvement of many actors, and their effective coordination by Government. This may require establishing new institutions or further strengthening the existing ones at all levels.

## 6.0 Way Forward:

Employment is a cross-cutting issue, and through robust strategies, Tanzania and Eastern Africa region are well-positioned to develop much faster, fully exploit its human and natural resource potentials. To sum up some of the actions needed as elaborated in this paper include:

- **To facilitate the private sector to invest in sectors with higher employment multipliers:** Role of the private sector in job creation is needed to feature out clearly. Investment in productive enterprise that will provide increased employment and generate incomes must be a priority;
- **To foster entrepreneurship dev. programmes:** empowering youth and facilitating their entry into business, and the gradual transformation of the informal economy to formal sector activities so as to create more and decent jobs for young men and women;
- To encourage the development of self-employment in private sector through SMEs development programmes that have proved to provide high volume of employment
- To promote Employment Facilitation and cross border services (both Public and Private Employment Agencies);
- To design different employment stimulus programmes within the financial sector - focusing on facilitating sustainable job creation initiatives and stimulating domestic demand for labour. User-friendly financial services by Banks and financial institutions ;
- To advocate for an affirmative action to support local MSMEs through promotion of use of locally manufactured products;
- To design and promote specific programmes for special youth groups e.g. college graduates with skills;
- To enhance awareness among employers and convince them to agree to employ /facilitate on-the job training for young graduates when appropriate;
- To facilitate self-employment through entrepreneurship training, micro-finance schemes, Business Development Services(BDS) , expanded market access, appropriate safety nets, and organization building;
- To develop non-traditional sectors, such as the creative industries and traditional knowledge systems;
- To promote youth talents and the entertainment industries e.g. music and sports industries as potential for enhancing youth employment;
- To continuously sensitization of youth to value work and be more pro-active, be prepared for entering the labour market and explore for emerging employment opportunities within and outside the country;
- To promote labour intensive Public Works projects as they are part of the massive stimulus plans for job creation;

- To create an enabling environment that will enhance the transformation of the traditional agriculture and informal sector activities into formal modern commercial farming, mining, tourism and other competitive private sector enterprises;

In a broader sense:

- Work is key in poverty reduction and accordingly so, facilitating in achieving equitable, inclusive and sustainable development in the country
- We therefore call upon stakeholders for their joint efforts towards realizing the NEP 2008 goals and objectives. All be on board and contribute towards attaining employment goals

Promoting compliance to the principles of equity and social inclusion ( non- exclusion, discrimination)

## **7.0 Conclusion**

Work is central to people`s well-being. It is through work that we can earn gainful income and broaden our economic and social advancement; gain strength to support both our families, communities and the nation at large.

Work is a source of personal dignity, family stability, peace at household, community and the nation at large.

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