

# SMALL MIDDLE INCOME COUNTRIES CONFERENCE

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# LABOUR MARKETS: STRUCTURAL CONSTRAINTS, AND REFORM OPTIONS – THE CASE STUDY OF SWAZILAND

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# Swaziland Labour Market Status

**Table 1: Swaziland Key Labour Markets indicators**

	LFS 2009/10	LFS 2013/14	Percentage Change (%)
<b>Working Age Population</b>	578,569	585,872	1.3
<b>Labour Force</b>	271,588	295,237	8.7
Employed (% of labour force)	71.5	71.9	0.6
Unemployed (% of labour force)	28.5	28.1	-1.4
<b>Inactive population – out of labour force</b>	363,659	290,635	-5.3
Discouraged group	55,879	69,010	23.5
<b>Employment to population ratio (%)</b>	34	36	5.9



Source: Central Statistics Office & Ministry of Labour and Social Security

# Swaziland Labour Market Status

- In Swaziland labour force surveys are conducted every three years with the last one conducted in 2013/14.
- According to the 2013/14 Labour Force Survey (LFS), an estimated 585,872 persons were in the working age population of whom 53 percent were females and 57 were males.
- This reflects an increase of 1.3 percent from the persons in the working age population in the 2010/11 LFS. The results of the 2013/14 Survey revealed that the unemployment rate in the country remains high at 28.1 percent.



# Swaziland Labour Market Status

- Although at this level the unemployment rate shows a marginal improvement from the 28.5% reported in the 2010/11 LFS, there have been minimal gains in employment or job creation in recent years. Rather, there has been a notable increase in the discouraged persons which rose by 23.5% from 2010/11 to 69,010 persons in 2013/14.



# Issues and Challenges in the Labour Market

- **Low absorption rate:** The employment to population ratio , is relatively low at 36.2% according to LFS of 2013/14.
- **High youth (age group 15-34) unemployment:** It is estimated at 38.5% but is significantly higher for the age group 15-24 at 51.6%.
- **Poor quality of employment:** About 43% of employed persons in Swaziland were low paid. Women workers were disproportionately low paid compared to their male counterparts (54% to 35%) according to the 2013/14 Labour Force Survey.



# Issues and Challenges in the Labour Market

- **Shortage of relevant skills remains the main challenge:** Especially in specialized areas such as engineering, specialized health experts, professionals, etc. Data from the LFS 2013/14 shows that 29% of the employed are under-skilled.
- **There is also a mismatch between the country's human capital skills and the requirements of the economy.** This could be due to lack of competition among the institutions of higher learning coupled with guaranteed Government funding through scholarships and subventions. This promotes laxity in the development of innovative and dynamic tertiary level programs.



# Issues and Challenges in the Labour Market

- **Low Productivity in Labour Intensive Sectors:**  
Key labour intensive sectors such as agriculture have experienced a decline in productivity levels in recent years.
- The manufacturing sector particularly the textile industry on the other hand has been hard hit by the erosion of preferential market access. The loss of AGOA preferences by the country in January 2015 impacted negatively on employment creation.





# Issues and Challenges in the Labour Market

- **Lack of Comprehensive Labour Market Information System (LMIS):** There is lack of comprehensive data on labour supply and labour demand statistics which has to be documented through a comprehensive Labour Market Information System. Swaziland labour data is done on a three-year lag basis through labour force surveys
- **Unstructured Brain Drain or Human Capital Flight:** The country is experiencing an unstructured brain drain or human capital flight, which depletes the country's meagre human capital.



# Issues and Challenges in the Labour Market

- **Insufficient and Unsustainable Funding for Education and Training:** High dependence of tertiary education institutions on Government funding remains a serious concern. At the same time, there is limited participation of the private sector in funding education and training.
- **There is limited access to secondary, technical and vocational education and training** due to, among other things, financial and academic barriers, as well as high unit costs of tertiary education.



# POLICY OPTIONS

- The first step in attempting to reduce unemployment is to identify the causes of the unemployment in the country, as this will ultimately influence the policies to be implemented to reduce unemployment.
- **Investing in Agriculture:** Investing in water harvesting and irrigation schemes to promote agriculture productivity can help address unemployment challenges especially in the rural areas.
- **Promote both private and public investment:** This is the major driver of sustainable economic growth, which in turn will lead to job creation.



# POLICY OPTIONS

- **Encourage partnerships** between education and training providers, firms, trade unions and civil society including apprenticeship schemes
- **Fight Youth Unemployment**
  - Provide young people with technical, entrepreneurial and innovative skills that make them attractive for employers through high-quality vocational education and training systems
- **Provide Tax Incentives (in form of tax breaks)**
  - To firms taking on the long-term unemployed, or providing more on-the-job training or firms that open up in rural areas where unemployment is rife.



# POLICY OPTIONS

- **Ensure economy minimises human capital flight**
  - introduce incentives to retain scarce skills in key sectors of the economy and attract those skilled Swazis working abroad.
- **Mobilize sufficient funds for education and training**
  - Seeking private-public partnerships for delivery of education will enhance the participation of the private sector in funding education.
  - Establish a revolving Scholarship Revolving Fund, which will be used to fund tertiary education in priority national growth and development areas.



# POLICY OPTIONS

- **Eliminate the mismatch between the country's human capital skills and the requirements of the economy**
  - Develop a National Policy on Human Resources Development and a National Human Resources Development Plan (NRDP)
  - Introduce incentive mechanisms to institutions that offer programmes that are required by the economy.
  - prioritise the awarding of Government scholarships to students enrolled on programs which addresses national priorities
  - Gradually abolish subventions to all tertiary institutions



# POLICY OPTIONS

- **Increase the accumulation of key human resources skills in key areas of the economy**
  - undertake more regular labour surveys to identify skills shortages, in order to inform the development and regular update of the Human Resources Development Plan.
  - undertake re-training/re-skilling of individuals who possess qualifications in non-demand areas, into high demand disciplines..
  - Develop and implement a Youth Development Strategy to facilitate the absorption of the high proportion of the unemployed youth and enhance, thus enhancing the participation of youth in economic growth and development.



# YOUTH UNEMPLOYMENT AND PRIVATE SECTOR

- **Barriers to Youth Employability**

- A lack of information, networks and connections among youth, especially youth from families which lack significant social capital
- A lack of skills relevant to the workplace
- A lack of experience and credentials that address employers' risk in making hiring commitments
- A lack of available jobs suited to entry-level skills





# YOUTH UNEMPLOYMENT AND PRIVATE SECTOR

- **Solutions that can be adopted by the private sector to reduce youth unemployment**
  - Private companies can Support Information Projects to Provide Career and Labour Market Information for Young Job Seekers
  - The private sector can promote a More Positive Image for Vocational Education.
  - Private companies can partner with demand-driven training-to-employment programs focusing on the requirements of specific available jobs
  - The private sector can commit to Hiring, Training, and Mentoring Youth
  - Private companies can participate in Career Guidance Programs for Youth Still in School



# POLICY CHALLENGES

- The economy has not been growing fast enough to generate employment opportunities. In the past decade the economy has been estimated to have grown by 2.5%.
- Low levels of FDI inflows due to the stiff competition for investment in the region has contributed to lower growth hence high unemployment
- Lower rating by the World Bank on the ease of doing business in Swaziland has also impacted negatively on investment prospects, hence the high unemployment rate in the country.



# POLICY CHALLENGES

- The current employment Act makes it difficult for employers to fire employees i.e. the process takes very long to conclude, hence its negative impact on employment creation.
- Another hindrance in implementing labour related policies aimed at increasing employment in the country is the unavailability of resources (budget)



# POLICY CHALLENGES

- The current labour policies are outdated, they need to be reviewed to ensure that they are relevant with current market conditions. Examples include the employment act, minimum wage for different sectors, etc.
- There is need to review the current education policies to focus on training individuals to acquire skills that enable them to set up their own businesses.



# POLICY CHALLENGES

- Introduce incentives for self-employed persons i.e. establish funds for supporting the youth. This depends on availability of the budget.
- Localisation committee within the Ministry of Labour: It depends on the field; where there are no qualified locals expatriates are employed and in cases where there are no qualified locals the restrictions of not employing expatriates are relaxed.



***THANK YOU***

