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THE WORLD BANK**

**Zambia in the 1980s: A Review of National
and Urban Level Economic Reforms**

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WORKING PAPER

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THE WORLD BANK

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INTRODUCTION

This paper is one of a number of economic and social policy background papers written as part of the research project on "Urban Poverty and Social Policy in the Context of Adjustment." This is being undertaken by the Urban Division of the World Bank in Ecuador, Hungary, the Philippines, and Zambia.

The purpose of this paper is to describe the economic reforms in Zambia during the period 1975-1991. The review identifies and examines change at the macro level as well as the urban level. The paper intentionally uses both World Bank and other sources, many from Zambia itself, to present different perspectives on Zambia's economic reform process during the past decade. It focuses on the important economic changes and their potential impacts on urban low-income communities during the period of reform.

There are three parts to this paper. The first section discusses the overall structure of the economy as well as pertinent economic, demographic and social indicators. Section Two carefully examines the origins of the economic crisis faced by Zambia in the early as well as in the late eighties and then traces the reform path embarked on by the Zambian government. Since the reform process is shaped by historical factors, the direction as well as pace of adjustment is linked to the initial conditions described in the first section. The third section provides a detailed description of the national and urban-level changes as a result of the macroeconomic reform process undertaken by the Zambian government.

I. STRUCTURE OF THE ECONOMY AND MACROECONOMIC PERFORMANCE

Resource Endowments

1.1 Zambia is a landlocked country bordered by eight independent nations. It occupies 753,000 square kilometers of land, with a total population of 7.8 million in 1990. Compared to other African countries, Zambia is not densely populated. The average population density in 1990 was 10.4 persons per square kilometer (Zambia 1990c, 13).

1.2 The climate and vegetation of Zambia is tropical, and the land is endowed with minerals and arable agricultural land. The major minerals are copper, (the main foreign exchange earner), cobalt, lead, and zinc. The agricultural land is divided into the following zones: the Northern Zone, which is relatively infertile and is also prone to high leaching of soil; the Western Semi-arid Plains, where fertile soil is found along the Zambezi River, but where the rest of the plains are mainly suitable for cattle rearing; the Central, Southern and Eastern Plateau (the CSE region), which is fertile and has a concentration of large commercial farmers; and the Rift Valley, which is unsuitable for farming (Levi and Mwanza 1987, 163).

1.3 Zambia has one of the fastest growing populations in sub-Saharan Africa. Its population was estimated at 7.8 million in 1989 and was growing at roughly 3.2 percent per year during the period 1980-90, a rate higher than the African average of 3 percent per year (Zambia 1989b, 52; SecM91-51, p.1). (see Table 1).

1.4 Zambia has a young population. In 1980, 49.4 percent of the total population was aged between 0-14 (see Table 2). Based on a gradually declining fertility rate, the percentage of children was estimated to increase to 49.1 percent in 1989 (Zambia 1990b, 3, World Bank 1990). In addition to the high percentage of children, Zambia's population is dominated by youths aged between 15 and 24, who were estimated to make up about 20 percent of the total population in 1988. This age structure is a consequence of high fertility rates (which averaged 6.65 births per woman in 1989) and declining mortality rates (Zambia 1990a, 4; World Bank 1990, 342).¹

1.5 In the last three decades, Zambia experienced very rapid urban growth. Table 3 shows that while only 20.5 percent of the population lived in the urban areas in 1963, this figure had risen to about 42 percent of the population in 1990. This high rate of urbanization is due partly to the natural increase of population and partly to rapid rural-urban migration (Zambia 1989b, 54). The attraction of relatively high wages in the urban areas, the widespread urban consumer subsidies together with the lifting of restrictions on movement allowing people to join their relations in urban areas have led to this migration pattern. Another factor is the neglect of and discrimination against the agricultural sector which was detrimental to the rural areas, both in terms of incentives and available employment opportunities.

1. The crude death rate (that is, the number of deaths per 1,000 persons per year) declined from 20.1 in 1965 to 12.6 persons per thousand in 1989 (World Bank 1990, 342).

Sectoral Distribution of the Economy

1.6 Copper mining accounts for about 90 percent of export earnings. Marketed agricultural output is dominated by private commercial farmers who supply the urban areas with food. Small peasant farmers dominate the farming population in rural areas. The two sectors, mining and agriculture, together with the manufacturing sector, accounted for 75 percent of total GDP in 1990 (see Table 4).

1.7 Zambia's large and diversified manufacturing sector consists of consumer goods production, although metal products and chemicals (largely fertilizer and oil refining) are also prominent. Though almost all of its output is sold domestically, the manufacturing sector absorbs a large share of investment and imports. Hence, it is considered a large net consumer of foreign exchange (World Bank 1991b, Gulhati 1989). Since the early 80's, however, capacity utilization has fallen sharply and many firms have been suffering substantial financial losses.

1.8 Zambia's service sector is dominated by government activity and parastatals. Its growth in the last twenty years is due to the expansion of civil and social services such as education and health care.

1.9 Though relatively small in terms of its sectoral contribution to the Gross Domestic Product, agriculture remains the primary source of livelihood for half of Zambia's population². The main agricultural crops are maize, (the staple food), tobacco, cotton and wheat. Other crops include groundnut, rice, pulses, sorghum, vegetables and fruits.

2. Four categories of farmers have been identified by the Ministry of Agriculture namely:

- a. Traditional/subsistence farmers—who cultivate under 2 hectares of land and generally practice mixed crop farming and/or chitemene, a type of shifting cultivation. Labor is mainly provided by family members, and draught power is family owned. About 600,000 households belonged to this category of farmers (PIC 1991, 21; Nelson-Richards 1987/88, 173);
- b. Emergent farmers—who cultivate between 2 and 9 hectares of land. In the 1970-71 agricultural census, between 30,000 and 40,000 households belonged to this category (Nelson-Richards 1987/88, 173);
- c. Small-scale commercial farmers—who grow between 10 and 50 hectares of maize, or between 2 and 5 hectares of tobacco. They use family labor and also hire casual labor. They own oxen and perhaps hire a tractor (PIC 1991, 21);
- d. Large-scale commercial farmers—who cultivate over 50 hectares of land. They use extensive mechanization and contribute between 70 and 80 percent of marketed agricultural produce. This category includes Zambian nationals, foreigners, agricultural companies, state farms, and producer cooperatives (PIC 1991, 21; Nelson-Richards 1987/88, 173).

1.10 Maize is grown by both commercial and small-scale farmers, with small-scale farmers accounting for two thirds of the production (Food Strategy Study 1981, cited by Ncube 1983, 31; EIU 1991, 23). Commercial farmers dominate the export-oriented crops such as soya-bean, sunflower, coffee, cotton, and even horticulture. Table 5 shows marketed maize output has been fluctuating since 1977. The output of marketed maize reached particularly low levels in the period 1979-80 mainly due to the inefficient marketing and input distribution by the now dissolved National Marketing Board (NAMBOARD), shortages of production inputs, unattractive pricing policies, as well as inadequate agricultural credit. Wheat is mainly grown by commercial farmers. Marketed output reached a peak in 1982, and has been declining since then due to high production costs, inadequate irrigation and drought (EIU 1991, 23).

System of Ownership

1.11 The ownership of land in Zambia is governed by the Land Act of 1975³. The Land Act covers two types of ownership; the statutory leaseholders, and the customary system of ownership. Under the statutory leasehold, the former cultivation pays an annual rent which is fixed uniformly throughout the country. The customary system on the other hand operates on traditional law whereby every household belonging to a community has an inherent right to occupy as much land as it can bring under cultivation⁴. Individual property rights therefore, are still not prevalent in rural Zambia. This is viewed as a deterrent to productivity growth, private entrepreneurship, and the development of land markets (World Bank 1986)⁵.

1.12 The other sectors of the economy are about evenly divided between private entrepreneurship and parastatals. The parastatal companies which are under the umbrella of the Zambia Industrial and Mining Corporation (ZIMCO), accounts for the largest share of

3. The Land Act vests all land with the President, and also prohibits the subdivision and alienation of land without his prior consent. It also states that when fixing the price of land, no regard should be taken of its value apart from improvements affected by the expenditure of capital or labor (Nelson-Richards 1987/88, 174).

4. Land is vested upon the President and the occupier is only a customary tenant, who is exempt from rent charges (Nelson-Richards 1987/88, 174).

5. More specifically:

1. The customary land system is a disincentive to agricultural growth because it does not encourage the generation of agricultural surplus or the adoption of cash crops where appropriate, as it does not recognize that land has a value.
2. The customary land system is in conflict with the fact that Zambian agriculture is dominated by private entrepreneurs who are motivated by earning profit on their land.
3. Since land has a significant value to users, and since this differs among different locations, the uniform rent which statutory leaseholders pay across the country does not represent this value (World Bank, 1986).

employment in mining, electricity and water, manufacturing and agriculture, while the public sector dominates construction, services and agriculture (see Table 6). In terms of employment, the public and parastatal sectors accounted for 75.3 percent of total formal sector employment, in 1980 with the rest being in the private sector.

1.13 The government is presently attempting to enhance the role of the private sector by divesting ownership and management of many public sector enterprises. In May 1990, the Zambian government announced its intention to sell to the public up to 49 percent of its share in many parastatals, except public utilities and other strategic industries (World Bank 1991b, p. 601). Another measure being undertaken to promote privatization is the establishment of a stock exchange, which will be an important source of capital for companies (EIU 1992, 17).

Economic and Social Indicators

1.14 Table 7 presents selected economic indicators between 1980 and 1990. Real GDP per capita declined over time to K290 in 1987, and then to an all-time low of K202 in 1989. The balance of payments situation also seems to have worsened with rising real total external debt and inflation. The Consumer Price Index (CPI) for the low-income group, a proxy for the rate of inflation, rose by 4000 percent between 1980 and 1990.

1.15 The income distribution in Zambia has been highly skewed since the mid-1970s. Table 8 shows the results of a 1974 household budget survey covering 1,196 urban and 618 rural households. It shows not only the marked difference between rural and urban incomes, but also the differences within urban areas.

1.16 According to the ILO, this survey underestimated the incomes accruing to the rich, and hence, has underestimated the extent of urban inequality (ILO/JASPA 1981, 28). Even so, the survey results revealed marked inequality not just within the urban areas, but between urban and rural areas as well. Overall, the richest 5 percent of Zambian households received 25 percent of the total income, which was more than the share received by the poorest 60 percent.

1.17 In 1980, another survey covering 720 rural and 413 urban households showed that about 60 percent of all households were categorized as poor and very poor, with monthly household incomes of less than K80 in rural areas, and less than K104 in urban areas⁶. Of these

6. There is no official Poverty Line in Zambia, although there has been repeated attempts by the Price and Incomes Commission to establish one (Strickland 1989, 96). The ILO basic needs income for urban areas can be compared however, with the CSO-defined income groups. In calculating the price indices for urban households living along the poverty line, the CSO defined households in the low income group as those with gross income of less than K150, while the high income group consisted of households with gross incomes exceeding K400 per month (Zambia 1980, 1). Since the minimum income used by the CSO to define households in the low income group is higher than that of the ILO definition, more households could have been defined as belonging to the low income group if basic needs approach was used.

households, 84 percent lived in rural areas, while the rest were in squatter and low-cost housing areas (Zambia 1990b, 45). The results of the survey are shown in Table 8.

1.18 Tables 9 and 10 provide Zambia's key welfare indicators. It shows a steady but marginal rise in life expectancy which increased from 48.5 years in 1975, to 53.7 years in 1989. Infant mortality has fallen steadily over the years from a high of 96.4 infants per 1,000 births in 1975 to 76.6 infants per 1,000 births in 1989. Both the rise in life expectancy and fall in infant mortality is due to the increase in health facilities as reflected in the decline in the population per physician, population per nurse and population per hospital bed (see Table 10).

1.19 The fall in infant mortality does not necessarily indicate an improvement in the nutritional status of children, however. For example, notwithstanding the fall in infant mortality, Strickland (1989, 214-215) observed that the proportion of hospital child deaths attributable to malnutrition as a proportion of total child deaths doubled from 12 percent in 1973 to 24 percent by early 1987. The increase in the proportion of deaths due to malnutrition was due to a decline in the nutritional status of low-income households who were substituting high quality foods with mealie meal as a result of declining incomes (Strickland 1989, 215; Seshamani 1990, 14) Food supply consumption, as measured by the intake of calories and proteins, shows that in the period 1987-89, both levels were below those in the period 1961-63.

1.20 Table 9 also shows that Zambia's literate adult population increased between 1969 and 1980. In 1969, 36.3 and 61.8 percent of females and males respectively were literate. The percentage of literate adults increased to 53.1 percent in 1980 for females, and 75.4 percent for males. Table 10 shows that gross enrollment ratios have reached 97 percent of school age group for primary level and 17 percent in the secondary level. The pupil-teacher ratios have also improved. These figures may nonetheless have underestimated the percentage of literate adults as they exclude adults who have had some training but have never been through formal schooling.

II. ECONOMIC REFORM AND ADJUSTMENT

Macroeconomic Policies in the Seventies

2.1 During the early 1970's, Zambia established an economic structure based on state ownership which displayed a strong preference for heavy government intervention and controls on prices. Given that the newly independent economy had little progress on capital formation, there was a high degree of import dependence on both capital and intermediate goods and consumer goods⁷. Emphasis was placed on import substitution and high protection of domestic industry. Although the objective was to facilitate industrialization by providing the so-called 'infant industries' the environment to grow, it brought little change in the low productivity level at which most enterprises were operating. Moreover, the administrative capacity of the Government to implement the system of controls was weak and hence, the policy was administered inefficiently and oftentimes corruptly (Colclough 1989, p. 2). It served to reduce the level of import expenditures but in ways that further undermined the productivity of the domestic economy, owing to the shortages and delays which the inept system helped to generate.

2.2 The macroeconomic policies during this period were directed at maintaining consumption levels and living standards based on the expectation that the fairly favorable world copper market will continue for some time. The government development plan was similar to what became known in the seventies as the Basic Needs approach. The development plan included such measures as price regulation on most consumer products and heavy agricultural subsidies. There was however, very little planning with respect to the sustainability of these measures other than its reliance on favorable copper earnings. For example, a sizeable proportion of government outlays went not only towards subsidies of maize and fertilizer, but also towards items such as cooking oil, salt, matches and soap. The fiscal cost of financing these subsidies became overwhelmingly.

2.3 In addition, there were substantial social service expenditures aimed at alleviating poverty. These included subsidized education, health care and other social service delivery. The social service expenditure comprised roughly a third of the total government budget. Although many of the social programs had well-meaning objectives, they generated adverse side-effects and did little to solve the structural causes of poverty. There was a negative impact on productivity as most firms became heavily dependent on financial support from the government. There was also a bias in the delivery of the services in favor of urban areas and often to the needs of high income households despite the declared emphasis on rural development and satisfactory access to education, water and health facilities for the low-income segment of the population. A large leakage of benefits to households who were not poor occurred through various loopholes and channels.

7. Gulhati (1989) p. 10 pointed out that the high degree of import intensity had deep historical roots. In the pre-independence period, a high level of imports was more than adequately financed by plentiful export earnings, predominantly from copper. Zambia was an "open" economy and the very attractive copper prices (in real terms) at that time yielded substantial rents, permitting relatively high levels of imports.

2.4 There was also heavy government involvement in key economic activities. In fact, a large parastatal sector dominated all areas of the economy with the exception of agriculture and banking⁸. The number of parastatals expanded rapidly throughout the seventies from 14 to 147, reflecting the state's decision to press ahead with development despite the chronic shortage of local private entrepreneurs. By the late seventies, "the public sector accounted for approximately 63 percent of value-added, 72 percent of formal sector employment and almost 80 percent of gross capital formation." (World Bank, 1987b, p. 1)

2.5 Both the high social service expenditures and the domination of the public sector in the Zambian economy were supported by an expansionary budget based on high levels of taxation and heavy foreign and domestic borrowing. This practice has led to persistent budget deficit, averaging 13 percent of GDP between 1980 and 1985.

The Nature and Extent of External Shocks

2.6 The heavy dependence of Zambia economy on a single commodity - copper- for its foreign exchange earnings, has made her economy vulnerable to the fluctuations in the world copper market. This was vividly demonstrated when world copper prices fell sharply and continued to decline from the mid-seventies until 1987. In fact, this trend largely contributed to a fall of one third in per capita GDP.

2.7 On the import side, Zambia is typical of many oil-importing, low-income countries. The unit value of imports rose very sharply after the first oil shock in 1972 and then again in 1979 as a result of the second hike in oil prices. Zambia's terms of trade was also affected by the unprecedented inflation in the OECD countries in the 1970s, and by the fact that exporters to Zambia charged increasing mark-ups on prices in anticipation of delays in obtaining payments (Gulhati, 1989, p. 3). All these factors, culminated in a severe decline in the terms of trade as shown in Graph 1.

2.8 The resulting deterioration in Zambia's terms of trade threw the economy into a deep recession and created very difficult policy problems involving strategic trade-offs. The government of Zambia had to make the hard choice between restoring financial balance by curtailing aggregate demand or maintaining the level of demand by resorting to extraordinary sources of finance. On the demand side, it decided to mainly cut back capital expenditures; at the same time, Zambia started to borrow heavily on hard terms from commercial banks who were only too willing due to the steady inflow of "oil money" deposits.

2.9 By the late seventies, this pattern of adjustment and financing had left Zambia with heavy indebtedness and rapid inflation. The government had made judgements about economic

8. The rise of parastatals in the Zambian economy has roots in the strong anti-colonial sentiments. During the sixties and early seventies, the growing disillusionment with foreign private investment lead to a wave of nationalizations. Many foreign companies operating in Zambia then were subsidiaries of multinationals also operating in Ian Smith's Rhodesia.

prospects, particularly about copper prices, that had turned out to be wrong. The instability and relative unpredictability of the movements in the international market (for copper in this case) only led to unmet expectations⁹. It also made a decision to reduce investment rather than consumption given its need to build up popular support (or at least not undermine its present level) and given the longer turnaround of returns from capital formation. This choice had left in its wake a host of problems including delays in replacing old assets and lack of maintenance of existing physical infrastructure. The undermining of infrastructural support led to greater inefficiencies and lower productivity levels.

2.10 As the balance of payments increasingly deteriorated, as shown in Table 11, sustenance of both consumption levels and import levels became more difficult. And yet, there was little adjustment made in terms of economizing on imports and of developing new exports. While most economists argue that this was largely due to the fixed exchange rate policy and trade controls, others have argued that there are structural rigidities in both the supply side and demand side which prevented the necessary adjustment to occur. These include the import and capital biased structure of the industries, the lack of skilled workers, and the lack of necessary market infrastructure especially in rural areas. As a result, imports contracted but in a haphazard manner.

2.11 As a result, large and unsustainable external and internal imbalances developed, savings and investment fell and external debt rose sharply. In the meantime, price distortions worsened, especially interest rates and exchange rates. The existing capital stock and industrial transport infrastructure remain poorly utilized and seriously run down.

Crisis in the Early 1980's

2.12 Deterioration of the Zambian economy had reached crisis proportions by December 1982 when trade credits to the country were suspended. In the meantime, world copper prices continued to decline in real terms until 1987 (see Graph 1). The resulting deterioration in Zambia's terms of trade threw the economy into a deep recession from which it has yet to recover. A decline in copper production during the same period exacerbated the effects of the worsening terms of trade.

2.13 As a result of external imbalances and of the IMF negotiations, the Government adopted a series of measures. First of all, government spending was cut back sharply, particularly on capital spending which fell by 70 percent between 1975 and 1983. Despite these measures, public sector deficit continued to amount to one-third of total spending. This is because nearly the entire fiscal cut fell on investment expenditure, while consumption continued to rise in absolute terms.

9. Even the World Bank projections of international copper prices turned out to have sizeable errors (World Bank, no date, "Program Performance Audit Report: Zambia-Second Program Loan." Washington DC, World Bank)

2.14 Secondly, import controls and trade protection measures were implemented. This system of controls, however, was administered inefficiently and sometimes corruptly. It served to reduce the level of import expenditures but in ways that further undermined the productivity of the domestic economy, owing to the shortages and delays which it helped to generate.

2.15 By the early 1980's, capacity utilization in manufacturing had dropped to as little as 30 percent. Continued overvaluation of the exchange rate provided few incentives for diversification. In the meantime, high oil prices exacerbated the difficulties.

2.16 The Zambian Government tried several times to restructure the economy. None of the efforts, according to the World Bank, however, were sufficiently comprehensive to bring about the structural changes required in the economy. Subsidies continued so that fiscal deficits grew as well. Domestic credit expanded even after foreign loans dried up. Exchange rates remained fixed while price controls were kept enforced. Despite these efforts, inflation rose steadily. By 1985, there was a decline of 50 percent in GNP per capita from 1982. At the same time the debt-to-export ratios increased from 203.11 in 1980 to 494 in 1985 (World Bank 1991b, p. 605).

Early World Bank-IMF Initiated Reforms (1985-87)

2.17 During the period 1984-86, the World Bank granted several sectoral loans (SECALs) to Zambia namely:

- Export Rehabilitation and Diversification Loan (1984)
- Agricultural Sector Loan (1985)
- Industrial Sector Loan (1986) and
- Economic Recovery Program Loan (1986).

The IMF also granted its third Stand-by Arrangement in 1986.

2.18 In the period following 1985-87, extensive efforts were made by the Zambian Government to implement the Bank/Fund-supported macroeconomic reforms in order to reverse the economic recession associated with the decline in Zambia's terms of trade. These included the following measures:

1. Introduction of the foreign exchange auction.
2. Liberalization of the foreign trade.
3. Virtual elimination of price controls especially in agricultural goods.

4. Increase in interest rates.

2.19 There was relatively little change made, however, in the public sector expenditures. In fact, the fiscal deficit became a major area of disagreement between the government and the IMF. In 1984, the deficit reached its lowest, in real terms, before increasing again (see Table 12). In the 1980s the government embarked on cutting subsidies. The IMF programs demanded a reduction in subsidies so as to reduce the budget deficit and to contribute to market liberalization. A move towards market liberalization also required the removal of price controls. At that time, prices were controlled on a range of consumer products, while the government subsidized maize meal, petrol, and fertilizer. A World Bank report hence recommended further changes such as:

1. Decrease government expenditures by 10 percent in real terms for the next 5 years.
2. Increase non-tax revenues (e.g. user fees, etc.)
3. Reduce in the size of parastatals.

2.20 As a result, the government embarked on reducing the size of the civil service¹⁰. Between 1983 and 1987, the government implemented a freeze on recruitment to the civil service. By 1985, out of the 77,000 established posts, an estimated 10,000 posts were left vacant (UNDP 1986). In the following year, the government announced that the number of daily paid workers was going to be cut by 40 percent over a 2 year period (Colclough 1889, 21).

2.21 The reforms were short-lived, however. Although the interest rate liberalization may have been intended to restrain the growth of money supply and hence curb inflationary pressures as well as increase savings, it brought little gains on the aforementioned objectives. The rate of interest was still unattractive to potential savers who were facing an inflation rate of 60 percent in 1986 (EIU 1991, 39). The high interest rates also affected production because firms found it costly to borrow money for inputs, machinery and spare parts (Fundanga 1988, 10).

2.22 The move towards liberalization started in December 1982 when the government decontrolled prices on all wholesale and retail prices, except those of wheat, maize and candles. This preceded the 1983 Stand-By Arrangement (Strickland 1989, 232). During the 1983-85 period, pressure was exerted on the government by the IMF to reduce the level of subsidies further. This was reflected by the fall in the absolute amount of maize subsidies and the rapid increase in the maize consumer prices. During this period, agricultural producer prices were also increased.

10. During the first decade of Zambia's independence, formal sector employment grew rapidly due to both the expansion in public sector employment and the growth in industries under the import-substitution strategy. In 1975, 33.4 percent of all formal sector employees were in the public sector; this increased to 37.3 percent in 1980.

2.23 In December 1986, as a result of an announcement regarding the increase in the price of maize, riots broke out. This forced the government to restore the subsidy. Earlier on, before the 1986 riots, the foreign exchange auctioning system had been introduced (in October 1985). The devaluation of the Kwacha by market forces, through auctioning, led to a general rise in prices necessitated by the higher kwacha cost of imported inputs that were then passed on to consumers.

2.24 The impact of the accelerating inflation rate was felt strongly by the low-income groups. In 1986, an attempt by the government to remove the maize subsidy led to riots in the Copperbelt in which 15 people died. Hence, the Zambian Government was forced to abandon most of its liberalization policies on the grounds that they generated excessive economic and political instability and social unrest.

Government-Initiated Reforms (1987-88)

2.25 On May 1, 1987, the IMF program was suspended, and in its place the government announced its own 'self help' program with the following theme: 'Growth From Our Own Resources'. A number of strategies were adopted such as:

1. The exchange rate was initially fixed at \$1=K8, followed by a 25 percent devaluation that pushed it up to \$1=K10.
2. Interest rates were controlled and set between 15 and 20 percent per year.
3. As an anti-inflationary measure, price controls on 23 essential commodities were re-introduced.
4. An allocation system of foreign exchange was set up to reduce the importation of luxury goods, and to concentrate on raw materials, capital goods and essential consumer goods.
5. A debt payment cap of about 10 percent of Zambia's total net export earnings was put into place. (Zambia 1989b, 7, Young and Loxley 1990, 51).

2.26 Although the 'self-help' program achieved an actual growth rate of GDP by 2.7 percent in 1988 which surpassed the projected rate of growth of 2.2 percent, there were worsening economic problems in the form of falling per capita income (due to the fact that the population grew at a faster rate than GDP growth), continued decline in copper exports (below

the planned target), stagnant non-traditional exports and an increase in inflation rate from 39.9 percent in July 1987 to 59.2 percent in July 1988¹¹.

2.27 Consumer subsidies were implemented by the government in order to restrain the rise in the living costs in urban areas¹². The price controls, though implemented with good intentions, led to an inefficient allocation of resources as they did not reflect real prices and so did not provide an incentive for surplus production, thus leading to losses and a fall in investment. Consumer subsidies on the other hand led to increased government expenditure (Seshamani 1990, 6). By far the largest share of consumer subsidies was on maize. Table 13 shows that between 6.1 and 16.9 percent of total government expenditure was absorbed by the maize subsidy. According to Strickland (1989, 234), subsidies absorbed between 2.1 and 5 percent of total GDP between 1970 and 1988.

2.28 The suspension of IMF-World Bank loan negotiations during this period was based on the fact that, contrary to their conditionalities, the Zambian government brought about:

- a. Little change in public sector level of spending.
- b. High public wage payments and subsidies to the detriment of maintenance and investment needs.
- c. High maintenance outlays over the social infrastructure (including health and education facilities).
- e. Stringent price controls.
- f. Fixed exchange rate and interest rates.

2.29 In short, there "was no alleviation of the structural problems facing the economy," according to the World Bank. Rather it only reinforced many of the distortions already existing in the economy. (World Bank, 1987b)

11. The output of copper fell by 5 percent, and exports were below planned targets. The increase in the rate of inflation was due to the inability to cut the budget deficit, which was financed by bank borrowing. This in turn increased the money supply and added to inflationary pressure (Young and Loxley, 1990, 56-57);

12. Full data on the structure of subsidies is difficult to find, the Ministry of Agriculture estimated that out of the total annual subsidy to the agricultural sector, K11 billion went to subsidize maize meal millers, K4 billion to subsidize purchases of fertilizer, and another K4 billion went to transport subsidies and loans to cooperatives and other financial institutions (EIU 1992, 15).

The Second Crisis (1987-1989)

2.30 Without the necessary external finance to assist the economy at the time of adjustment, Zambia faced another economic crisis in the late eighties with the following internal and external macro-imbalances:

- a. Inflation rose from about 35 percent in 1986 to about 64 percent in 1988 and then to 154 percent in 1989.
- b. There was a chronic shortage of foreign exchange and essential imported inputs.
- c. Economic activity was increasingly being shifted to the parallel market in the 1987-89 period, and therefore out of government control. The smuggling of goods to neighboring countries, including essential and subsidized consumer items, became rampant.
- d. Constant shortages of essential goods on the local market, including vegetable oil, detergents and maize meal.
- e. Difficulties in servicing external debt obligations, much of which had been contracted on commercial terms.

Resumption of Bank-initiated Economic Restructuring (1989-91)

2.31 In late 1988, the Zambian Government resumed its policy dialogue with the World Bank and the IMF. The multilateral institutions both recognized that Zambia is, and will remain for some time, heavily dependent on external assistance. An assured flow of such assistance from them, however, was to depend on a firm commitment by the Zambian Government to implement the recommended economic reforms and to resume normal relations with external creditors.

2.32 Given these conditionalities, the Government began the restructuring process that involved:

- a. Raising of interest rates and reserve requirements to slow down money supply growth (target a limited growth of 22 percent in 1990) and to reduce inflation from 162 percent in 1989 to 22 percent in 1990.
- b. Tripling of consumer price of maize to lessen the burden of paying subsidies and decrease the budget deficit.
- c. Special targeting of vulnerable groups using the maize meal subsidy coupon scheme.

- d. Devaluation of the Kwacha by 49 percent.
- e. Introduction of a dual foreign exchange market to encourage the expansion of nontraditional exports.

2.33 These actions marked the first steps in a major reorientation of economic policy from administrative controls to greater reliance on price signals and demand restraint. A principal feature of the World Bank-IMF stabilization program is the recognition that economic diversification, structural reform and growth can only take place within a sound and stable financial environment. This involved devaluation, monetary and fiscal reforms. In addition, a number of medium-term structural measures was implemented upon recommendation by the World Bank. These include:

- a. Price decontrol;
- b. Privatization and restructuring of parastatals, and;
- c. Trade and tariff reforms.

2.34 The IMF-World Bank sponsored adjustment effort thus gained momentum with the adoption of a comprehensive macroeconomic and structural adjustment program for 1990. This program was discussed by the Executive Board of the Fund in March 1990 and again in July, at which time the Fund endorsed it as a Fund-Monitored Program (FMP). Each of these measures are discussed below.

Devaluation

2.35 In June 1989, at the same time that prices were decontrolled, the Government devalued the kwacha by 49 percent in local currency terms. Subsequently, the official exchange rate has been adjusted regularly.

2.36 In February 1990, the Government accelerated the pace of effective exchange rate adjustment by introducing as a transitional arrangement a dual foreign exchange market that consists of two windows. At the first window, foreign currency proceeds from copper exports are sold for specified purposes at the official exchange rate. The second window is fed by other foreign exchange earnings, including nontraditional exports and external loans and grants. The second window was introduced at a substantially depreciated rate.

Monetary Reforms

2.37 Then exchange rate actions of mid-1989 were accompanied by the introduction of a comprehensive monetary policy package that included increases in interest rates, reserve requirements, and liquid assets ratio.

Fiscal Reforms

2.38 Additional fiscal measures were undertaken and this contributed to a reduction in the primary budget deficit (excluding grants) from 7.1 percent of GDP in 1988 to 6.1 percent in 1989.

2.39 By mid-1990, however, serious problems were encountered in the execution of the fiscal restraint measures. The program implementation was undermined by the oil price shock and problems in crop financing. As a consequence, the inflation outcome for the year is estimated to have been considerably worse than projected.

2.40 Because of very high inflation and hence, substantial erosion in real wages and salaries in the public sector, the Government provided for a basic wage and salary adjustment of 85 percent in 1990. In addition, there was a significant increase in housing allowances, and fringe benefits were exempt from taxation.

Price Decontrol

2.41 Prior to June 1989, price controls were widespread in the Zambian economy, either through legislated controls or through the requirement of prior approval of price increases by the Prices and Incomes Commission. From the World Bank perspective, efficiency in the Zambian agriculture and industry would depend upon whether the prices paid to and by suppliers accurately reflect market forces i.e. consumer demand, cost of production and transport, export prices, and cost of imports, so that the structure and location of production can more accurately reflect comparative advantage. For example, as a result of heavy transport subsidy, the production of maize is overemphasized in some remote areas to the detriment of other crops, including export crops (World Bank 1991b, p. 600). This has led to severe misallocation of resources, according to a World Bank report. (World Bank 1992, Report No. 9517).

2.42 In June 1989, the Government abolished all price controls except those on maize, maize-meal and fertilizer which led to dramatic jumps in domestic prices. The inflationary repercussions of price decontrol have been compounded by adverse developments in other areas. The crisis in the Middle East led to sharp increases in the cost of imported oil at a time when large adjustments were already being made in local petrol prices to reflect the depreciation of the kwacha. As a result, the retail price of petrol was raised in stages by a total of 350 percent between August and November 1990.

2.43 According to the World Bank, these measures, while an initial shock to the system, have resulted in the elimination of black markets, the encouragement of private sector activity and the easing up of supply constraints. Moreover, by allowing both private and parastatal firms to set more realistic prices, decontrol has contributed to improved profitability and the strong growth of tax revenues. (World Bank, 1992)

Trade Liberalization

2.44 These measures have been taken in conjunction with a tariff reform, the first phase of which was initiated in November 1990. A minimum duty of 15 percent was imposed on imports that had previously carried a zero duty rate and for all but a small number of luxury goods, the maximum duty was reduced from 100 percent of 50 percent.

Agricultural Privatization

2.45 The Government has liberalized agri-products to provide more scope for private sector activity and thus to enhance competition. In September 1990, the Government announced that private traders would be permitted to participate in all phases of maize and fertilizer marketing, thus allowing millers to buy directly from farmers and for consumers to buy directly from all parties. The World Bank viewed these steps as necessary to increase competition, to decrease the large margins between farmgate and consumer prices, and to improve the distribution of maize production by encouraging production in areas closer to consumers.

2.46 The above policy measures which were in force since January 1989, have had an unfavorable impact on various sectors of the population, as expressed by the growing social unrest and political instability. For instance, in June 1990, after hardly a year in operation, an attempt to reduce the maize subsidy, resulted in riots in which 27 people were killed. On June 30th 1990, the government survived a coup attempt led by Lieutenant Mwamba Luchembe, an Army officer. These recent series of events implies that the direction and pace of the reform process followed by a country, strongly influences the political environment. The policy choices made by the Zambian government as well as its political judgment on what is acceptable to the people and which sector of the population will bear the brunt of the adjustment costs determine the basis for internal support for structural adjustment.

III. Meso-level Trends: Changes in Markets and Social Infrastructure

3.1 As a result of the macroeconomic reforms undertaken by the Zambian government, certain meso-level changes have taken place in the labor and output markets as well as in the delivery and quality of social services. Since these changes have direct and indirect impacts on the welfare of low-income households, we will examine each of the market and sector in greater detail.

Labor Force Participation Trends

3.2 The trends in labor force participation and employment are key indicators of the potential productivity of the population. This section examines these trends by looking at the following aspects; the gender distribution of the labor force, changes in age distribution within the labor force, and trends in employment and unemployment rates.

Changes in Age Distribution of the Labor Force

3.3 There have been important changes in the characteristics of the labor force over the past decade¹³. The population had, by 1987, more than doubled since 1963. One of the major consequences is a change in its age structure. On the one hand, it is becoming younger, while the proportion in the working age group decreased. At the same time, because of a decline in mortality rates, the proportion of elderly people has increased.

3.4 The age distribution of the labor force is presented in Table 14. It shows that in 1986, a large percentage of the national labor force, 37.1 percent, consisted of those aged 12 to 24. Those aged between 25 and 34 accounted for the second largest share. Unlike the age distribution of the national labor force, the age distribution for urban Lusaka shows that in 1985, those aged between 25 and 34 dominated the labor force, accounting for 33.9 percent of the total labor force.

3.5 These trends have several major consequences. First, even if individual fertility declines, birth rates will remain high for a considerable number of years by consequence of the age structure. Second, the number of new entrants to the labor force will continue to increase sharply for the next few decades. Third, the decline in the proportion of people in the working age group implies an increase in the dependency ratio, with consequent needs for proportionately higher health and education expenditures, as well as heavier demands on household budgets, at a time when the economy has been in sharp decline. The interaction of these trends will undoubtedly result in extreme hardships for a large number of individuals and families (Colclough 1989, p. 6).

13. The labor force is defined to include all persons aged 12 years and above employed or unemployed during the preceding week of interview in the 1980 census. In the 1960 and 1970 census years however, labor force included those who were 15 years and above who were working or seeking work. It excluded housewives, full time students, those who were sick, old, or disabled, prisoners and those not working because of having other sources of income (Zambia 1976, i).

Changes in the Gender Distribution of the Labor Force

3.6 The labor force in Zambia has been increasing. In 1980, it was estimated that 1.8 million people were economically active. This number increased to 2.7 million in 1986, representing a 50 percent increase in the labor force in a period of six years (Zambia 1987a, 24)¹⁴. It is estimated that the labor force will increase to 3.7 million in the year 2000 (Zambia 1990b, 27).

3.7 According to the 1980 census, over half of the labor force were regarded as economically active, with the remainder being students, housewives, retired or disabled persons. The data also showed that 71 percent of the male labor force was recorded as being economically active, with only 37 percent of the female labor force being so classified. By 1986, these figures have changed. According to the 1986 Labor Force Survey, of the total labor force, 52.4 percent were male, while 47.6 percent were female (Zambia 1989a, 39). The participation rates also differed between sexes, being higher among males (see Table 15). For the usual reasons, however, these estimates result in a significant understatement of the amount of productive work undertaken by women. Half of the working population were engaged in agricultural work (two-thirds of the females and about 44 percent of the males). One-third was self-employed and a further 5 percent were unpaid family workers - again preponderantly in the agricultural sector.

3.8 In urban Lusaka, the labor force in 1980 was estimated to be 178,094 people. It increased to 223,908 people in 1985, representing a 25 percent increase in a period of five years. The gender distribution of the labor force for Lusaka in 1985 also showed that it was made up of a higher percentage of the male population, which comprised 68.7 percent (see Table 16).

Trends in Employment and Unemployment Rates

3.9 The growth of formal sector employment in Zambia largely reflects the performance of the economy over the years. Table 17 presents the trend of formal sector employment between 1969 and 1988.

3.10 A notable feature in the formal sector employment pattern is the steady increase in employment in the first decade of independence. Between 1965 and 1975, wage employment grew at an annual average growth rate of 4.5 percent. The highest level of total employment was attained in 1975. Thereafter, employment decreased steadily until it picked up slightly in 1980. After 1980, it continued its downward trend, decreasing by 0.6 percent per year.

3.11 Table 17 shows that while formal sector employment has been declining since 1975, the labor force has been increasing rapidly, hence significantly reducing the percentage of the labor force in wage employment. Wage employment as a percentage of the total labor force was 26.9 percent in 1969. This ratio increased to 29.1 in 1974, after which it declined steadily,

14. The phenomenal increase in the labor force is also partly due to the change in the definition of the labor force.

reaching a bare 9.9 percent in 1988. This means that while one in three persons in Zambia had a job in the formal sector in the mid-seventies, approximately one in ten had such a job fourteen years later. Thus, the number of persons without access to any direct or indirect support from wage or salary incomes is now vastly greater than in the seventies.

3.12 The pattern of employment performance may be further examined in terms of sectoral performance. This provides some useful insight into the sectors that bear the brunt of the economic decline. Table 18 presents employment data by sector between 1975 and 1990. A number of important features emerge from the table. First, job losses after 1975 were heavily concentrated in the construction industry which lost more than half of its jobs by 1984. The primary cause of this concentration was the massive fall in investment expenditures, which resulted from the curtailment of domestic expenditures in response to the sharply curtailed profitability of the copper industry and the country's growing balance of payments deficits.

3.13 Employment also fell in mining and quarrying, particularly after 1980, in response to the sharply curtailed profitability of the copper industry. In 1984, apart from in the agriculture sector, employment elsewhere actually rose; in manufacturing and transport by about 10 percent and in services, by about 7 percent. Employment trends in services reveal that the rise in employment rates was almost entirely due to expansion of employment in the public sector, which could not be sustained for financial reasons.

3.14 The relationship between output and employment growth are investigated in more detail in Table 19. Employment/output elasticities are shown for the 1970-75 and 1970-80 periods. The data suggest that the aggregate relationship between employment and output has been close to unity. This implies that in the aggregate, no labor productivity growth occurred over the seventies.

3.15 This result can be explained in a number of ways. First, the elasticities shown are heavily influenced by movements in the services sector, which itself is dominated by the public service. Secondly, the negative growth of output and employment are not conducive to the measurement of meaningful elasticities. For example, there are likely to be strong political and institutional reasons for laying off workers less quickly than may be thought justifiable on profitability grounds. Thus, the fall in average labor productivity, under conditions of decreasing marginal productivity of labor, will tend to raise the size of measured employment/output elasticities during times of recession.

3.16 Overall, the percentage share of the primary and secondary sectors in total formal sector employment declined from 56.4 percent in 1975 to 51.5 percent in 1980, and to a further 49 percent in 1990. The failure of the formal sector to absorb the increase in the labor force has resulted in growing unemployment, and in the expansion of the informal sector. Even though time series data on unemployment in Zambia does not exist, the 1986 Labor Force Survey data provides useful information about the unemployment situation in the country.

Unemployment Patterns

3.17 Table 20 provides an overall picture of the unemployment situation in the country. In 1986, there were 353,357 unemployed or 13 percent of the economically active population. Of the estimated unemployed, 34.8 percent were male, and 65.2 percent were female. The table also shows that the rate of urban unemployment was higher than that in the rural areas (10.6).¹⁵

3.18 In terms of age distribution, 51.1 percent of those unemployed in 1986 were aged between 15 and 24. The incidence of unemployment was also higher among males. While this difference between sexes was somewhat slight in 1980, it increased in 1986. The females aged between 15 and 24 represented 48.9 percent of the unemployed in the 15-64 age group compared to 55.5 percent among males of the same age cohort. The table also shows that the incidence of youth unemployment was higher among urban male youths. There was an increase in the percentage of unemployed male youths in urban areas from 63.3 percent in 1980 to 65.5 percent in 1986 (see Table 21).

3.19 Table 22 presents the unemployment pattern by education level. The incidence of unemployment was highest (36.2 percent of total unemployed) among those with grades 5 to 7 levels of education. The second largest share of the unemployed comprised those with no schooling. In urban areas, the incidence of unemployment among grades 5 to 7 youths was even higher. They accounted for 42.1 percent of the unemployed, followed by those with grade 8-10 education level. Table 23 shows that in 1980, the picture was slightly different. Those with no schooling accounted for the largest share of the unemployed people, followed by those with grades 5-7 education level. In urban areas however, those with grade 5-7 education level comprised the largest proportion of the unemployed, followed by those with no schooling. Compared to rural areas, there were more unemployed people with 1-3 years education in urban areas. The relatively large share of unemployed people with secondary school level of education in urban areas reflects the expectation of educated youths to look to the urban areas for job opportunities.

3.20 In comparison to the national rate of unemployment, the unemployment rates in urban Lusaka in 1986 were much higher. While the national unemployment rate was 13 percent, the rate of unemployment in urban Lusaka was 20.2 percent (see Table 24). The national unemployment rate for females was 17.8 percent, while the rate of female unemployment in urban Lusaka was 31.9 percent. The unemployment rate for males at the national level was 8.6 percent, while that for urban Lusaka was 11.4 percent.

3.21 The rates of unemployment in 1986 for urban Lusaka represent a sharp increase over the unemployment rates in 1985, especially for females. While the rate of female unemployment was 17.6 percent in 1985, it increased to 31.9 percent in 1986. The total rate of unemployment was 12.8 percent in 1985, but it increased to 20.2 percent in 1986.

15. The rate of urban unemployment is calculated as the number of unemployed persons as a percentage of economically active people in urban areas.

3.22 At the city level, the age composition of the unemployed in urban Lusaka in Table 25 shows that youths aged between 15 and 24 accounted for 57 percent of the total unemployed population in 1985. Also, as in the national data of unemployed people by sex, female youths aged between 15 and 24 accounted for the largest share within the total unemployed female population, and was greater than that among male youths.

3.23 The distribution of the unemployed by education in Lusaka shows that in 1985, females with primary education accounted for the highest share of total unemployed females (see Table 26). For males, those with secondary education accounted for the largest share of total unemployed. In terms of unemployment rates however, males with no schooling had the highest rate of unemployment among unemployed males, while females with primary education faced the highest rate of unemployment among the unemployed females. Overall, those with no schooling faced the highest rate of unemployment in urban Lusaka.

3.24 The rise in the rate of unemployment over this period suggests a fall in the living standards of families who have had to support youths who cannot get jobs, given the decline in employment opportunities in the formal sector. It also suggests an increase in the number of youths looking to the informal sector for means of a livelihood.

Underemployment

3.25 Another employment problem existing in Zambia's labor market is underemployment. For our purposes, the incidence of underemployment of labor is determined by hours worked. Underemployment of labor exists if employees do not work as much as they would normally want to work (40 hours a week). Underemployment arise, for instance, if industries are faced with severe raw material shortages and workers are hired less than 30 hours a week. The extent of underemployment of labor in Zambia is given in Table 27. It shows that over half of the visibly underemployed worked between 15 and 34 hours per week¹⁶.

3.26 The visibly underemployed accounted for 10.3 percent of the total employed labor force in the country, and 9 percent of the total labor force in 1986. Of all the visibly underemployed people in Zambia in 1986, 29.4 percent were underemployed due to lack of business, while 15.6 percent were underemployed due to lack of raw materials. The other reasons cited by firms for underemployment were lack of financing, and machinery breakdown. Industrial disputes, on the other hand, were not a major reason for underemployment (see Table 28). These reasons reflect the severe effects of shortages of foreign exchange on the procurement of inputs as well as lack of effective demand. Input shortages and lack of demand not only resulted in underemployment of labor, but also the underutilization of capital.

16. The visibly underemployed is defined as those persons who: (a) worked less than 40 hours per week,(b) were willing to work more hours, and (c) were available to work but did not work because of lack of business, lack of finance, lack of raw materials, machinery breakdown, industrial disputes and other reasons (Zambia 1989a, 17).

Trends in Urban Informal Sector Employment

3.27 The urban informal sector in Zambia has not been systematically enumerated in spite of the large percentage of the labor force engaged in it. According to the 1986 Labor Force Survey, 64.5 percent of the total economically active labor force were engaged in the urban informal sector¹⁷.

3.28 Table 29 shows the distribution of urban informal sector participants by occupation and by sex. Outside those involved in subsistence farming, the urban informal sector is dominated by those engaged in sales activities. These range from street vending to selling second hand-clothes.

3.29 The dominance of selling activities in the urban informal sector was also revealed by a study by the Price and Incomes Commission (PIC) which covered 681 households in low urban residential areas of Lusaka, Kitwe, Kasama, and Livingstone. Of the surveyed households, 46.5 percent were engaged in trading and marketing activities comprising of selling charcoal, firewood, second-hand clothes, cement, sand, and consumer commodities (PIC, 1989).

3.30 In 1986, the informal sector (rural and urban) employed 77.2 percent of the total employed labor force (Zambia 1989a, 26). Of the 1.8 million informal sector participants, about 55 percent were in the urban areas. The percentage drops to 50.5 percent when subsistence farmers are excluded. The number of informal sector participants in 1986 represented a 100 percent increase over the 0.9 million participants estimated to be in this sector in 1980 (Zambia 1987b, 111).

3.31 The increase in the number of people looking to the urban informal sector is not surprising given the falling employment opportunities in the formal sector. For example, results from a sample survey showed that in 1969, 10 percent of household heads in George Compound were self-employed or family workers. This percentage increased to 24 in 1977 (ILO/JASPA 1981, 30), and may have increased even further with the increase of the squatter population within the George Compound, and other areas in the periphery of the city.

Changes in Real Earnings

3.32 Real wages determine the quantity and quality of goods and services most low-income households can afford to purchase in a particular period. Poor urban households mainly earn their wages from low paid formal sector employment or from involvement in informal sector activities. For example, a study by the Price and Incomes Commission (PIC) showed that in

17. The Central Statistical Office defined the informal sector as consisting of all subsistence farmers, all own account workers, all unpaid family workers, paid employees and employers and members of co-operatives having business or employment in an enterprise having 5 or less employees (Zambia 1989, 16). This definition differs from conventional ones in that it includes subsistence farmers who are not normally regarded as belonging to the informal sector.

1988, the average monthly incomes of Lusaka and Kitwe residents living in low cost areas (engaged in informal sector activities) were K841 and K495 respectively, (see Table 30). In Lusaka, the largest percentage of total income was from wages and about a quarter of the households income came from informal sector activities. A small percentage came from other sources such as rent or income in-kind.

3.33 The issue of deterioration in the living standards of poor households can therefore be assessed by examining the trend in real earnings, especially in the context of changes in the prices of essential commodities and the freeze on nominal wage increases implemented by the government. Before discussing the trends in real earnings in the formal sector, the process of wage setting is first examined.

3.34 One of the key characteristics of the Zambian labor market that has been a major point of negotiation with the IMF and the World Bank is the wage-setting mechanism. This is considered a form of government-created labor market rigidity. The inflexibility in the movement of wages as determined by market forces seems to explain, according to the World Bank, the lack of output response even where relative prices have been successfully altered.

3.35 The process of wage setting in Zambia's formal sector is influenced by the public and parastatal sectors, which are the dominant employer groups. Together, they account for more than 75 percent of total formal sector employment. Wage setting is also influenced by whether employees are unionized or not, although the wages of civil servants are set by the government regardless of their union status (Meesook et al 1986, 15)¹⁸.

3.36 In the civil service, salary adjustments are based on recommendations of salary review commissions which are appointed at roughly four-year intervals. The adjustments are made in the level and structure of salaries after comparisons are made between salary scales in the government and those of the parastatal and private sectors. In the parastatal sector, unionized employees, (who are mainly blue-collar workers), are covered by a collective bargaining agreement, while non-unionized workers (white-collar workers) come under the ZIMCO scale. In the private sector, the process of wage setting is similar to that of the parastatal sector. The non-unionized workers' salaries are fixed and adjusted by employers, while unionized workers' wages are negotiated through collective bargaining.

3.37 Although there is no minimum wage policy in Zambia, the government has issued guidelines involving wage increases to 'narrow the gap' between lower and higher skill categories. (Meesook et al 1986, 21-46, Lindauer et al 1988, 11). The policy to 'narrow the gap' has resulted in the reduction in the ratio of the highest to the lowest salaries in the civil service, and has also affected wage differentials in the parastatal and private sectors. However, this policy has not prevented real incomes from falling due to inflation. Higher skilled workers have also faced declining real earnings, forcing them to seek for 'greener pastures' abroad. This has

18. The only exception are non-unionized employees of ZCCM, who are covered by a separate scale which is more generous than the ZIMCO scale (Meesook et al 1986, 17).

resulted in skill shortages in the government. Declining real earnings of lower skilled workers have forced them to engage in 'moonlighting' activities, while affecting efficiency in the civil service (Zambia 1989b, 60; Lindauer et al 1988, 13).

3.38 A feature of Zambia's formal wage sector is the increase in real earnings of formal sector employees by 33 percent in 1967 and by a further 15 percent in the period up to 1973 (see Graph 2 and Table 31). These trends were greatly influenced by the relatively high copper prices that prevailed during this period and by government policy¹⁹.

3.39 In the face of declining copper prices, the relatively high wage levels in the formal sector could not be maintained. By the late seventies and early eighties, restraint on wage increases was emphasized. The government also adopted the objective of narrowing differentials among workers by allowing larger cost of living adjustments to lower paid employees and vice versa. Despite the slower adjustment in formal wages, the price of labor in the informal urban sector remained less than 50 percent that of the formal sector (Gulhati 1989, p. 10).

3.40 Although wage income decline affected workers throughout the formal sector, the earnings losses were particularly felt by those in the public sector. The workers in the latter suffered a 16 percent decline while those in the private sector were, on average, 14 percent better off. After 1980, however, the real earnings of workers in all sectors declined due to inflation. This was even more dramatic for unskilled workers.

3.41 The movement of average real earnings varied not only between sectors, but also between Zambians and non-Zambians²⁰. In 1980, 5.2 percent of these employees were non-Zambians, while the rest were Zambians (see Table 32). The decline in the number of non-Zambians is due to the decline in the purchasing power of the Kwacha. The index numbers of total annual average real earnings of non-Zambians declined much faster than those of Zambian employees. By 1983, the non-Zambians were earning 59.8 percent less than what they did in 1970, while Zambian employees were earning 29.7 percent less than what they earned in

19. The Brown Commission in 1966 attempted to unify the substantially different pay scales of African and non-African workers. This was done by raising the wages of Africans rather than by reducing the pay of non-Africans (Gulhati 1989, p.10).

20. Non-Zambians are classified by type of work permit and they include:

- a. Expatriates—all non-Zambians engaged in paid employment on contractual basis under an employer resident in Zambia and are issued with a work permit;
- b. Residents—all non-Zambians who are established residents and are issued with a work permit;
- c. those with entry permits who intend to remain in the country for more than three months, with the intention of engaging in specified employment until they become established residents (Bardouille 1986, 8)

1970. Although the real earnings of non-Zambians fell much faster than those of Zambian employees, their absolute level of earnings was still much higher (see Table 33).

3.42 Significant declines in annual average real earnings were experienced by Zambian employees in the mining and manufacturing sectors, while non-Zambians working in agriculture, construction, manufacturing, mining, transport, and services, experienced considerable deterioration in their real earnings.

3.43 One key factor responsible for the decrease in real earnings is the annual rate of inflation. The index number of nominal earnings only increased by 169 percent for Zambians and by 72 percent for non-Zambians in the period between 1970 and 1980. In terms of income group category, the Consumer Price Index (CPI) for the low income group increased by 186.2 percent while that of the high income group increased by 169 percent. This resulted in the index number of real average earnings of Zambians and non-Zambians decreasing by 6.3 percent and 36.2 percent respectively between 1970 and 1980. Data on earnings is not available after 1983 from official sources, unfortunately. The EIU (1990, 20), however, reported the provisional figures of average annual earnings of formal sector employees as K3,080 in 1987, compared to K2,930 in 1984.

3.44 Declines in real earnings of employees have also occurred at the city level. Table 34 shows the nominal and real monthly earnings of formal sector employees by sector in 1983 and 1985 for urban Lusaka. The aggregate nominal average monthly earnings increased by only 1 percent between 1983 and 1985 and were quickly eroded by the high rate of inflation. Real average monthly earnings fell on the average by about 39 percent over the same period.

3.45 Although the CSO sources give a gender breakdown of formal sector employment up to 1980 (see Table 35), they do not give a breakdown of earnings by sex. The 1986 Labor Force Survey however gives average monthly earnings by occupation and sex for 1986 as shown in Table 36. In 1986, women dominated occupations related to professional and technical work, with 27.3 percent of all women in the formal sector being employed in this category. Men on the other hand were dominant in production related jobs, and transport equipment operating jobs, where 32.1 percent of all the men in the formal sector were employed.

3.46 Table 36 also shows that the total average monthly earnings of female employees were lower than those of male employees by 22 percent. In fact, the average monthly earnings of females in all occupational categories were lower than those of male employees. The difference in the average monthly earnings between females and males existed despite a large number of males working as laborers or doing service jobs as compared to females. The higher average earnings for males may be explained by the small number of females in higher paying administrative and managerial occupations. There were only 200 women in these occupations compared to 5,200 males.

3.47 Although the national average monthly earnings of females in the formal sector were lower, a breakdown of earnings by education in Table 37 shows that women with tertiary

education received higher average monthly earnings than men with the same level. The earnings of these women also exceeded the national average monthly earnings of employees, despite the fact that women with tertiary level of education were about a fifth of the total number of men with the same level of education.

3.48 The table also shows that female employees who had secondary education accounted for 52.5 percent of total female employees, compared to 41.9 percent of all male employees. In general therefore, women in the formal sector had higher levels of educational attainment compared to males employees. Although this was the case, they still earned lower average incomes than their male counterparts.

3.49 Based on data from a 1983 Pilot Manpower Survey which covered two thirds of total formal sector employment (Meesook et al 1983, 11) and Bardouille (1988, 34) observed that women's average monthly earnings in professional, technical and related occupations were 72 percent of those of men in similar occupations. The earnings were lower in almost all occupations except in clerical and related occupations, where woman earned more than men by only three percentage points. This is explained by the fact that the educational attainment of women in clerical jobs were higher than those of male employees (Bardouille 1988, 34).

3.50 In general, lower earnings of women existed in occupations where men and women had the same qualifications. There are several plausible explanations for this trend. One is that the pay structure is explicitly sex-biased. Another is that women are concentrated in low paying sectors (for example, in teaching and secretarial services), as well as in lower grades within the occupational hierarchy.

3.51 In urban Lusaka, female employees in general also received lower average monthly earnings (see Table 38). The average monthly earnings of females in 1985 were lower by 13.6 percent, compared to those of male employees. Females employed as clerical workers were the only exception. Their average monthly earnings were 20.5 percent higher than those of males employed in the same occupation. In the rest of the occupations, men earned higher average monthly incomes than females.

3.52 Table 39 further categorizes earnings by education in urban Lusaka. It shows that unlike the national data for 1986, male employees at all levels of education received higher average monthly incomes than women. The average monthly earnings of men with A level education were more than twice the average earnings of women with the same educational level.

3.53 The lower earnings of women employed in the formal sector suggest that those who may be heads of households are more likely to face more drastic declines in their real incomes during recession. The 1985 Labor Force Survey revealed that in urban Lusaka, 31.6 percent of all women employed were own account workers, 60 percent were paid employees in the formal sector, 6.9 percent were unpaid family workers, and 1.5 percent were employers (Zambia 1987b, p. 23).

3.54 The package of labor market reforms introduced upon strong recommendation of the IMF and the World Bank in 1985 initially appeared to offer promise of flexing out these labor market rigidities. Its direct impact included a sharp decline in real wage earnings at all levels. Moreover, the minimum wage was sharply reduced. These lowered real wage costs were expected to have an impact upon the economy's productivity and competitiveness, at least in foreign exchange terms.

3.55 The same reforms seem to have been associated with sharp declines in incomes in the employment segments of the population. Wage and salary earners were the most directly hit. But other groups were also affected. Rather than increasing employment opportunities, unemployment initially got worse by reductions in public spending, by the imposition of the freeze on recruitment, and by reductions in the 'daily paid' public sector labor force.

3.56 Workers in the informal sector may have suffered as well due to a reduction in the demand for goods and services which they produced, owing to the declining wage incomes received by the formally employed. The sharp reductions in formal sector incomes were likely to force many with jobs to engage in moonlighting and informal urban activities. Equally, those who were dependent on public sector services - particularly education, health and extension - experienced a decline in their real incomes resulting from expenditure cuts.

3.57 This downward pressure upon other incomes as a result of the reductions in public spending and high levels of unemployment have broad implications. A sample survey undertaken in 1986 among 100 low-income Lusaka households showed that the majority had significantly changed the composition of their diets since the auctioning of foreign exchange had begun in October 1985 (UNDP 1986, p.22). In particular, the quantity of more expensive, high protein foods which had previously been bought had been reduced and often substituted by mealie meal. Some of the very poorest households in the sample, had also reduced their purchases of staples. Within the group, female-headed households were shown to be most at risk, since they were often dependent upon a single, irregular source of income.

3.58 Even incomes in the informal sector were threatened during the initial period of policy reform, largely because of the sharply declining incomes of the wage earners, on whom they depended for their market. This, together with the rising levels of urban unemployment implied that the incidence of serious hardship within the urban areas many have increased significantly over the short-term.

3.59 Given that the cost of a nutritionally adequate diet cost K1,530.25 in 1988 and that the average monthly incomes of urban low-income residents were in the range of K495 - K841, any change in the prices of basic consumer goods such as mealie meal may further undermine the ability of these households to cope (see Tables 30 and 40). It is not surprising therefore that extensive rioting broke out in the Copperbelt towns in December 1986, following an attempted doubling of the price of maize-meal by the government, as part of its commitment to its creditors to remove consumer subsidies. These and other indications of dissent resulted in a series of reversals of economic policy in 1988. (Colclough 1989, p. 32)

Changes in the Prices of Consumption Goods

3.60 The rapid acceleration of inflation during the eighties was largely a result of the removal of price controls by the government as part of its loan conditionalities. Since 1989, the government has been moving toward domestic market liberalization by removing all price controls, except for maize meal. Initially, price ceilings on maize and maize meal have been raised several times to decrease both the cost of subsidies and to give more appropriate incentives to farmers and consumers. By 1991, however, the price ceiling on maize had been eliminated. These price movements seem to have accelerated the already high rate of inflation.

3.61 The other factors which fuelled the rate of inflation were the auctioning of foreign exchange which was introduced in October 1985 and devaluation which was achieved in 1989. As a result of auctioning foreign exchange, the Kwacha depreciated, adding further inflationary pressure.

3.62 The percentage change in the CPI for the low income group shows that the rate of inflation became relatively greater after 1985, compared to the period between 1981 and 1984. The rate of inflation assumed an even higher figure in 1986, due mainly to the auctioning of the Kwacha. Although price controls were re-introduced in 1987, to combat inflation and erosion in living standards, this did not help much. Living costs continued to escalate due to two other factors: a shortage of essential goods, leading to the emergence of a black market, and a rapid increase in the money supply (EIU 1990, 20), leading to an upwardly spiral rate of inflation. This implies that the effect on low-income households was a sizeable erosion in their purchasing power, given that the increase in nominal salaries was below the annual increase in the CPI (PIC 1991, 5).

3.63 The effect of both the removal of price controls and devaluation on consumer prices is illustrated in the trend of retail prices of essential commodities purchased by urban households (see Table 41). For example, the official price of a 50 kilogram bag of mealie meal increased by 698 percent between March 1985 and December 1989. The increase in the price of other basic commodities such as bread was just as enormous.

3.64 The effect of inflation on low-income households is further demonstrated using various information collected by the PIC²¹. The diet, which consists of a fixed basket of commodities as shown in Table 42, is based on meeting 100 percent of the calorie and protein requirements for a family of eight. The cost of the food basket in urban areas increased by 831 percent between 1986 and 1990 (see Table 40). This was mainly due to the decontrol of prices which was announced on 30th June 1989.

21. The PIC collects price information from 18 districts, as well as information regarding the availability of commodities. It then uses the information collected to calculate the cost of providing a nutritionally adequate diet for a family of two adults and six children.

3.65 To alleviate the effects of price increases on low-income households, the government, in its New Economic Recovery Programme, announced the issuing of mealie meal coupons to households whose annual income was less than K20,500. While the government realized the need to safeguard the most vulnerable groups, there were reports of corruption and misallocation in the administration of mealie meal coupons (Hobson 1990, 550). Deserving families, as a result were not able to benefit from such schemes.

3.66 Besides the effects of changes in earnings and prices, economic policies involving cuts in public services have adversely affected the urban poor. We now examine the impact of government expenditure cuts on the quality and quantity of public services.

Changes in the Levels and Composition of Public Expenditure

3.67 The availability and quality of social services—housing, health, transport and education—provided to the public have a strong impact on living standards (Rao 1975, 141). This section examines the changes in the level and composition of public expenditures and their impact on both the extent of social service delivery as well as their reliability and quality.

3.68 Tables 43, 44 and 45 present the trend in the level of current and real government expenditure by sector, percentage change in some components of government expenditure between 1975 and 1988, and the composition of sources of government revenue. Overall, government expenditure as a proportion of GDP fell drastically from 1975 to 1984 before increasing in 1986, though it decreased again in the period after.

3.69 We now examine the effects of the specific changes in the level and composition of government expenditure on education, health, housing and transport.

Education

3.70 Public expenditure cuts under the structural adjustment programs have involved cuts in the allocation of public funds to education. While the proportion of total public expenditure allocated to education in the period 1975 to 1980 averaged 15 percent, the proportion fell to an average of 13 percent in the period between 1981 to 1986, and to a low of 9 percent between 1987 and 1988.

3.71 Within the total amount allocated to education, the percentage allocated to schools reached its highest level in 1981, then fell gradually to 52 percent in 1987. Between 1974 and 1984, expenditures per student fell by 39 percent at the primary level, 51 percent at the secondary level and 20.5 percent at the university level in real terms (World Bank 1991a, p. 7). In 1988, the percentage allocated to schools was about the same as that allocated in 1975, in spite of an increasing number of pupils enrolled. The number of pupils enrolled in primary and secondary schools increased by 116 percent between 1975 and 1988 (Zambia 1990b, 62).

3.72 To keep enrollment rates at par with the increase in the number of children, it is necessary to construct at least 550 new primary classrooms and 40 new junior secondary schools per year. But for the last five years, only about 25 percent of these targets have been met.

3.73 Because of the drastic decrease in education resources available, the education budget has been almost completely absorbed by payments for teachers' salaries. They accounted for roughly 91 percent of the primary school budget and 63 percent of the secondary school budget. Thus, expenditures on learning materials have fallen to about K7 (\$0.16) per student, in turn causing a lack of teaching aids such as books and laboratory equipment.

3.74 The reduction in government per capita expenditure on education also affected the maintenance of school buildings and the replacement of broken down or obsolete school facilities. Schools were often reported to even lack desks and chairs. Such unfavorable conditions are likely to pose a barrier to student motivation.

3.75 The severity of public expenditure cuts in education is also evident in the number of appeals made by schools for donations from the general public and charitable organizations towards building more classroom blocks for the ever increasing numbers of pupils. So far, the citizens themselves have taken an increasingly large role in supporting education. Communities contribute initiative and labor to build primary school buildings and they buy most of the learning inputs. At the secondary level, parents pay fees, while at the university, a cost recovery program has recently been introduced.

Health

3.76 Like many other developing countries, one of Zambia's main goals upon attaining independence was to provide free health facilities for all its citizens. The determination to provide free health care for all was evident in the rapid increase in the number of hospitals and health centers in the first ten years of independence (see Table 46). While there were only 48 hospitals and 306 health centers in 1965, the numbers increased to 82 hospitals and 904 health centers in 1985. Between 1985 and 1987, 12 additional health centers were built, while the number of hospitals remained the same.

3.77 Zambia was able to increase the number of hospitals and health centers in the first ten years of her independence because of the buoyant copper prices which provided the government with adequate revenues to build up the health infrastructure. However, with the collapse in the world price of copper, which began in the mid 1970s, government revenues began to dwindle. Consequently, the number of hospitals and health centers that could be built to add to the existing ones decreased. Due to declining copper revenues, the 20 hospitals envisaged by the Third National Development Plan (1979-1982) had to be shelved as well. As mentioned earlier, the annual growth of real copper exports are characterized by negative rates throughout the late-seventies until 1987. The fall in the world price of copper not only affected the number of health facilities which could be built, but also affected the quality of health services provided by the existing hospitals and health centers.

3.78 Given that the adjustment policies which were instituted from 1983 onwards demanded the reduction of public expenditure, the money allocated to the health sector was reduced even further. Table 45 shows that the percentage allocated to the health sector in total government expenditure averaged 7 percent between 1975 and 1985, and fell to a low of 4 percent in 1986, before increasing back to 7 percent in 1987. This would also reflect a decline in per capita expenditure due to a rapid increase in population.

3.79 The fall in the allocation of funds to the health sector has consequently affected the procurement of drugs, medical equipment, and food for patients. Commenting on the shortage of drugs and food, the SAE (1990/91, 11) noted that:

“...health services at government hospitals had deteriorated [by the 1980s] to such an extent that essential drugs were no longer available and patients often had to buy their own medicines. In-patients had to rely on food from friends and relatives...”

3.80 It was also reported that Kitwe Central Hospital had run out of drugs, and that hypodermic needles were being sold secretly by hospital staff. Cuts in expenditure on health have also affected the ability to improve the deteriorating conditions of service of the very few medical doctors and health personnel employed by the state.

3.81 A World Bank report acknowledged that many Zambians, particularly women and children, suffered high levels of chronic and acute malnutrition (World Bank 1991a, p. 10). In 1970-71, 38 percent of rural children between the age of 0-5 years of age were stunted. But in a 1990 household survey, it appears that rates of stunting or chronic malnutrition have increased to 54 percent for rural children between the age of 0-5 years of age²². Illustrating further the widespread impact on malnutrition, the 1990 household survey found that 7.3 percent of children 6 to 60 months were below the reference mean for weight for height. Protein-energy malnutrition is also probably high in women of reproductive age.

3.82 Such cutbacks in the expenditure on the health sector are likely to have a strong impact on the low-income households, since they are more likely to be the people relying on government hospitals, in contrast to the high-income households who can afford private medical care.

Housing and Community Amenities

3.83 The provision of housing and other basic community amenities has largely been the role of the Zambian government. As in the other social sectors, the allocation by the government of public funds to housing and community amenities has been heading downwards

22. These rates are nearly twice those of neighboring countries like Namibia, Lesotho, Zimbabwe and Rwanda.

after remaining constant between 1975 and 1980. From making up 2.3 percent of total expenditure, the percentage allocation fell to almost nothing in 1984, before rising slightly to 1 percent of the total in 1985 and 1986 (see Table 45).

3.84 Table 47 shows the price movements of three essential products required in the building of a house. The prices of these materials increased by more than 350 percent between 1987 and 1990, with the price of common bricks having had the highest price increase of 488 percent.

3.85 Large price increases in building materials make it impossible for the urban poor to build their own houses. The high cost of private rented accommodation and the high cost of plots and service charges in local government council also have an adverse impact on low-income groups. For instance, in 1987, a rented house fetched K4,000 per month. This increased to K20,000 per month in 1989, and to an all-time high of K30,000 per month in 1990 (PIC 1991, 27). Private home owners were also reported to be demanding the payment of rent for either six months or a year in advance, amounts well beyond the means of the urban poor. As such, most resort to building temporary structures using cheap building materials resulting in shanty townships²³.

Transport

3.86 The importance of efficient and adequate transport cannot be over-emphasized. Without adequate transportation for instance, people have difficulty in accessing markets, jobs and schools. The Zambian government, in the period since 1984, has expended below average expenditure of public funds on roads (see Table 48). The relative reduction in government spending on transport, without the private sector adequately replacing its role, has a number of implications. These include the late collection of maize and other agricultural crops (even non-collection of crops), roads permeated with pot-holes, travellers spending nights at bus terminals due to lack of buses and high fares which are charged by private bus owners.

3.87 Table 48 shows bus fares and haulage rates between 1987 and 1990. The bus fares for public transport increased by 1,268 percent between 1987 and 1990. This was largely due to the shortage of vehicles, with the United Bus Company of Zambia (UBZ) having only 91 buses on the road. Moreover, most buses had a short life span due to the bad state of the roads (PIC 1991, 27-28).

3.88 The haulage rates likewise increased by 1,429 percent between 1987 and 1990. It should be noted that increases in haulage rates also affect the prices of agricultural products consumed by urban dwellers. The haulage rates quoted are those recommended by the government and upheld by the parastatal, Contract Haulage. The high rates of haulage are

23. The *Times of Zambia* reported that 30 percent of the urban population lived in shanty townships, which due to poor construction of houses and drainage are prone to epidemics such as cholera (August 16, 1991).

attributed to increases in the price of fuel and spare parts, and the bad state of roads which increases the cost of maintenance of vehicles due to more frequent breakdowns (PIC 1991, 27).

Concluding Summary

3.89 The preceding discussion illustrates the likely strong adverse effects of public expenditure cuts on low income urban households. The expenditure cuts especially on social services have affected the quality of life of the poor, as they cannot afford private services. Furthermore, the escalating rate of inflation has reduced their purchasing power, and hence they are unable to afford a nutritious diet. In addition, the high level of unemployment witnessed in Zambia since the mid 1970s when copper earnings declined has led to low living standards among the urban poor. There is therefore a need to protect this vulnerable group during the adoption of adjustment programs by developing appropriate social policy.

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TABLES

TABLE 1 POPULATION GROWTH RATES, 1963-1990

	1963-69	1969-80	1980-90
Annual average growth rate (%)	2.6	3.0	3.2

Source: ZAMBIA - 1990 Census of Population Housing and Agriculture. Preliminary Report. Lusaka: 1990a.
ZAMBIA - Fourth National Development Plan.
Lusaka: 1989b.

TABLE 2 ZAMBIA: AGE AND SEX POPULATION DISTRIBUTION

Age group	1980			1990 ^b		
	Male	Female	Total	1988 ^a	Male	Female
0-14	1387.7	1408.3	2796.0	3933		
15-24	509.7	563.9	1073.6	1490		
25-34	324.0	364.3	688.3	944		
35-44	216.0	242.9	458.9	599		
45-64	260.4	248.7	509.1	647		
65+	72.0	63.7	135.7	179		
Total	2769.8	2891.8	5661.6	7534	3843.4	3975.1
					7818.4	
0-14 as % of						
Total	50.0	49.4	49.4	52.2		
15-24 as % of						
Total	18.4	19.5	18.9	19.8		

Note: ^aProjected total.

^bThe preliminary report of the 1990 census does not disaggregate population by age group.

Source: ZAMBIA - Country Profile 1989/90. 1990b.

ZAMBIA - 1990 Census of Population, Housing and Agriculture, Preliminary Report. 1990a.

TABLE 4a SECTORAL COMPOSITION OF GDP, 1975-1990

(A) CONSTANT VALUES (K'mn)									
	1975	1977	1978	1979	1980	1981	1982	1983	1984
PRIMARY	520.5	555.2	572.0	614.9	598.0	633.6	509.0	596.5	540.9
Agriculture,									
Fishing and									
Forestry	254.8	321.5	317.5	273.1	282.6	336.7	261.9	286.7	278.6
Mining	265.7	289.7	254.5	341.6	315.4	289.9	227.1	309.6	262.0
SECONDARY									
Manufacturing	557.4	473.0	477.1	397.0	426.3	524.1	538.1	499.9	479.6
Construction	309.0	314.0	340.6	290.1	310.7	415.9	424.1	400.7	392.9
Electricity and Water	195.3	100.5	93.5	69.1	62.1	67.9	72.7	64.3	59.6
TERTIARY*									
GDP Deflator	81.0	100.0	112.7	137.3	153.5	164.5	174.6	207.1	257.2
(B) GROWTH RATES ^b									
PRIMARY	3.4	3.0	7.5	-2.6	5.9	-19.7	17.2	-9.3	6.4
Agriculture									
Fishing and									
Forestry	13.1	-1.3	-14.0	3.5	19.1	-16.3	1.7	-2.7	-4.1
Mining	-6.0	8.9	34.3	-7.7	-5.9	-23.5	36.4	-15.4	21.6
SECONDARY									
Manufacturing	-7.6	0.9	-16.6	7.9	22.4	2.7	-7.3	-3.9	12.4
Construction	0.6	8.5	-14.6	7.1	33.6	2.0	-5.5	-1.9	16.5
Electricity and Water	-22.2	-13.1	-28.0	16.6	-17.3	7.1	-11.6	-7.3	-11.3
Tertiary*									
Total GDP	-0.3	0.1	-4.2	3.6	9.2	-2.6	-2.0	-5.0	6.3

/continued on next page...

(C) PERCENTAGE SHARES

TABLE 4b

	PRIMARY	31.7	28.4	29.3	32.8	29.9	24.7	29.5	28.2	20.8	30.3	24.6	27.3	33.7	23.4
Agriculture	26.5														
Fishing and Forestry	13.0	16.5	16.2	14.6	14.6	15.9	13.7	14.2	14.5	13.1	12.1	11.0	16.8	25.7	16.7
Mining	13.5	12.0	13.0	18.3	16.3	14.0	11.0	15.3	13.7	15.6	16.2	13.6	10.5	7.9	6.3
SECONDARY	28.4	24.2	24.4	21.1	22.1	24.7	26.1	24.7	25.0	26.4	26.2	31.2	34.7	33.9	55.0
Manufacturing	15.7	16.1	17.4	15.5	16.0	19.6	20.6	19.8	20.5	22.8	22.7	28.0	31.6	30.0	52.0
Construction	8.9	5.6	4.8	3.7	4.2	3.2	3.5	3.2	3.1	2.6	2.3	2.0	2.1	3.2	2.6
Electricity and Water	2.7	2.6	2.2	2.0	1.8	1.9	2.0	1.7	1.4	1.0	1.3	1.2	1.0	0.6	0.3
Tertiary*	45.1	47.3	46.3	46.0	47.1	45.4	49.1	45.7	46.8	44.8	43.5	44.1	38.0	32.5	22.0

Note: *Includes trade, restaurants and hotels, transport and communication, finance, insurance,
real estate and services, community, social and personal services.

b.The average annual growth rates for 1977 are calculated for the period between 1975 and 1977.
GDP figures are rounded off.

Source: Bank of Zambia - Report and Statement of Accounts, various.

TABLE 5a MARKETED OUTPUT OF MAIZE, WHEAT, AND TOBACCO, AGRICULTURE PRODUCTION OF SUGAR CANE, AND IMPORTS OF CEREALS, 1976-89

Year	Marketed Production (tonnes '000)			Production Sugar Cane (tonnes '000)	Imports of cereals (tonnes '000)		
	Maize	Wheat	Tobacco*		Wheat	Rice	Maize
1976	n/a	n/a	n/a	779.6	n/a	n/a	n/a
1977	696.5	5.3	5.9	691.4	n/a	n/a	n/a
1978	581.7	5.3	4.0	774.8	41.6	3.8	0.02
1979	336.0	8.5	5.0	887.5	75.1	7.4	23.5
1980	382.3	9.6	4.7	919.7	34.5	4.6	37.8
1981	693.3	11.5	3.0	893.2	2.1	4.6	80.6
1982	510.5	12.9	2.6	1010.5	9.5	0.3	15.6
1983	458.3	10.2	2.9	1086.2	42.3	3.8	35.9
1984	564.1	11.3	3.0	1178.5	66.9	3.1	9.4
1985	636.3	2.8	2.7	1207.3	34.9	0.3	29.7
1986	954.7	1.4	3.6	1173.7	n/a	n/a	n/a
1987	656.6	3.8	3.6	n/a	n/a	n/a	n/a
1988	1349.1	0.6	4.4	n/a	n/a	n/a	n/a
1989	1228.8	n/a	4.7	n/a	n/a	n/a	n/a

Note: Figures are rounded off.
*Virginia and Burley.

Source: Zambia (1990b).

TABLE 6 FORMAL SECTOR EMPLOYEES IN ZAMBIA BY EMPLOYER GROUP, 1975-80

	1975 ('000)			1976 ('000)			1980		
(A) ABSOLUTE FIGURES	PS	PRS	PVS	PS	PRS	PVS	PS	PRS	PVS
Agriculture, Forestry and Fishing	10.3	10.7	15.2	10.1	9.7	11.8	11.2	11.1	10.3
Mining and Quarrying	-	63.3	1.5	-	60.9	0.2	-	62.8	0.3
Manufacturing	0.5	15.8	28.0	0.5	20.3	25.2	0.7	21.3	25.7
Construction	26.6	0.8	44.4	24.6	0.8	19.6	25.9	-	17.9
Electricity and Water Services	1.2	4.0	-	2.2	4.3	-	3.0	5.0	-
Total	92.8	34.4	44.3	35.5	41.1	37.3	100.5	44.0	39.6
Total									
(B) PERCENTAGES ^a									
Agriculture, Forestry and Fishing	28.5	29.6	41.9	32.0	30.7	37.3	34.4	34.0	31.6
Mining and Quarrying	-	97.7	2.3	-	99.7	0.3	-	99.5	0.5
Manufacturing	1.1	36.7	69.2	1.1	44.1	54.8	1.5	44.7	53.8
Construction	37.0	1.1	61.8	54.7	1.8	43.6	59.1	-	40.9
Electricity and Water Services	23.1	76.9	-	33.8	66.2	-	37.5	62.5	-
Total	33.4	32.8	33.8	37.0	37.4	25.6	37.3	36.0	24.7

Notes: PS - Public Sector; PRS - Parastatal Sector; PVS - Private Sector. Figures are rounded off.

^aEmployees in each employer group as a percentage of total employees in each sector.

Source: Zambia - Monthly Digest of Statistics, various.

TABLE 7 ZAMBIA - SELECTED ECONOMIC INDICATORS, 1980-1990*

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
GDP (Current K'mn)	2978	3485	3595	4181	4931	7047	12963	19778	30021	42462	116463
GDP (Constant 1977 K'mn)	1940	2119	2059	2019	1917	2048	2058	2114	2247	1573	2367
Real GDP Growth Rate	-	9.2	-2.6	-1.9	-5.0	6.3	1.1	2.7	6.3	-29.9	50.5
GDP per capita (K)	340	359	336	326	300	303	296	290	300	202	304
Real Government Expenditure (K'mn)	740	777	807	850	560	718	859	729	641	n/a	n/a
Real Government Revenue (K'mn)	500	493	487	491	426	463	507	467	n/a	n/a	n/a
Real Deficit (K'mn)	569	293	393	191	90	150	334	125	n/a	n/a	n/a
Real Balance of Payments (Overall deficit, K'mn)	139	208	165	61	55	208	73	931	n/a	n/a	n/a
Real Total External Debt (K'mn)	1681	1921	1975	2315	2694	4212	7093	8022	n/a	n/a	n/a
Total External Debt/GDP ^b	87	91	96	114	140	207	343	313	n/a	n/a	n/a
Population (millions)	5.7	5.9	6.1	6.2	6.4	6.7	6.9	7.3	7.5	7.6	7.8
Wage Employment ('000')	361	-374	368	364	365	361	361	356	369*	371*	377*
Exchange Rate (K per US \$)	0.79	0.87	0.93	1.28	1.81	3.14	7.79	9.52	8.27	13.81	n/a
CPI (Low income group)											
1975=100	203	231	260	311	374	513	778	1113	1734	3692	6323
Average Annual Inflation Rates ^a	-	14	13	20	20	37	52	43	56	125	114

Notes: ^aReal values obtained by deflating current values with GDP deflator. Other tables in the appendix give figures for earlier years. ^bPercentage figures. *Preliminary figures. n/a - not available.

*Percentage change of CPI for the low income group.

Sources: Bank of Zambia, various issues.
Zambia (1991).

TABLE 8 ESTIMATED NUMBER OF HOUSEHOLDS IN DIFFERENT INCOME CATEGORIES, 1980*

Household Category	Squatter and Low Cost Housing Areas	High Cost Housing Areas	Rural	All
Poor and very poor	106 (28)	- -	572 (79)	678 (60)
Middle Income	230 (61)	2 (6)	137 (19)	369 (33)
High Income	44 (16)	31 (94)	11 (1.5)	86 (7)
All	380 (100)	33 (100)	720 (100)	1,113 (100)

Note: *Income Categories¹:

Monthly Household Income

	Rural	Urban
Poor and very poor	below K80	below K104
Middle income	K80-K240	K104-K312
High income	above K240	above K312

Figures in parentheses are households in each income group as a percentage of total households in each housing area.

Source: ILO/JASPA (1981).

¹The definition of poor in both urban and rural areas is based upon the basic needs income. In urban areas, the basic needs income for a family of six was K102, while for a family of the same size residing in a rural area, its basic needs income was K100.47 (ILO/JASPA 1981, 52).

TABLE 9 . . . WELFARE INDICATORS : NUTRITION AND LITERACY**(A) LIFE EXPECTANCY AND INFANT MORTALITY RATE**

Year	Life expectancy at birth ^a	Mortality Rate ^b
1976	48.5	96.4
1978	48.9	95.2
1977	49.3	94.0
1978	49.6	92.8
1979	49.8	91.6
1980	50.1	90.4
1981	50.3	89.2
1982	50.6	88.0
1983	51.1	86.4
1984	51.6	84.8
1985	52.1	83.2
1986	52.6	81.6
1987	53.1	80.0
1988	53.4	78.3
1989	53.7	76.6

(B) FOOD SUPPLY

Period	Calories per caput per day ^c	Proteins per per caput per day
1961-63	2096	61.6
1969-71	2192	63.9
1979-81	2204	59.2
1987-89	2054	56.4

(C) LITERATE POPULATION BY SEX, 1969 AND 1980^d

Sex	Literate Population		Percentage of Literates	
	1969	1980	1969	1980
Male	854421	1045440	61.8	75.4
Female	413599	797982	38.3	53.1
Total	1068020	1843422	51.4	63.6

Note:^aNumber of years a new born would live if prevailing patterns of mortality for all for all people at the time of his/her birth were to stay the same throughout his/her life.

^bNumber of infants per 1,000 live births, in a given year, who die before reaching one year of age.

^cThe FAO minimum average daily calorific intake is 2310.

^dAssumes that those aged 15 and above who have never been to school are illiterate. Literacy rate for 1990 not available at time of writing this paper.

Source: Food and Agriculture Organisation, various.
World Bank (1991).

TABLE 10

**Selected Welfare Indicators: Income Distribution Poverty
and Home Capital Investments**

<i>Unit of measure</i>		<i>25-30 years ago</i>	<i>15-20 years ago</i>	<i>Most recent estimate (mrc)</i>
INCOME AND POVERTY				
Income				
GNP per capita (mrc = 1989)	US\$	260	550	390
Total household income	% of income	"	63	"
Share to top 10% of households		"	10	"
Share to top 20% of households		"	4	"
Share to bottom 40% of households		"		
Share to bottom 20% of households		"		
Poverty				
Absolute poverty income: urban	US\$ per person	"	"	"
rural		"	"	"
Pop. in absolute poverty: urban	% of pop.	"	"	"
rural		"	"	"
Prevalence of malnutrition (under 5)	% of age group	"	24.1	24.7
INVESTMENT IN HUMAN CAPITAL				
Medical care	% of GDP	"	3.3	"
Population per: physician	persons	11,385	13,500	7,154
nurse		5,821	1,700	744
hospital bed		"	300	283
Access to health care	% of pop.	"	"	70.0
Immunized (under 12 months): measles	% of age group	"	"	58.0
DPT		"	"	66.0
Oral Rehydration Therapy use (under 5)	% of cases	"	"	59.0
Education	% of GDP	"	6.4	5.7
Gross enrollment ratios				
Primary: total	% of school-age group	53.0	97.0	97.0
female		46.0	88.0	92.0
Secondary: total		7.0	15.0	17.0
female		3.0	10.0	13.0
Tertiary: science/engineering	% of tertiary students	"	40.2	24.3
Pupil-teacher ratio: primary	pupils per teacher	51	48	47
secondary		19	23	25
Pupils reaching grade 4	% of cohort	"	95.8	99.9
Repeater rate: primary	% of total enrollment	"	2.1	2.1
Illiteracy rate: overall	% of pop. (age 15+)	"	"	24.3
female	% of females (age 15+)	"	"	32.6
Newspaper circulation	per thou. pop.	6.9	21.9	17.4

Source: World Bank (1990) Social Indicators of Development, Washington DC, P. 343

**Table 11 Zambia: Balance of Payments Indicators, 1970-86
(US\$ million current prices)**

Year	Current account balance ^a	Net capital ^b	Net IMF ^c	Net ODA ^d
1970	107.0	318	0	13
1971	-248.7	-2	19	22
1972	-210.6	66	38	22
1973	113.3	16	19	46
1974	8.4	115	0	58
1975	-726.1	383	23	87
1976	-132.8	169	19	62
1977	-232.3	52	0	109
1978	-320.5	-9	186	185
1979	5.2	361	74	270
1980	-544.0	444	8	318
1981	-766.3	212	363	232
1982	-640.3	258	55	317
1983	-267.3	131	64	217
1984	-185.5	212	90	240
1985	-132.0	219	-96	329
1986	-370.0	139	-136	266

Note: See graph 3.

- a. Current account excludes official capital transfers.
- b. Net capital inflow excludes official development assistance (ODA).
- c. Net IMF = IMF purchases - repurchases.
- d. Net ODA disbursements includes grants and concessional loans.

Sources: Current account balance: *IMF, Balance of Payments Yearbook*, IMF (various years); net ODA: OECD (various issues); net IMF: *International Financial Statistics Yearbook*, IMF (various years); net capital: *Balance of Payments Yearbook*, IMF (various years).

Source: Gulhati (1989) P.70.

Table 12 Zambia: Budget Deficit and its Financing, 1972-86
(million kwacha, current prices)

<i>Year</i>	<i>Net foreign capital^a</i>	<i>Borrowing from local banks^b</i>	<i>Budget deficit^c</i>
1972	16.5	139.3	- 178.8
1973	148.4	0.0	- 129.8
1974	37.6	0.0	+ 68.2
1975	73.4	0.0	- 359.1
1976	38.9	0.0	- 262.5
1977	52.8	229.2	- 250.7
1978	40.6	293.1	- 183.8
1979	163.3	0.0	- 306.6
1980	295.2	0.0	- 459.7
1981	271.4	119.6	- 482.4
1982	140.7	575.2	- 655.9
1983	150.7	19.3	- 378.6
1984	60.8	138.2	- 374.0
1985	169.2	439.5	-1,038.9
1986	435.0	1,306.0	-1,601.5

Note: See graph 4.

- a. Net foreign capital (including grants) comprises borrowing from foreign governments, international development institutions, and other foreign borrowing (see line DIII of source).
- b. Borrowing from local banks is the total of government borrowing from deposit money banks and monetary authorities of central government. It is in a net basis.
- c. Budget deficit of central government = total expenditure - current revenue (excluding grants).

Source: *Government Finance Statistics Yearbook*. IMF (various years).

TABLE 13 TOTAL GOVERNMENT EXPENDITURE, MAIZE SUBSIDIES, AND
MAIZE SUBSIDIES AS A PERCENTAGE OF TOTAL GOVERNMENT EXPENDITURE,
1980-1991

Year	Total Government Expenditure (K'mn)	Maize subsidy (K'mn)	Maize subsidy as % of total Government Expenditure
1980	1,641.0	154.0	9.4
1981	1,294.0	87.1	6.7
1982	1,537.0	138.0	9.0
1983	1,412.3	124.7	8.8
1984	1,328.0	81.6	6.1
1985	2,184.3	134.0	6.1
1986	5,292.7	565.0	10.7
1987	5,537.0	638.0	11.5
1988	8,359.3*	1,413.0	16.9
1989	9,838.0*	1,585.0	16.1
1990	29,926.3*	3,363.9	11.2
1991	50,131.2*	n/a	-

Note: Figures are rounded off.

Source: PIC (1991).

*Bank of Zambia, Report and Statement of Accounts, various.

TABLE 14 AGE DISTRIBUTION OF THE LABOUR FORCE FOR ZAMBIA (1986)
AND URBAN LUSAKA (1985)

Age	ZAMBIA (In Hundreds)			URBAN LUSAKA	
	Male	Female	Total	Total*	
12-24	4,800	5,289	10,090	(37.1)	60,630 (27.1)
25-34	3,490	2,916	6,406	(23.6)	76,046 (33.9)
35-44	2,178	2,074	4,251	(15.6)	45,590 (20.4)
45-54	1,831	1,400	3,231	(11.9)	28,294 (12.6)
55-64	1,121	763	1,883	(6.9)	7,896 (3.5)
65+	770	461	1,232	(4.5)	2,350 (1.1)
Not Stated	62	21	83	(0.3)	3,102 (1.4)
Total	14,252	12,924	27,176	(100.0)	223,908 (100.0)

Note: *The 1985 labour force does not give a breakdown of labour force by sex. Figures in brackets are percentages.

Source: Zambia (1987).
Zambia (1989a).

**TABLE 15 GENDER DISTRIBUTION OF THE LABOUR FORCE AND
PARTICIPATION RATES, 1986 ('000)**

	Economically Active			
	Total*	Working	Not Working	Participation Rates ^b
Total	2,717.6 (100.0)	2,364.2	353.4.	71.3
Male	1,425.5 (52.4)	1,302.4	123.0	78.1
Female	1,292.2 (47.6)	1,061.8	230.4	65.1

Note: *Figures in brackets are percentages.

^aLabour force as percentage of population.

Source: Zambia - Country Profile (1990b).

TABLE 16 : GENDER DISTRIBUTION OF THE LABOUR FORCE FOR LUSAKA URBAN. 1985

	Total*	Working	Not Working
Total	223,908 (100.0)	195,426	28,482
Female	70,030 (31.3)	57,716	12,314
Male	153,878 (68.7)	137,710	16,168

Note: *Figures in brackets are percentages.

Source: Zambia - Lusaka Urban Labour Force Survey (1987)

TABLE 17. FORMAL WAGE EMPLOYMENT AND TOTAL LABOUR FORCE TREND, 1969-1988

Year	Formal Wage Employment		Total Labour Force	Wage Employment Labour Force (%)
	No.	Index 1970=100		
1969	328 290	96.7	1 221 000	26.9
1970	342 970	100.0	n/a	n/a
1971	365 550	106.6	n/a	n/a
1972	367 930	107.3	n/a	n/a
1973	373 440	108.8	n/a	n/a
1974	384 890	112.2	1 430 000	29.1
1975	393 500	114.7	1 479 000	26.6
1976	368 790	107.5	1 526 600	24.2
1977	370 450	108.0	1 586 000	23.4
1978	366 960	106.9	1 641 000	22.4
1979	373 870	109.0	1 698 300	22.0
1980	379 300	110.6	1 761 400	21.5
1981	373 720	108.9	1 824 200	20.5
1982	367 510	107.2	1 880 400	19.5
1983	363 800	106.1	1 962 300	18.5
1984	365 190	106.5	2 036 900	11.7
1985	361 520	105.4	2 104 000	11.1
1986	360 540	105.1	2 717 610	10.7
1987	361 830	105.5	3 486 000	10.4
1988	360 720	105.2	3 631 000	9.9

Source: Zambia - Central Statistical Office. Monthly Digest of Statistics, various.

Zambia - National Commission for Development Planning. Fourth National Development Plan, 1989b.

Economist Intelligence Unit (1989).

Zambia - Central Statistical Office. Country Profile, 1986.

Zambia - Central Statistical Office. Labour Force Survey, 1988.

Zambia - National Commission for Development Planning. Economic Report, 1980.

TABLE 18 THE STRUCTURE OF FORMAL SECTOR EMPLOYMENT, GROWTH RATES AND SECTORAL PERCENTAGE SHARE 1975-1990

(A) EMPLOYMENT ('000)		1975	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986*	1987*	1988*	1989*	1990*
PRIMARY	100.9	95.6	92.7	93.9	95.7	97.0	94.7	92.3	93.9	92.6	91.7	92.2	94.2	94.6	95.6	
Agriculture	36.1	30.6	31.6	31.9	32.6	36.4	35.2	35.2	35.4	35.1	34.6	36.4	37.4	37.9	39.0	
Mining	64.6	64.6	61.1	62.0	63.1	60.6	59.5	57.1	56.5	57.5	56.9	55.6	56.6	56.7	56.8	
SECONDARY	121.2	103.0	97.4	95.1	99.6	92.4	88.2	88.7	89.7	86.0	88.1	83.7	88.4	88.4	88.9	
Manufacturing	44.3	45.6	46.0	45.0	47.6	47.9	48.4	48.6	48.2	48.5	49.9	49.9	49.9	50.3	50.9	
Energy and Water	5.1	7.4	6.5	7.7	6.0	6.0	7.9	7.8	7.8	7.8	8.2	8.5	8.5	8.8	8.9	
Construction	71.6	49.6	44.9	42.4	43.6	36.5	31.9	32.1	33.6	29.3	30.7	25.3	29.8	29.3	29.1	
SERVICES*	171.5	172.0	176.9	185.0	184.1	184.3	183.6	183.1	181.7	183.0	180.8	185.9	186.6	186.6	192.1	
TOTAL	393.6	370.6	367.0	374.0	379.4	373.7	366.5	364.1	365.3	361.6	360.6	361.8	369.4	371.6	376.8	
(B) ANNUAL GROWTH RATES (%) ^b																
PRIMARY	-2.6	-3.0	1.3	1.9	1.4	-2.4	-2.5	1.7	-1.4	-1.0	0.5	2.2	0.4	1.3		
Agriculture	-7.3	2.6	0.9	2.1	11.6	-3.3	0	0.6	-0.6	-0.9	4.6	2.7	1.3	2.9		
Mining	0.0	-5.7	1.5	1.8	-4.0	-1.9	-4.0	2.5	-1.7	-1.0	-1.9	1.6	-0.2	0.2		
SECONDARY	7.5	-5.4	-2.4	4.7	-7.2	-4.5	0.6	1.1	-4.1	2.4	-5.0	5.6	0	0.6		
Manufacturing	1.7	0.4	-2.2	6.2	0.2	1.0	0.6	-1.2	0.6	0.6	2.0	0	0.6	1.2		
Energy and Water	22.5	-12.2	10.5	3.9	0	-1.3	-1.3	1.3	3.6	3.7	0	2.4	1.1	1.1		
Construction	-15.3	-9.0	-5.6	3.3	-16.7	-12.6	0.6	4.7	-12.6	4.6	-17.6	17.6	-1.7	-0.9		
SERVICES*	0.2	2.6	4.6	-0.5	0.1	-0.3	-0.3	-0.6	0.7	-1.2	2.6	0.5	1.0	1.9		
Total	2.9	-1.0	1.9	1.4	-1.5	-0.7	0.3	-1.0	-0.3	0.3	2.1	0.6	1.4			

(Continued...)

Table 19 Observed relationships between Output and Employment, by sector, 1970-80

	GDP ^(a)			Average Annual Growth of Employment (%)			Employment/Output Elasticities ^(d)		
	1970	1975	1980	1970-75	1970-80	1970-75	1970-80	1970-75	1970-80
Agriculture ^(b)	41.5	56.3	58.7	6.3	3.5	0.8	-0.5	0.12	-
Mining	460.3	427.9	398.7	-1.4	-1.4	2.4	0.9	-	-
Manufacturing	129.2	157.6	162.9	4.1	2.3	3.0	2.3	0.73	1.0
Construction	90.3	138.5	79.1	8.9	-1.3	0.9	-4.4	0.10	-
Transport	48.8	57.6	56.5	3.4	1.5	-0.3	0.7	-	0.47
Services ^(c)	403.8	499.5	554.2	4.3	3.2	4.9	3.3	1.14	1.03
TOTAL	1173.9	1337.4	1310.1	2.6	1.1	2.8	1.0	1.08	0.91

Notes: a) Millions of Constant 1970 Kwacha, market prices

b) Excluding subsistence output and employment

c) Includes import duties less imputed bank service charges

d) Calculated by dividing average annual growth of employment by that of GDP, for each period and sector

**TABLE 20 UNEMPLOYMENT IN ZAMBIA BY SEX AND AREA,
1986**

(A) ABSOLUTE FIGURES

	Total Economically Active Population	Employed	Unemployed
Total	2 717 610	2 363 252	353 357 (100.0)
Males	1 425 363	1 302 390	122 974 (34.8)
Females	1 292 246	1 061 863	230 383 (65.2)
Rural	1 954 054	1 747 802	206 772 (58.5)
Urban	763 536	616 951	146 585 (41.5)

(B) UNEMPLOYMENT RATES (%) BY SEX AND LOCATION

	Total	Males	Females	Rural	Urban
Total	13	4.5	8.5	7.6	5.4
Males		8.6			
Females			17.8		
Rural				10.5	
Urban					19.2

Note: Figures in brackets are percentages of total unemployed people.

Source: Zambia (1989a).

TABLE 21 ZAMBIA'S UNEMPLOYED POPULATION BY AGE, SEX AND LOCATION, 1980
('000)

Age	URBAN AND RURAL		URBAN ONLY	
	Total	Male	Total	Male
12-14	92.1	42.0	50.1	23.4
15-19	193.3	85.1	108.2	68.7
20-24	138.5	79.3	59.1	58.9
15-24	331.8	164.4	167.4	127.6
All ages				
up to 64	697.5	345.9	351.7	224.3
15-64	605.4	303.8	301.7	200.9
15-24 as % of 15-64	54.8	54.1	55.5	63.5
				63.6
				63.4

Note: *Excludes those for which age was not stated.

All figures are rounded off.

Source: Zambia (1985).

TABLE 22 THE UNEMPLOYED IN ZAMBIA: BY SEX, EDUCATIONAL LEVEL AND AREA, 1986
(IN HUNDREDS)

Educational Level	TOTAL			RURAL			URBAN		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
None	923	199	724	751	159	592	172	40	132
Grade 1-4	706	261	445	542	206	336	165	56	109
Grade 5-7	1217	450	767	604	227	377	613	223	390
Grade 8-10	497	204	294	160	71	78	348	133	215
Grade 11-12	176	110	66	19	17	2	156	92	64
A Level	4	2	2	0	0	0	4	2	2
University and above	6	2	4	0	0	0	6	2	4
Not Stated	5	3	2	2	2	0	3	1	2
Total*	3358	1143	2215	1903	601	1301	1456	542	914
PERCENTAGES OF TOTAL									
None	27.5			39.5			11.8		
Grade 1-4	21.0			28.5			11.3		
Grade 5-7	36.2			31.7			42.1		
Grade 8-10	14.8			8.4			23.9		

Note: *Excludes those aged 65 and above.

Source: Zambia (1989a).

TABLE 23 ZAMBIA'S UNEMPLOYED IN ZAMBIA POPULATION: BY SEX, LOCATION AND EDUCATION LEVEL, 1980
('000)

Education Level	Total	TOTAL		RURAL		URBAN		
		Male	Female	Total	Male	Female	Total	Male
No schooling	285.7	120.6	165.1	226.9	98.3	128.6	58.8	22.2
Grade 1-4	116.2	59.5	56.7	86.8	45.8	41.0	29.5	13.7
Grade 5-7	205.4	112.2	93.3	120.1	67.8	52.3	85.3	44.3
Form 1-3	60.7	33.9	26.8	26.2	14.9	11.4	34.5	19.1
Form 4-6	23.6	16.6	7.1	9.9	6.5	3.3	13.8	10.0
University	0.2	0.1	0.1	0.05	0.04	0.008	0.2	0.09
Not stated	5.6	3.0	2.6	3.3	1.8	1.5	2.3	1.2
Total	697.5			473.2			224.3	
PERCENTAGES*								
No schooling	41.0			48.0			26.2	
Grade 1-4	16.7			18.3			13.2	
Grade 5-7	29.5			25.4			38.0	
Form 1-3	8.7			5.5			15.5	

Note: Figures are rounded off.

*The unemployed at each educational level as a percentage of the unemployed people in each column.

Source: Zambia (1985).

TABLE 24 PERCENTAGE DISTRIBUTION OF THE UNEMPLOYED AND UNEMPLOYMENT RATES BY AGE AND SEX, URBAN LUSAKA, 1985

Age Group	(A) PERCENTAGE DISTRIBUTION			(B) UNEMPLOYMENT RATES		
	Male	Female	Total	Male	Female	Total
12-14	4.7	6.2	5.3	66.7	42.1	51.6
15-24	56.1	58.1	57.0	27.5	28.3	27.9
25-34	24.6	17.8	21.7	7.7	8.7	8.0
35-44	5.3	10.1	7.3	2.4	11.1	4.5
45-54	4.7	3.9	4.3	3.3	8.3	4.3
55+	4.7	3.9	4.3	8.4	35.7	11.9
Total	100.0	100.0	100.0	10.5	17.6	12.7

Note: Figures are rounded off.

Source: Zambia (1987).

TABLE 25 PERCENTAGE DISTRIBUTION OF THE UNEMPLOYED AND UNEMPLOYMENT RATES: BY EDUCATION AND SEX
URBAN LUSAKA, 1985

Education level	(A) PERCENTAGE DISTRIBUTION			(B) UNEMPLOYMENT RATES		
	Male	Female	Total	Male	Female	Total
No schooling	10.9	19.6	14.6	15.1	17.5	16.4
Primary education	40.6	50.0	44.6	9.5	18.9	12.5
Secondary education	47.9	30.3	40.4	11.5	15.7	12.6
Degree and above	0.6	0.0	0.3	4.0	0.0	2.7
Total	100.0	100.0	100.0	10.5	17.6	12.8

Note: Figures are rounded off. Please note that the Urban Lusaka Labour Force Survey does not give absolute figures of the unemployed. It only gives the percentage distribution and the rates of unemployment.

Source: Zambia (1987).

TABLE 26 THE UNEMPLOYED POPULATION BY SEX IN URBAN
LUSAKA, 1986

	Total	Male	Female
Unemployed	367	119 (32.4)	248 (76.6)
Unemployment rates	20.2	11.4	31.9

Source: Zambia (1989a).

TABLE 27 VISIBLELY UNDERTEMPLOYED: BY HOURS WORKED AND SEX, 1986
 (In hundreds)

Hours of Work	Total	%	Male	%	Female	%
< 8	326	13.4	166	12.5	160	14.5
8 - 14	474	19.5	225	16.9	249	22.5
15 - 34	1318	54.1	710	53.3	608	55.1
35 - 39	318	13.1	231	17.3	87	7.9
Total	2436	100.0	1332	100.0	1104	100.0
"40 +	21087 (11.5)*	11636 (11.4)*	9451 (11.7)*			

Note: *Fully employed.

*Visibly underemployed as a percentage of fully employed
 in each column.

Source: Zambia (1989a).

TABLE 28 REASONS FOR NOT WORKING MORE HOURS
 (In hundreds)

Reason	Total	%	Male	Female
Lack of business	717	(29.4)	365	352
Lack of raw materials	381	(15.6)	195	186
Lack of finance	191	(7.8)	101	90
Machinery break-down	38	(1.6)	35	3
Industrial disputes	3	(0.1)	0	3
Other	1106	(45.4)	636	470
Total	2436	(100.0)	1332	1104

Source: Zambia (1989a).

TABLE 29 OCCUPATION AND SEX DISTRIBUTION OF URBAN INFORMAL SECTOR PARTICIPANTS, 1986
 (In Hundreds)

Occupation	Female	Male	Total*
Professional, Technical and Related workers	7	27	34 (1.3)
Administrative and Managerial workers	2	8	10 (0.4)
Clerical and Related Workers	7	9	16 (0.6)
Sales Workers	880	316	1,196 (44.7)
Service Workers	74	119	193 (7.2)
Agricultural, Animal Husbandry and Forestry Workers, Fishermen and Hunter	17	32	49 (1.8)
Subsistence Farmers	426	337	763 (28.5)
Production and Related Workers and Transport			
Equipment Operators	107	275	382 (14.3)
Labourers not classified elsewhere	3	27	30 (1.1)
Not Stated	1	0	1 (0.0)
Total	1,524	1,150	2,674 (100.0)

Note: *Percentages of total in brackets are rounded off.

Source: Zambia (1989a).

TABLE 30 AVERAGE MONTHLY INCOME OF HOUSEHOLDS WHERE HEAD OF HOUSEHOLD IS A REGULAR WAGE FARNER. 1988

Town	Number	Size of household	Total Income	Wage Income	Profit Income	Other Income
Lusaka	138	5.6	841 (100)	581 (69.1)	196 (23.3)	64 (7.6)
Kitwe	133	7.3	495 (100)	401 (81.0)	39 (7.9)	55 (11.1)

Source: PIC (1989).

TABLE 31 INDEX NUMBERS OF AVERAGE ANNUAL REAL EARNINGS
OF FORMAL SECTOR EMPLOYEES IN ZAMBIA FOR SELECTED YEARS.

1965-83

	1970=100				
	1965	1970	1975	1980	1983
Agric., Forestry, Fishing					
Zambian	66.5	100	92.1	105.3	79.9
Non-Zambian	69.4	100	39.7	45.7	19.1
Mining and Quarrying					
Zambian	72.1	100	67.8	76.5	54.4
Non-Zambian	97.9	100	66.2	51.5	35.1
Manufacturing					
Zambian	81.6	100	104.1	93.8	66.7
Non-Zambian	76.9	100	74.5	69.1	39.2
Construction					
Zambian	71.2	100	88.8	93.6	73.5
Non-Zambian	67.6	100	70.8	39.7	29.4
Transport					
Zambian	54.0	100	107.3	76.5	58.8
Non-Zambian	86.3	100	110.9	77.9	40.0
Services					
Zambian	77.7	100	111.3	102.4	78.9
Non-Zambian	93.0	100	88.4	77.3	49.3
Total					
Zambian	73.6	100	94.2	93.7	70.3
Non-Zambian	89.9	100	77.3	63.8	40.2

Note: Data on average earnings after 1983 are not available from official sources. Indices are derived from Tables A.18 to A.20.

TABLE 32 TOTAL FORMAL SECTOR EMPLOYEES IN ZAMBIA BY NATIONALITY, 1975-80

	1975	1976	1977	1978	1979	1980
Agriculture, Forestry and Fishing						
Zambians	34790	31230	29490	30620	30850	31580
Non-Zambians	1310	1270	1310	990	1000	1050
Mining and Quarrying						
Zambians	54440	55360	56470	53700	55620	57110
Non-Zambians	10310	9000	6330	7380	6360	5960
Manufacturing						
Zambians	41230	40380	43300	43670	42960	45860
Non-Zambians	3100	2700	2470	2310	2000	1900
Construction						
Zambians	67790	47150	46770	42660	40360	42070
Non-Zambians	3900	3120	3000	2280	2020	1680
Electricity and Water						
Zambians	4720	6650	7120	6240	7500	42070
Non-Zambians	410	320	300	270	230	1680
Services						
Zambians	158200	160210	160890	166240	174040	175020
Non-Zambians	13230	11400	11000	10620	10930	9080
Total						
Zambians	361170	340980	344040	343130	35130	359440
Non-Zambians	32330	27810	26410	23830	22540	19860
PERCENTAGES*						
Zambians	96.6	92.5	92.9	93.5	94.0	94.8
Non-Zambians	8.2	7.5	7.1	6.5	6.0	5.2

Note: *Total formal sector employment.
Source: Zambia - Monthly Digest of Statistics, various.

TABLE 32 TOTAL FORMAL SECTOR EMPLOYEES IN ZAMBIA BY NATIONALITY, 1975-80

	1975	1976	1977	1978	1979	1980
Agriculture, Forestry and Fishing						
Zambians	34790	31230	29490	30620	30850	31580
Non-Zambians	1310	1270	1310	990	1000	1050
Mining and Quarrying						
Zambians	54440	55360	56470	53700	55620	57110
Non-Zambians	10310	9000	8330	7360	6360	5980
Manufacturing						
Zambians	41230	40380	43300	43670	42960	45860
Non-Zambians	3100	2700	2470	2310	2000	1900
Construction						
Zambians	67790	47150	46770	42660	40360	42070
Non-Zambians	3980	3120	3000	2280	2020	1680
Electricity and Water						
Zambians	4720	6650	7120	6240	7500	42070
Non-Zambians	410	320	300	270	230	1680
Services						
Zambians	158290	160210	160890	166240	174040	175020
Non-Zambians	13220	11400	11000	10620	10930	9060
Total						
Zambians	361170	340980	344040	343130	35130	359440
Non-Zambians	32330	27610	26410	23630	22540	19660
PERCENTAGES*						
Zambians	98.6	92.5	92.9	93.5	94.0	94.6
Non-Zambians	6.2	7.5	7.1	6.5	6.0	5.2

Note: *Total formal sector employment.

Source: Zambia - Monthly Digest of Statistics, various.

TABLE 33 AVERAGE ANNUAL EARNINGS OF FORMAL SECTOR EMPLOYEES IN ZAMBIA BY SECTOR, 1970-83*

(In Zambian Kwacha)

	1970	1975	1980	1983
Agriculture, Forestry, & Fishing				
Zambian	348	453	1051	1224
Non-Zambian	4477	2524	5496	3384
Mining and Quarrying				
Zambian	1543	1478	3385	3690
Non-Zambian	7229	6784	9996	10040
Manufacturing				
Zambian	802	1179	2156	2352
Non-Zambian	5351	5657	9931	8280
Construction				
Zambian	609	764	1634	1968
Non-Zambian	6834	6868	7286	7939
Transport & Communication				
Zambian	1211	1834	2654	3132
Non-Zambian	4689	7377	9815	7416
Services ^b				
Zambian	792	1246	2326	2750
Non-Zambian	3902	4894	8102	7594
All Sectors				
Zambian	857	1140	2301	2647
Non-Zambian	5081	5572	8715	8071

Note: *1970-79 are fourth quarter figures.

^bExcludes domestic servants; includes electricity, water and sanitary services, financial and business services, restaurants and hotels, and other services. Sources do not provide a breakdown of earnings by sex, and also do not contain figures for the period after 1983.

Source: World Bank (1986).

TABLE 34 NOMINAL AND REAL AVERAGE MONTHLY EARNINGS OF PAID EMPLOYEES BY SECTOR, 1983 AND 1985

	Nominal Average Monthly Earnings			Real Average Monthly Earnings*		
	1983	1985	% Change	1983	1985	% Change
Agriculture	121	164	+34	38.9	31.9	-17.9
Mining	213	361	+69	68.4	70.3	+2.8
Manufacturing	247	239	-1	79.4	46.6	-41.3
Electricity	254	419	+65	81.6	81.6	-
Construction	184	196	+7	59.1	38.2	-36.4
Distribution	283	231	-18	90.9	45.0	-50.5
Communication	303	280	-8	97.4	54.5	-44.0
Finance	303	306	+1	97.4	59.6	-38.8
Services	235	255	+9	75.5	49.7	-34.2
Total	243	246	+1	78.1	47.9	-38.7

Note: *Real average monthly earnings were obtained by deflating the nominal average monthly earnings by the Consumer Price Index for the low income group.

Source: ZAMBIA - Lusaka Urban Labour Force Survey
1985: Lusaka, 1987.

TABLE 35 ZAMBIA'S FEMALE EMPLOYEES BY SECTOR AND NATIONALITY, 1975-80
('000)

	1975	1976	1977	1978	1979	1980
Agriculture, Forestry and Fishing						
Zambian	1.1	1.2	1.2	1.7	1.7	2.2
Non-Zambian	0.07	0.1	0.2	0.08	0.09	0.09
Mining and Quarrying						
Zambian	2.4	2.3	2.9	2.9	3.0	3.1
Non-Zambian	0.7	0.6	0.7	0.5	0.4	0.4
Manufacturing						
Zambian	2.2	2.6	2.6	2.6	2.7	2.6
Non-Zambian	0.3	0.3	0.3	0.2	0.2	0.2
Construction						
Zambian	0.5	0.6	0.6	0.6	0.6	0.6
Non-Zambian	0.3	0.2	0.1	0.1	0.1	0.1
Electricity and Water						
Zambian	0.2	0.2	0.2	0.2	0.2	0.1
Non-Zambian	0.01	0.01	0.01	0.02	0.01	-
SERVICES*						
Zambian	14.2	15.2	16.1	16.7	17.3	17.5
Non-Zambian	2.6	3.2	2.4	2.4	2.2	2.0

/Table continues on next page...

TABLE 35 (continued)

Of which Community, social, and Personal Services		10.4	10.5	10.6	10.8	11.8
Zambian	9.9	2.1	1.7	1.7	1.6	1.5
Non-Zambian	1.9					
TOTAL	24.8	26.6	27.6	28.3	28.7	29.1
Zambian	20.6	22.0	23.9	24.9	25.7	26.3
Non-Zambian	4.2	4.6	3.7	3.4	3.0	2.6
Total formal sector employees (ie plus males)	393.5	368.8	370.5	366.9	373.9	379.3
Female Employees as % of Total formal sector employees	6.3	7.2	7.4	7.7	7.7	7.7

Note: *Excludes domestic servants; includes trade, financial and business services, restaurants and hotels, community, social and personal services.

All figures are rounded off and are averages for the quarter ending June of each year.

Figures after 1980 are not available.

Source: Zambia - Monthly Digest of Statistics, various.

TABLE 36 EMPLOYMENT AND AVERAGE MONTHLY EARNINGS (IN KWACHA) OF ZAMBIAN PAID EMPLOYEES BY OCCUPATION AND SEX 1986

Occupation	TOTAL		MALE		FEMALE	
	No. ('00)	K	No. ('00)	K	No. ('00)	K
Professional, Technical and Related Workers	753	572.6	13.0	499	623.2	10.3
Administrative and Managerial Workers	54	1168.1	0.9	52	1196.3	1.1
Clerical and Related Workers						
Sales Workers	634	449.9	11.0	437	450.9	9.0
Service Workers	278	551.8	4.8	200	612.5	4.1
Agricultural, Animal Husbandry, Forestry Workers, Fishermen and Hunters	969	263.6	16.7	790	289.2	16.3
Production and Related Workers						
and Transport Equipment Operators	1600	425.7	27.6	1559	429.9	32.1
Labourers, not Classified	590	321.1	10.3	561	327.6	11.5
Not Stated	12	351.0	0.2	7	471.2	0.1
Total	5792	426.8	100.0	4860	442.8	100.0

Note: Percentages relate to numbers employed in each occupational category as a percentage of totals in each column.

Source: Zambia (1989a).

TABLE 37 EMPLOYMENT AND AVERAGE EARNINGS (IN KWACHA) OF ZAMBIAN PAID EMPLOYEES: BY EDUCATION AND SF
1986

EDUCATION	TOTAL			MALE			FEMALE		
	No. ('00)	K %	%	No. ('00)	K %	%	No. ('00)	K %	%
Never Attended	484	282.8	8.4	382	294.3	7.9	102	240.1	11.0
Primary (Grade 1-7)	2644	388.0	45.7	2328	409.1	47.9	316	232.3	33.9
Secondary (Grade 8-12)	2524	463.8	43.6	2035	480.4	41.9	490	395.1	52.5
Degree and Above	139	982.4	2.4	115	936.2	2.4	24	1207.5	2.5
Not Started	1	2158.4	0.0	.5	4000.0	0.0	.5	280.0	0.0
Total	5792	426.8	100.0	4860	442.8	100.0	932	343.4	100.0

Note: Figures are rounded off.

Definitions: Paid employees: these are persons who work for others for a wage or salary, which may be paid to them in cash or kind, or partly in cash or partly in kind;

Earnings: relate to remuneration before tax and other deductions for the time worked or work done, together with remuneration for time not worked such as for annual vacation, other paid leave or holidays. They exclude employer's contributions in respect of the employees paid social security and pension schemes and also the benefits received by employees under these schemes. They also exclude termination pay, remuneration in kind, and income from other sources such as profits, bank interest, etc. (Zambia 1986a, 14-16).

Source: Zambia (1989).

TABLE 38 AVERAGE MONTHLY EARNINGS OF PAID EMPLOYEES IN URBAN LUSAKA: BY OCCUPATION (IN KWACHA), 1985

Occupation	Male	Female	Total
Professional Worker	546.22	346.90	491.60
Administrative Worker	698.96	500.00	684.22
Clerical Worker	261.37	314.85	284.71
Sales Worker	242.29	144.28	218.45
Service Worker	134.45	105.24	125.96
Agricultural Worker	133.03	52.29	118.16
Production Worker	232.78	166.71	229.78
General Worker	120.55	38.40	116.36
Total	252.85	218.56	246.02

Source: Zambia (1987).

TABLE 39 AVERAGE MONTHLY EARNINGS OF PAID EMPLOYEES IN URBAN LUSAKA: BY EDUCATION (KWACHA), 1985

Educational Attainment	Male	Female	Total	Increase (%)
No Schooling	148.61	90.69	132.76	
Grade 1-7	170.00	99.85	159.43	20.1
Grade 8-12	318.01	294.89	312.71	96.1
A Level	630.80	303.00	555.15	77.5
Degree and Higher	766.50	551.25	712.69	29.4
Total	252.85	218.56	246.02	

Source: Zambia (1987).

TABLE 40 THE COST OF OBTAINING A NUTRITIONALLY ADEQUATE FOOD BASKET (HOUSEHOLD OF EIGHT) 1986-1990*

Year	K per month ^b	% Increase Year on	% Increase 1986-90
1986	514.03	-	
1987	986.69	92.5	
1988	1530.25	55.1	
1989	3369.97	120.2	
1990	4785.75	40.0	831.0

Note: ^aThe food items, quantities and respective calories and proteins are presented in Table A.27.

^bCost for 4th quarter of each year except for 1990, which refers to the 3rd quarter.

Source: PIC (1991).

TABLE 41 RETAIL PRICES OF BASIC COMMODITIES**Mealie Meal (25Kg breakfast meal)**

Date	Official Retail Price (K)	% Change	Maximum Retail Price (K)	% change	% Difference between official and Retail price
May 1987	19.15		29.50		54
Jan 1989	55.72	190	83.00	181	49
Aug 1989	114.50	105	129.00	55	13
May 1990	269.00	134	300.00	132	11
Sep 1990	215.00	-20	270.00	-10	25

Mealie Meal (50Kg Roller Meal)

1980 avg	7.90	-
Mar 1983	13.00	65
Mar 1985	20.64	59
Dec 1985	28.77	39
Dec 1987	28.77	0
Dec 1988	28.77	0
Dec 1989	164.60	472

Bread (800gm Ordinary Loaf)

1980 avg	0.33	-	n/a	
Mar 1983	0.53	61	n/a	
Mar 1985	0.90	70	n/a	
May 1987	2.49	177	3.70	48
Mar 1988	2.85	14	n/a	-
Jul 1988	4.35	52	n/a	-
Dec 1988	5.45	25	n/a	-
Jul 1989	6.30	15	10.00	170*
Jan 1990	16.50	162	25.00	150
Sep 1990	20.00	21	35.00	40
Oct 1990	24.00	20	40.00	14
				67

Note: *Percentage change between May 1987 and July 1989.

Source: PIC (1991).
 Zambia (1990b).
 Zambia (1986).

TABLE 42 A NUTRITIONALLY ADEQUATE FOOD BASKET (HOUSEHOLD OF EIGHT MEMBERS)

Food Item	Quantity	No. of Calories/gm	No. of proteins/ 100gm
Roller meal	100kg	3.63	7.50
Bread	30 loaves	2.79	8.00
Mince Meat	4kg	2.62	16.00
D/Kapenta	2kg	2.09	63.00
Mixed Cut	5kg	-	-
Fresh Milk	30 pkts	0.64	3.30
Cooking Oil	1x5 litres	9.00	-
Cabbage	4kg	0.26	1.70
Rape	4kg	0.27	2.70
Onions	3kg	0.48	1.50
Tomatoes	3kg	0.20	1.00
Dried Beans	5kg	3.39	24.00
Sugar	4kg	4.00	-
Fine Salt	2kg	0.00	0.00
Dry Fish	2kg	3.82	67.00

Notes: The figures in this table were obtained by taking into account the following assumptions:

(a) that the basket of food items in the table represents the basic consumed items in an average Zambian household;

(b) that food consumption is 60 percent of the expenditure of the low income household needed to maintain a minimum standard of living (the assumption being based on the 1985 Pilot Household Budget Survey by PIC and CSO); and

(c) that an average household in Zambia comprises of eight members of two adults, (male and female) and six children (aged between one and twelve years), the same criterion used in the issue of maize meal coupons.

Source: PIC (1991).

TABLE 43 GOVERNMENT REVENUE BY SOURCES AND CHANGES IN LEVEL OF EXPENDITURE AND BUDGET DEFICIT, 1975-87 (K' million)*

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Total Revenue	482.2	455.6	500.1	568.2	592.6	767.7	811.6	850.6	1016.2	1095.6	1602.4	3169.6	4371
Income Tax	142.6	159.1	189.9	217.7	229.8	271.3	307.8	296.4	369.4	337.0	406.3	845.1	1135
Company Tax	64.7	61.9	77.5	82.9	89.0	113.2	131.9	132.9	226.6	176.1	205.0	364.0	614
PAYE	84.0	81.1	86.9	96.7	101.6	119.5	131.4	120.7	105.4	117.3	149.1	287.9	292
Other Taxes	13.1	16.1	38.5	38.1	39.0	38.6	44.5	43.5	41.6	43.6	54.3	193.2	230
Taxes on Domestic Goods and Services	125.2	151.5	179.6	204.5	238.6	262.6	315.8	340.0	439.0	445.7	490.4	603.3	781
Excise Duties	99.1	118.6	145.0	171.7	204.6	217.4	249.8	260.9	354.8	341.2	359.4	376.6	564
Sales Tax	14.3	26.3	25.4	32.1	34.0	42.2	51.8	56.8	70.9	92.3	118.6	184.8	198
Other Taxes	11.6	6.6	9.0	0.7	n/a	n/a	14.3	11.2	13.3	12.2	12.4	44.9	22
Taxes on Foreign Trade (Imports)	63.2	60.5	61.5	50.9	67.5	98.9	108.3	111.0	83.3	127.7	295.6	621.4	1345
Sales Tax	26.4	31.5	31.9	23.5	33.2	49.6	59.3	58.7	44.5	64.5	157.0	414.6	772
Customs Duties	36.0	29.0	29.6	27.2	34.3	47.3	49.0	42.8	36.8	63.2	139.6	406.8	562
Mineral Revenues	59.3	11.6	-11.2	n/a	-9.8	41.7	1.0	n/a	53.4	101.3	192.2	405.4	475
Other Revenues	71.9	72.9	59.1	63.3	66.5	95.2	79.7	103.4	70.9	83.9	216.9	511.4	645
(B) EXPENDITURE AND BUDGET DEFICIT													
Total Expenditure	757.4	695.4	714.4	815.4	856.4	1641	1294	1537	1412.3	1326.0	2164.3	5232.7	5637
Overall deficit	306.2	230.6	214.4	258.0	303.6	872.6	482.3	666.0	396.0	232.4	516.9	2103.4	1166
As a % of GNP	19.5	12.3	11.0	11.6	14.1	29.3	13.6	19.1	9.5	4.7	6.3	16.2	6.9
Financing	309.2	230.6	214.4	258.0	303.6	872.6	482.3	666.0	396.0	232.4	516.9	2103.4	1166
Foreign	51.4	14.3	17.4	19.2	160.3	300.1	269.9	139.3	169.8	195.6	109.1	556.2	1125
Domestic	287.4	240.7	200.5	383.2	41.0	65.0	33.2	4.3	230.8	36.8	66.0	59.0	40.3
Use of Cash Balances*	-10.5	-10.4	-63.6	-153.2	142.3	507.7	104.9	501.1	-32.5	173.8	404.8	1489.2	1088.0

Note: *Figures for more current years are not available.

*Includes financing by banking system and non-bank financial institutions, government stocks and treasury bills.

Source: Bank of Zambia - Report and Statement of Accounts, various.

TABLE 44 TREND IN GOVERNMENT EXPENDITURE BY SECTOR, 1975-88 (K MILLION)^a

(A) CURRENT EXPENDITURE		1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Total Expenditure (TE)	678	685	706	669	809	1135	1278	1409	1346	1441	2484	5407	6820	8559	
General Public services ^b	324	282	219	219	265	407	607	553	607	578	885	1935	3439	3328	
Education	94	113	118	112	118	129	152	213	195	231	303	407	595	738	
Schools	59	72	75	74	78	88	107	135	127	140	183	224	312	465	
Health	39	46	51	52	56	67	77	118	89104	144	222	349	636		
Social Security &															
Welfare	2	11	1	1	1	2	28	30	31	37	38	55	67	130	
Housing & Community															
Amenities	16	12	12	13	14	17	5	29	0.6	.6	20	36	30	41	
Housing	n/a	n/a	10	11	11	14	2	19	n/a	n/a	3	22	30	22	
Other Community &															
Social Services	8.4	9.6	8.5	13	12	20	29	30	24	32	25	58	100	135	
Economic Services	137	133	206	163	234	370	280	335	199	231	439	1123	563	2122	
Roads	22	25	25	21	37	40	35	67	n/a	9	62	236	2122	136	
Other Expenditure	57	77	90	96	109	123	99	103	201	226	631	1570	1656	1430	

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TABLE 44 (continued)

(B) REAL EXPENDITURE									
	1975	1976	1977	1978	1979	1980	1981	1982	1983
Total expenditure	828	748	706	593	590	740	777	807	650
General public services	395	308	219	194	193	265	369	317	293
Education	115	123	118	100	86	84	92	122	94
Schools	72	79	75	66	57	65	77	61	54
Health	48	52	51	46	41	45	47	67	43
Social Security & welfare	4	13	1	1	1	17	17	15	15
Housing & Community amenities	19	13	12	12	10	11	3	16	9
Other Community & social services	10	11	9	11	9	13	18	17	12
Economic Services	168	145	207	145	171	241	171	192	96
Roads	27	27	25	18	27	26	21	38	n/a
Other expenditure	70	84	90	85	79	80	60	59	97
									68
									182
									177
									107

Note: *Figures from 1986 onwards are derived by using different units of accounts (see IMF 1990).

Figures are rounded off and were deflated with a GDP deflator, 1977=100.

Figures on government expenditure differ from those obtained from the Bank of Zambia sources.

^aIncludes defence up to 1984, and thereafter includes public order and safety expenditure for 1985 and 1986.

Source: IMF - Government Finance Statistics Year-book, various.

TABLE 45 TREND IN PERCENTAGE CHANGE IN REAL GOVERNMENT EXPENDITURE BY SECTOR

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
TE as % of GNP	42	35	36	30	32	36	37	39	32	29	35	42	35	29
Education as % of TE	14	17	17	17	15	11	12	15	15	16	12	8	9	9
Schools as % in education	63	64	64	66	66	71	63	65	60	60	55	55	64	
Health as % of TE	6	7	7	6	7	6	6	6	7	7	6	4	5	7
Housing & Community amenities as % TE	2	2	2	2	2	2	0.4	1	n/a	0.04	1	1	0.4	0.5
Economic Services as % of TE	20	19	29	24	29	33	22	24	25	16	16	21	8	25
Roads as % of expenditure in economic services	16	19	12	12	16	11	12	20	-	4	14	21	22	6

Note: Figures are rounded off, and derived from Tables A.29.

**TABLE 46. PROVISION OF MEDICAL FACILITIES IN ZAMBIA.
1965-85**

	1965	1980	1985	1987
Hospitals	48	81	82	82
government	19	42	42	42
mission	19	28	29	29
mines/other	10	11	11	11
Health Centres and Clinics	306	721	904	912
government	187	469	629	629
mission	63	66	65	65
mines/other	-	-	75	84
urban/dept.				
Industrial clinics	39	129*	135	134
Other	17	66	-	-
Total	354	802	987	994

Note: *There were 27 mobile government clinics in urban areas and 8 mobile mission clinics in rural areas.

*Figures for recent years are not available.

Source: ZAMBIA - Monthly Digest of Statistics, various.

TABLE 47 PRICE MOVEMENTS FOR BUILDING MATERIALS

Product/size	Date	RRP*	% Increase Year on	% Increase 1987-90
Cement per tonne	May '87	350.00	-	
	Dec '88	566.40	61.8	
	Aug '89	946.05	67.0	
	May '90	1680.00	77.6	380
Door frame	May '87	298.37	-	
	Dec '88	328.20	9.9	
	Dec '89	983.03	199.5	
	Dec '90	1383.00	40.7	364
Common bricks 190x90x90mm	1987	510.00	-	
	1989	1800.00	252.9	
	1990	3000.00	66.7	488

Note: *Recommended Retail Price.

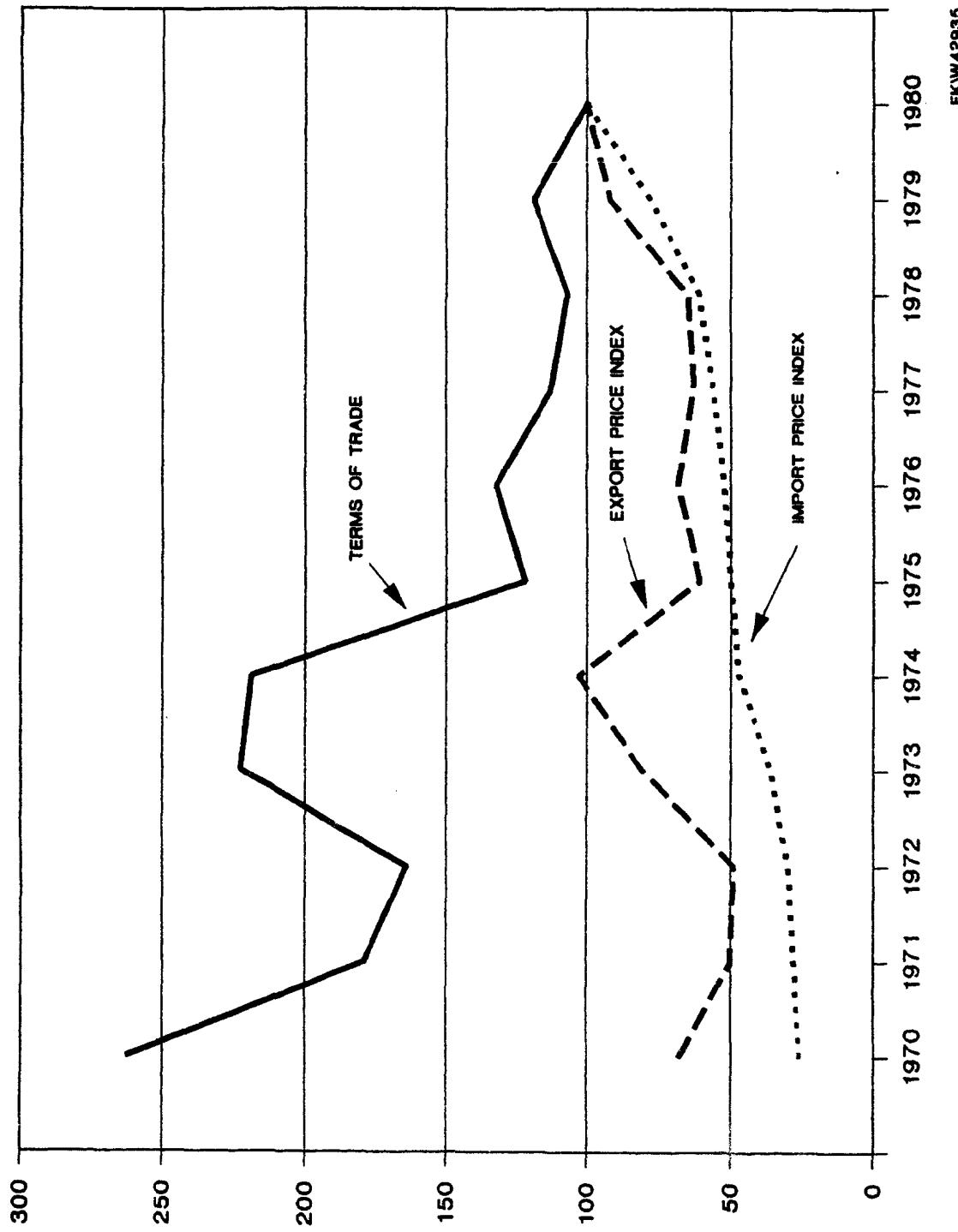
Source: PIC (1991).

TABLE 48 PRICE MOVEMENTS FOR TRANSPORT, 1987-90

	Year	Recommended Charge	% Increase
Passenger	May '87	0.50	-
Transport	Aug. '88	0.70	40
(Bus fare 5 km)	Dec. '89	2.94	340
	Nov. '90	6.84	133
Haulage Rates	May '87	0.51	-
Dry cargo per	May '88	0.80	56.8
tonne/km, 201	June '89	2.60	225
km and above	Nov. '90	7.80	200

Source: PIC (1991).

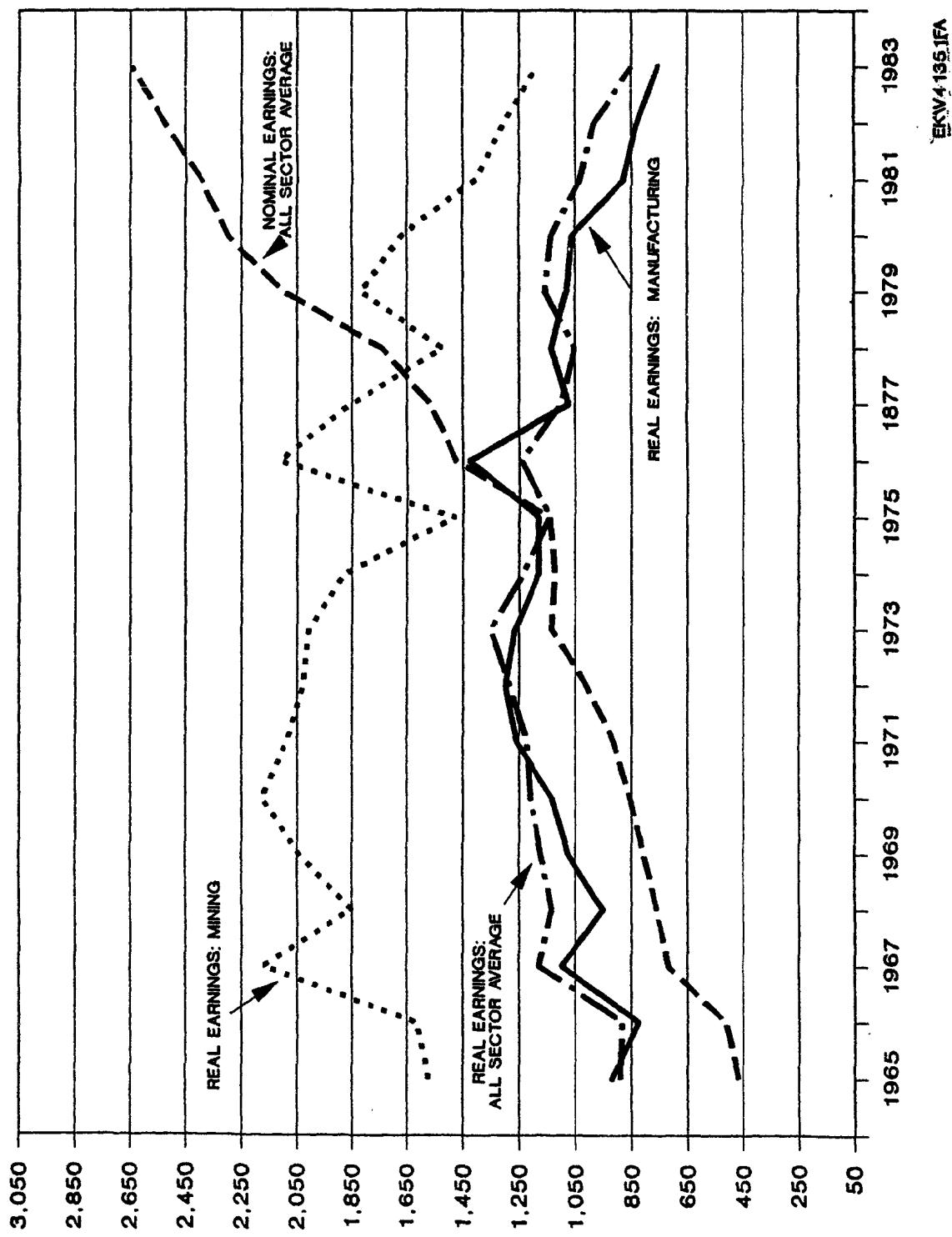
GRAPH 1
ZAMBIA: TERMS OF TRADE INDEX, 1970-1980



Source: Gulhati (1989)

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GRAPH 2
ZAMBIA: AVERAGE ANNUAL EARNING OF
ZAMBIA'S BY SECTOR, 1965 - 1983
 Nominal Earnings In Current Kwacha.
 Real Earnings In Kwacha of 1975 Prices.



Source: Gulhati (1989)

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