

Michael Gondwe: Skills development as a catalyst for youth employment promotion, income growth, and micro, small and medium enterprises

Keynote address by Dr Michael Gondwe, Governor of the Bank of Zambia, at the stakeholder consultative workshop, organised by the Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA) of the Republic of Zambia, Lusaka, 18 October 2012.

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Chairperson

Ladies and gentlemen

It is indeed an honour and privilege to make this keynote address on skills development as a catalyst for youth employment promotion, income growth, and micro, small and medium enterprises (MSMEs) development.

Mr Chairman

Over the recent past, macro-economic stability and appreciable economic growth has been achieved in Zambia as reflected in:

- i. Positive real GDP growth averaging 6.5% per annum in the last 5 years coupled with rising per capita incomes;
- ii. Falling inflation, relatively stable exchange rate and downward trend in lending rates;
- iii. Favourable external sector performance; and
- iv. Stability and growth in the financial sector;

The main challenge that still remains is that of meeting the basic needs of the majority of Zambians, in particular our youth and women, who suffer the brunt of high unemployment.

It is for this reason that action is urgently needed to boost skills development in order to enhance productive capacities, investment and decent jobs to sustain the incomes of working families, the poor and the vulnerable.

Dear participants

The productivity and the quality of work are major determinants of life quality, affecting nutrition, health and education, social protection, and fair treatment. Jobs are particularly important for the poor, whose labour is often their only asset and a primary route to poverty eradication.

It is for this reason, that we at the central bank recognise skills development as an economic imperative. This is because it increases productivity of economic agents.

Chairperson

In the aftermath of the recent global financial crisis of 2008, employment has re-emerged as a top priority area across the world.

A large and growing young population can be a driver for economic growth and social progress provided they access quality education and health, and are engaged in decent employment, without which, many young people will not be able to escape negative social vices and poverty.

In recognition, of the foregoing, the National Budget for 2013 whose theme is; “***Delivering Inclusive Development and Social Justice***” has for the first time put job creation at the centre of its development agenda by explicitly targeting the creation of 200,000 jobs in 2013.

Sectors targeted for these jobs are agriculture, tourism, manufacturing and construction (including infrastructure).

Ladies and gentlemen

Sustained efforts to bring in private investment coupled with supportive public policies and investment, would contribute to enhancing productive capacities and generating the much needed jobs in our country. This should be coupled with easier access to credit for productive enterprises - especially micro, small and medium-sized enterprises (MSMEs) – and reforms to foster technological change and productive diversification in line with the changing structure of the global economy.

In the above recognition and its continued quest to contribute to unleashing the potential of local MSMEs, the Bank of Zambia hosted a strategic forum on the role of finance in this area, in June this year. As a follow-up, the Government is working closely with stakeholders and the cooperating partners in improving availability of financial resources to MSMEs. Further, some provision has been included in the 2013 Budget.

Distinguished participants

MSMEs could play an important role in creating employment and spurring growth. However, their competitiveness is undermined by inadequate infrastructure, limited access to financial and business services.

Stakeholders can help small firms to integrate in, and reap more benefits from local and international value chains, by facilitating the provision of business services, among which continuous skills development is paramount.

An important policy question is how to address the constraints which affect the capacity to grow and generate earnings of MSMEs, very often informal that operate in traditional sectors and account for the bulk of jobs in our country. This feat, ***ladies and gentlemen***, can only be achieved gradually, as the drivers of informality are usually multiple and deeply rooted in long-standing development gaps and weaknesses.

Dear participants,

We recognised the efforts made by the Government aimed at enhancing a broad spectrum of skills in the country through such institutions as TEVETA.

What is required is a more Targeted intervention in order to improve labour market opportunities for individuals by helping them obtain necessary skills and facilitating labour market transitions.

Countries that have been most successful in skills development did so by sustaining implementation of coordinated policies linking education systems, skills formation, employment and decent work. These countries include India, Costa Rica, and South Korea.

They made quality education broadly available and introduced mechanisms to match supply to the current demand for skills, often by means of linking training providers and employers at sector and local levels.

They helped workers and enterprises adjust to change and used skills strategically as a core element of industrial, technology and trade policies to move from lower to higher productivity activities and facilitate investment in new industries.

Involving workers and the private sector was a main feature of this approach. Zambia can learn a lot from some of these countries.

Effective training systems in conjunction with the private sector should facilitate demand-driven training in sectors and locations with high job growth potential, avoiding bottlenecks and improving employability.

Expanding accessibility to quality training is a powerful instrument for empowerment and inclusion of the youth and disadvantaged groups: women, rural dwellers and persons with disabilities. In some cases, apprenticeships in the informal economy can offer many young people an opportunity to learn a trade and enter the world of work.

Skills development is a necessary response to the challenge of youth unemployment. Effective programmes should involve packages of training-cum-labour-market-services. These should include: providing advisory services and career guidance, vocational counselling, job-search assistance and job placement, as well as access to different types of training, including combinations of learning and earning through apprenticeships or subsidized employment in return for on-the-job training. Successful entrepreneurship programmes should also involve providing basic business skills and linking would-be entrepreneurs to mentoring, finance and market opportunities. These integrated approaches are needed to assist young people in their transition from school to work and to tackle the multiple constraints they face on the labour market.

The need for effective certification cannot be overemphasised.

In conclusion, skills development can make a critical contribution to youth employment promotion and income generation through MSMEs. Coordinated policies linking education, skills formation, and employment are required.

Well-designed active labour market policies linked with technical and vocational education, on-the-job training and apprenticeships – both formal and informal – are essential for skills development, employment and entrepreneurship and can help alleviate unemployment and underemployment.

Connecting training providers and employers can be especially effective at sector and local levels. Further, involving the private sector is essential to employment creation.

Furthermore, special attention should be paid to supporting MSMEs as the most dynamic sources of employment. Financial institutions should provide easy access to funds to reduce cost of doing business. The multiple drivers of informality should be tackled through integrated policy packages that promote a gradual transition to formal activities.

Ladies and gentlemen, this is the challenge I give all stakeholders that are involved in skills development, youth empowerment and development of MSMEs.

Thank you.