

# Productive Jobs:

## Translating High Growth into Poverty Reduction

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Since 2001, Tanzania has experienced a fairly high annual growth rate of around 7 per cent. However, this has not translated into major cuts in the poverty rate. According to the Household Budget Survey 2007, one third of Tanzanians live below the basic needs poverty line. Weak linkages between growth, jobs, and its distributional impact on social welfare in Tanzania underline that economic growth is essential but not in itself sufficient for poverty reduction.

### **Structural changes: A mismatch in jobs and growth?**

While some structural changes in the Tanzanian economy are visible, these shifts have not benefited the labour-intensive sectors, such as agriculture, fishing, and services which have all experienced a decline in the growth rate from 2007 to 2008. The 2009 Guidelines for the Preparation of the Medium Term Plan and Budget

Framework for 2009/10-2011/12 show that between 2007 and 2008 the agriculture growth rate declined from 4.0 per cent to 3.3 per cent, the fishing sector declined from 4.5 per cent to 4.3 per cent, and services from 8.9 per cent to 8.1 per cent.

### **Employment rates: Are we getting the whole picture?**

The National Growth and Poverty Reduction (MKUKUTA) explicitly laid out as one of its objectives to reduce unemployment from around 13 per cent to 6.9 per cent by 2010 and to address underemployment, particularly in the rural areas. According to figures from the last Integrated Labor Survey (ILS, 2006) the unemployment rate in the country stood at 11.7 per cent. The employment to population ratio at 80 per cent remains relatively high. What is striking though is the percentage of people in informal employment



which was as high as 93 per cent in 2006. Almost 55 per cent of employed work excessive hours (over 48 hours per week), which may indicate inadequate hourly pay. Furthermore, almost 37 per cent of people employed are living below the poverty line. The evidence clearly suggests that many of the jobs that are being created are not necessarily productive to help greater numbers of people to move out of poverty. With poverty and unemployment rates remaining less responsive to growth, one needs to reassess how growth is actually feeding into job creation and vice versa.

### **An agenda for productive jobs**

In the national policy framework, job creation has often been seen more as a residual outcome of economic growth. Beyond recognizing the centrality of employment for poverty reduction in the MKUKUTA II (Growth and Poverty Reduction Strategy) and the national budgets, it is critical that productive job creation strategies are explicitly defined rather than simply viewed as a desirable outcome of all the development efforts. It is important to underscore here that it is not

just any jobs that need to be generated, but more productive employment is needed to make a serious dent in the poverty rate. In this regard, more attention should be given to young people. The ILFS 2006 shows that the rate of unemployment was higher among young people (14.9 per cent). Productive job creation opportunities for young people especially women need to be targeted and clearly articulated in the next MKUKUTA.

### **Public and Private Investment**

The role the private sector can play in creating jobs is now widely recognized. In order to fully tap into that potential, there is a need to clearly identify industries and business sub-sectors where investments can result in greater job creation and productivity. Business climate and removal of red tape can encourage greater private sector investment. Also, schemes such as Public-Private partnerships can be forged to boost investment in rural infrastructure, and agriculture which will result in greater job creation.



## **Skills Gap**

With the changes in the economy catalyzed through strategic investments, it is important that skills gaps are identified in a proactive manner based on jobs that are likely to be generated in potential growth sectors. Accordingly, this should be followed by reviewing the existing formal and non-formal training systems i.e. vocational skills, mentorship, apprenticeships, and managerial skills for job seekers. Working in close collaboration with the private sector, these programmes need to be reoriented and scaled up.

## **Local Economic Development (LED): Macro- micro linkages**

With greater devolution of public administration, it is critical that local governments play a greater part in stimulating local economies for job creation and poverty reduction. Local Government should be supported to craft LED strategies reflecting their comparative advantage. In many developing countries LED has been embraced by

local governments who are increasingly playing a more proactive role in supporting poverty reduction in their respective regions.

## **Enabling environment for businesses**

An environment that makes it easier for enterprises to access services will improve business opportunities and support jobs. Targeted schemes such as credit guarantees, soft loans and in some cases equity investments for small enterprises are some of these examples. Moreover, business training, market access, and institutional support for Savings and Credit Cooperatives (SACCOs) targeting young people can be prioritized.

## **Monitoring decent work in the country**

At the moment, Tanzania does not have a robust mechanism to effectively track the number of jobs created or lost and the quality of jobs. Such a system will enable policy makers to better measure the pattern and sources of growth, as well as the manner in which its benefits

are distributed. A Labour Market Information System (LMIS) using the new MDG Employment and Decent Work Indicators will allow greater convergence on cross-sectoral policies among various ministries.

### **Conclusions**

Productive and adequately remunerative employment is indeed central and in fact the missing piece that can make the economic growth story in Tanzania more pro-poor. It is not

simply the distributional impact of growth which is important for job creation, but an inclusive growth model that allows low income households to participate in the economy to derive benefits in an equitable manner. That in turn can lead to even higher growth rates as productive jobs and growth tend to feed each other.



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