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Policy Note

**Employment Targets and the Quality of
Employment Creation in Tanzania**

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EMPLOYMENT TARGETS AND THE QUALITY OF EMPLOYMENT CREATION IN TANZANIA

Executive Summary

Tanzania's goal of creating 1 million jobs between 2005 and 2010 puts the policy spotlight on employment creation. Making the target operational and monitoring progress requires identifying an indicator of jobs which provides a credible but ambitious policy objective.

In this note we explore how this target can be made operational by incorporating considerations of job quality. In particular we suggest a composite indicator combining information on the security of labor market attachment and earning more than a living wage.

Based on past performance, with the economy growing at least at 5 percent it is possible, though challenging, to meet the employment target of generating 1 million "good jobs" according to this definition. This would require sustaining the current pace of employment growth while continuing to increase the share of good jobs in the total.

To keep in focus both these objectives, we emphasize that creating 1 million "good jobs" as here defined over the period to 2010 would be equivalent to creating 3.2 million jobs overall. It is therefore important to continue monitoring both overall employment growth as measured with the international definition of employment and the growth in good jobs.

Using different definitions of jobs is also helpful to analyse the employment creation patterns for different groups. Contrasting job creation according to different definitions highlights that between 2000/01 and 2006 growth has created more good jobs for the high skilled than for those with no education. Further, proportionally fewer good jobs have been accessed by young people rather than adults (25+), even if young people registered proportionally higher increases in good jobs as measured by adequate earnings. The pattern of growth has also resulted in greater employment creation in urban than in rural areas, though this is partly driven by the sources of growth itself, with lower growth in agriculture than in other sectors. Finally, while the pattern of employment growth overall appears to have favoured women, women have enjoyed proportionally fewer jobs of higher quality.

Further work in identifying the dynamics of this pattern of employment creation, and in particular whether workers can move from low quality to higher quality jobs will help in shaping particular policies and programs directed to these groups.

Introduction

Tanzania's President has pledged to create 1 million jobs between 2005 and 2010. The way such goal is measured from an operational point of view has not been clarified yet. The popular press seems to emphasize direct job creation by Government programs, while the National Employment Report (NER, MLEYD 2007, a), interprets the target in terms of 200,000 "new jobs" brought about by new policy efforts, and therefore over and above what the economy has historically been creating.

This note looks more closely at the operational definition of jobs in the Tanzanian context to support efforts to monitor progress towards the achievement of the Presidential targets. We focus on the concept of "good jobs" as Tanzanian policy documents emphasize concerns with job quality.

From a policy perspective, we suggest that emphasis should be given to monitoring both overall job creation and the "good jobs" target. Similarly, policy efforts should focus both on overall employment creation and on policies to improve the intensity of creation of good jobs (i.e. the share of good jobs in overall jobs), though the identification of policies in this area goes well beyond the scope of this note.

Before proceeding it is worth stressing that our emphasis on "good jobs" as a policy target does not detract from the importance that jobs of lower quality have for the livelihoods of the poor. Indeed the poor are those most likely to access jobs with undesirable characteristics, such as low productivity or dangerous working conditions. These types of jobs are likely to be "created" irrespective of policy commitments by people who cannot afford to be idle. Focusing on the quality of jobs can therefore underline how not all engagement in economic activities ought to be seen as a policy success. The policy emphasis should be to improve job quality for these segments of the labor market.

Good Jobs – Bad Jobs

The definition of "a job" though apparently intuitive can be challenging. For example, while there are no doubts on whether a white collar worker with a permanent contract can be considered as employed, can the same be said of a daily laborer who can find employment only for part of the year? International statistical conventions¹ (see Annex 1) identify the main elements of "a job" to facilitate the standardization of indicators, though countries have leeway in adopting and operationalizing those indicators.

In the case of Tanzania, policy documents emphasize concerns with job quality and identify two (non-exclusive) categories of jobs typically characterized by low productivity and which tend to be considered "bad jobs". Such jobs are unlikely to

¹ See in particular the *Resolution concerning statistics of the economically active population, employment, unemployment and underemployment*, adopted by the Thirteenth International Conference of Labour Statisticians (October 1982)

provide a pathway out of poverty and to offer decent working conditions, even if they are a key element of the livelihoods of some segments (or even the vast majority) of the population.

- **Insecure jobs.** Jobs that offer only a marginal attachment to the labour market and provide an irregular source of income can be seen as “bad jobs” as they offer a precarious source of livelihood. This is not the type of jobs that policy makers intend to create. The national definition of employment adopted by the National Bureau of Statistics incorporates these concerns by emphasizing reliability. In the ILFS survey a direct question on subjective perceptions of reliability of work is asked.² Further refinement to this indicator might be needed for future data collection efforts.
- **Living wage.** For job creation to lead to poverty reduction it is crucial that the jobs created offer adequate earning potential. The National Employment Policy (MLEYD 2008), for example, includes in its definition of jobs “earning a minimum income equivalent to the minimum wage in the wage employment” (p. iv). To make this concept operational in this note we derive a proxy for a living wage by adopting the minimum wages introduced in 2002 which were uniform across sector (only differentiated for agriculture and domestic work), and we update it with a measure of real GDP growth between 2000 and 2006³ to obtain a similarly uniform living wage for the second period. Such estimate of a living wage can be seen as an initial indicator which could be further refined.⁴ We then apply this measure of minimum earnings to wage workers and self-employed in both the formal and the informal sector.⁵

A third type of jobs sometimes associated with the concept of “bad jobs” is jobs in the informal sector.⁶ This is debatable. Both the literature and international evidence are divided in their valuation of the informal sector, though recent analysis has highlighted that in some countries: (a) the sector is very heterogeneous, with some segments

² Assumptions are made on some job categories (being in paid employment or being in self-employment with employees) being reliable so not all workers are asked this questions. Further assumptions are made for workers in agriculture (either as unpaid family helper or in their own farm): they are considered to have an unreliable job if they work for less than 40 hours a week for reasons other than family reasons or education or lack of desire to work longer hours.

³ This is the approach suggested by the recent Draft Government Report on the process and impact of the minimum wage reform.

⁴ Note that for a wage to be a “living wage” it should be anchored to some measure of basic needs requirement. In practice the determination of such needs is complicated by the different typologies of households that individuals live in.

⁵ In so doing we face the inescapable difference between earnings from self-employment and wages, as the former are meant to reward entrepreneurial risk and capital. In contexts characterized by little capital intensity these differences should be more contained. To enhance the comparability of the two indicators and reflect better the definition of employment adopted by the National Employment Policy we discount the contributions of unpaid family labour to the reported earnings of the self-employed.

⁶ Note that discussions on the informal sector generally focus on non-agricultural employment. This assumption is also adopted by the ILFS data, though some Tanzanian policy documents (e.g. the 3rd corporate plan for VETA, the Vocational Education and Training Authority, includes agriculture in the informal sector, e.g. p. 14)

representing an important source of dynamism for the economy, and (b) workers in the sector enjoy opportunities which are at least not worst than those that they would face in the formal sector.

In line with international experience, the National Employment Policy (MLEYD 2007) recognizes the crucial role that informal activities play in the livelihoods of a large share of the labour force, either as a sole or as a complementary source of earnings. The policy aims to improve and transform the sector to create jobs of better quality.

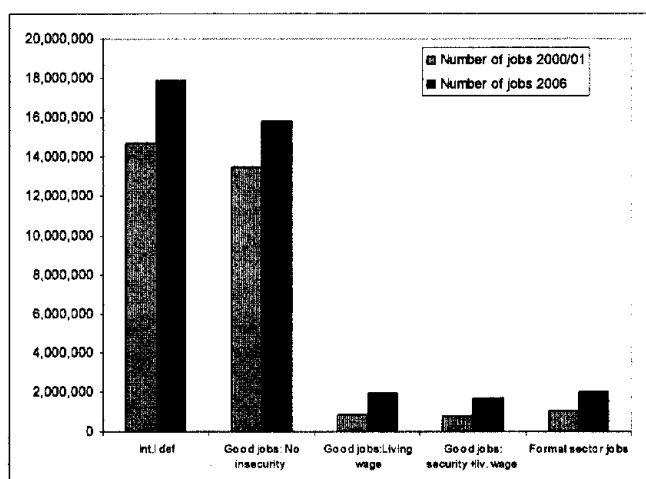
These considerations suggest that restricting the definition of “good jobs” to the formal sector only would have not been consistent with either the emerging empirical evidence or the current policy stance. Data limitations also suggest that the inclusion of this indicator as a sign of a good job would be problematic.⁷ In what follows, for comparative purposes we do report an indicator of jobs in the formal sector. More in depth work on the quality of jobs in the informal sector and how it could be improved is needed.

Different Measures of Good Jobs and the Employment Targets

Using the ILFS 2000/01 and 2006 we explore the implications of adopting different definitions of good jobs. Figure 1 below summarizes the recent performance in creating “good jobs” according to 3 different definitions (i.e. defining good jobs on the basis of reliability, earning at least a living wage, and combination of those two criteria,) as compared the employment creation performance based on the international definition and on formal sector jobs alone.

⁷ The NBS defines informal jobs at the firm level, comprising workers in unregistered firms, firms with less than ten workers and firms which do not keep a full set of books. By considering characteristics of firms rather than characteristics of the jobs that workers do, this indicator can be considered only an imperfect proxy for low quality of jobs. Cross-checking with other indicators in the ILFS 2005/06, for example, reveals that some aspects of job quality show little difference between the informal and the formal sector – 91 percent of those employed in the informal sector are considered to have a “reliable” labour market attachment, against 95 percent of those employed in the formal sector. And focusing on informal firms fails to capture the possibly large number of informal jobs (in terms of contractual arrangements for example) which can exist also in firms which are formal.

Figure 1. Total employment 2000/01 and 2005, different definitions of “good jobs”



Note: living wage defined on the basis of the 2002 minimum wage for the private sector updated with real GDP growth.

The figure shows that the estimated number of good jobs varies significantly based on the insecure and minimum wage indicators. The number of “good jobs” identified by the composite indicator of security and living wage is similar to the number of formal sector jobs, but the two indicators do not coincide (while almost all jobs in the formal sector are classified as reliable, one fourth of them provide inadequate earnings).

To look at the economy’s future performance in reaching the employment target we adopt an elasticity based approach to estimate the total number of jobs which the economy is likely to create over the period 2005-2010 (table 1).⁸ We then project the number of “good jobs” extrapolating from the economy’s past performance in creating “good jobs” according to the various definitions considered.⁹ The estimates are based on GDP growth rates of between 5 and 7 percent for the five year period up to 2010. As a comparison we also present the number of jobs which would be created if the economy continued adding the same number of jobs of different types that it has created over the recent past.

Based on past patterns of employment creation (both in terms of jobs created and of increasing the share of good jobs in the total), each of the single-indicator definitions of good jobs would imply that the 1 million job target could be reached.

⁸ Note that the two ILFS surveys are more than 5 years apart. We correct for this difference by considering them 5.5 years apart when calculating yearly increases.

⁹ We adopt this approach rather than adopting an elasticity based approach for all types of indicators as, when small numbers of observations are involved (as in the case of our good jobs definitions) past estimates of elasticities are poor predictors of future ones.

Table 1: Projected employment growth for the five year period up to 2010 using different definitions of good jobs

	<i>International definition (overall number of jobs)</i>	<i>Good jobs: No insecurity</i>	<i>Good jobs: Living wage</i>	<i>Good jobs: No insecurity + Living wage</i>	<i>Formal sector jobs</i>
Number of jobs 2000/01	14,710,120	13,482,843	806,533	745,129	1,060,614
Number of jobs 2006	17,870,820	15,826,240	1,910,075	1,671,557	1,967,505
Growth 00/01-06	3,160,700	2,343,397	1,103,542	926,428	906,891
Share of total jobs in 2006		88.6%	10.7%	9.4%	11.0%
Predicted share of total jobs in 2010		85.7%	15.4%	13.3%	14.5%
Projected increase in employment if share of good jobs continues improving as in 2000/06					
at growth of 5%	2,492,912	1,634,220	1,230,095	1,027,017	977,841
at growth of 6%	3,023,312	2,089,001	1,311,885	1,097,305	1,054,556
at growth of 7%	3,564,708	2,553,209	1,395,370	1,169,050	1,132,862
Projected increase in jobs in 2010 with same yearly increase as 2000/06 trend	2,873,364	2,130,361	1,003,220	842,207	824,446

Our preferred indicator of good jobs is the composite one, as it integrates considerations of both reliability of employment and the adequate nature of the earnings, as already discussed. Focusing on this indicator the Presidential target becomes attainable but only if a growth of at least 5 percent can be sustained. Note however that reaching the target as measured by the composite indicator of “good jobs” is also challenging. It requires not only sustained growth, but also continued growth in the share of good jobs over the total.

Progress in addressing both of these policy challenges should be monitored. Reading across the columns of table 1 highlights that reaching the 1 million good job target in terms of the composite indicator would require creating at least 2.5- 3 million jobs overall, while continuing improving job quality.

Going Beyond Measurement Issues: Patterns Of Employment Creation

Using the quality of jobs indicators presented above it is possible to unbundle the pattern of employment creation for different groups in Tanzania between 2000/01 and 2006. From a policy point of view such analysis might prove more useful than just focusing on whether a single target has been met as it highlights the challenges faced by different groups, which might need to be addressed by specific policies and programs.

Figure 2: Employment growth by gender and different definitions of good jobs

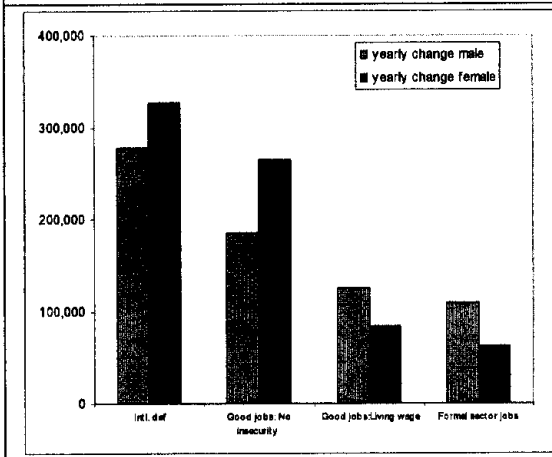
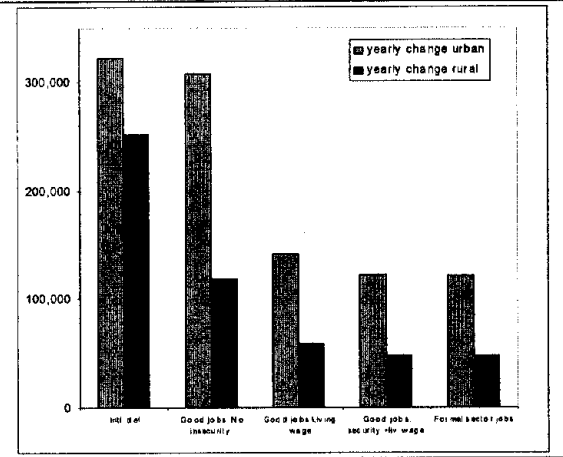


Figure 3: Employment growth by urban/rural divide and different definitions of good jobs



Gender. Disaggregating trends by gender (Figure 2) shows that while overall more women than men have started working over the period, women have been more likely to enter lower quality jobs, when quality includes also considerations of adequateness of earnings. Overall men got 62 percent of the good jobs that were created in the economy.

Urban/rural divide. Disaggregating trends by area of residence (Figure 3) shows that according to every indicator growth has resulted in greater job creation in urban areas. This reflects the different labor intensity of growth in urban and rural areas, as well as the different growth rates those two areas experienced.¹⁰

Figure 2: Employment growth by gender and different definitions of good jobs

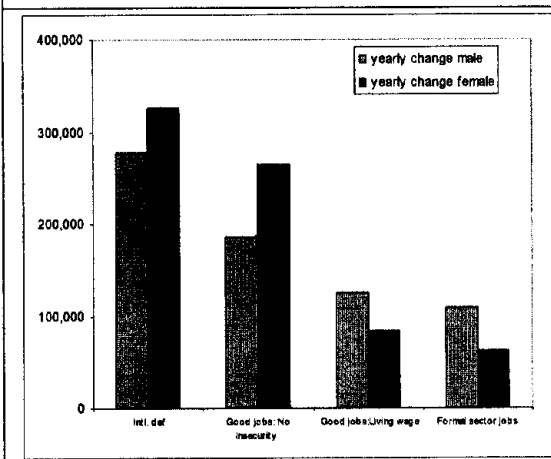
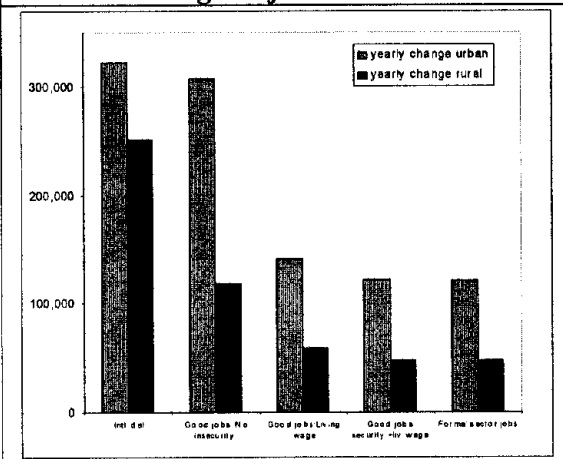
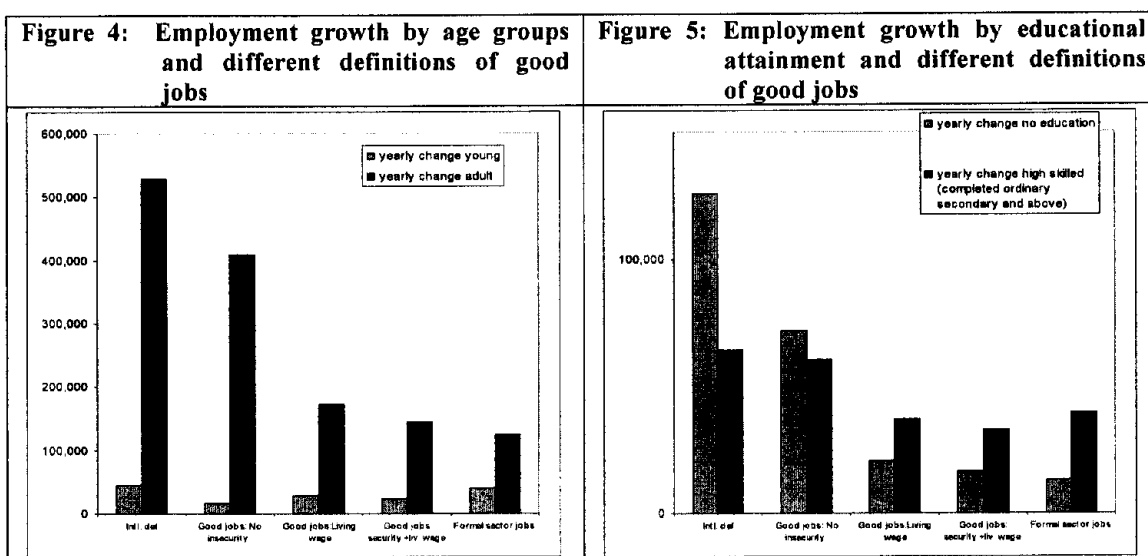


Figure 3: Employment growth by urban/rural divide and different definitions of good jobs



¹⁰ These can be approximated through sectoral growth rates, assuming that manufacturing and service growth takes place in urban areas and agriculture and fishing growth takes place in rural areas. This rough method suggests that in urban areas growth might have been more than 80 percent higher than in rural areas.

Youth. Disaggregating the analysis by age group (Figure 4) reveals that between 2000/01 and 2006 economic growth has been less effective in creating jobs for young people than for older ones according to all definitions. This is true both in absolute terms, but also as a percentage: the number of good jobs for youth appears to have increased by 50 percent, against more than doubling in the case of adults. Good jobs as defined by the composite indicators were enjoyed by only 4 percent of the young, against 11 percent of the adult workers. An encouraging sign is that the largest percentage increases by job type for the young has been in terms of jobs with adequate earnings. More analysis is needed to understand whether, despite mostly entering the labor market through “bad jobs”, youth manage to transition into better segments of the labor market as part of a healthy school to work transition, or whether they find themselves in ‘dead end’ jobs.



Educational attainment. Figure 5 focuses on employment growth for the two tails of the distribution of skills as captured by educational attainment (i.e. no education versus completed ordinary secondary and above). As expected, overall between 2000 and 2005 growth has generated more jobs for those with higher skills: overall employment grew by 16 percent for those with no education as opposed to 52 percent with those with more than secondary education. Good jobs have been growing more than overall jobs both in absolute and in percentage terms. Those with more than secondary education accounted for 19 percent of the new good jobs created, against 9 percent for those without education.

In conclusion, this type of analysis, focused both on overall employment creation and good jobs offers an interesting way of identifying specific constraints that specific groups (such as women, young people) might be facing. This can be a useful starting point for more detailed analysis of why certain patterns are observed, for example why even if more women are entering the labor market than men they appear to end in lower quality jobs.

References

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Ministry of Labour, Employment and Youth Development (MLEYD, 2008) National Employment Policy 2007 (draft)

National Bureau of Statistics, Ministry of Planning, Economy and Empowerment (July 2007) Revised National Account Estimates for Tanzania Mainland. Base year, 2001

Vocational Education and Training Authority (2005) "VETA Corporate Plan III: 2007-2011" Dar es Salaam

Annex 1: The definition of Employment status according to the 13th International Conference of Labour Statisticians

- (1) The "employed" comprise all persons above a specified age who during a specified brief period, either one week or one day, were in the following categories:
- (a) "paid employment": (a1) "at work": persons who during the reference period performed some work for wage or salary, in cash or in kind; (a2) "with a job but not at work": persons who, having already worked in their present job, were temporarily not at work during the reference period and had a formal attachment to their job. This formal job attachment should be determined in the light of national circumstances, according to one or more of the following criteria: (i) the continued receipt of wage or salary; (ii) an assurance of return to work following the end of the contingency, or an agreement as to the date of return; (iii) the elapsed duration of absence from the job which, wherever relevant, may be that duration for which workers can receive compensation benefits without obligations to accept other jobs;
- (b) "self-employment": (b1) "at work": persons who during the reference period performed some work for profit or family gain, in cash or in kind; (b2) "with an enterprise but not at work": persons with an enterprise, which may be a business enterprise, a farm or a service undertaking, who were temporarily not at work during the reference period for any specific reason.
- (2) For operational purposes, the notion of "some work" may be interpreted as work for at least one hour.
- (3) Persons temporarily not at work because of illness or injury, holiday or vacation, strike or lockout, educational or training leave, maternity or parental leave, reduction in economic activity, temporary disorganisation or suspension of work due to such reasons as bad weather, mechanical or electrical breakdown, or shortage of raw materials or fuels, or other temporary absence with or without leave should be considered as in paid employment provided they had a formal job attachment.
- (4) Employers, own account workers and members of producers' co-operatives should be considered as in self employment and classified as "at work" or "not at work", as the case may be.
- (5) Unpaid family workers at work should be considered as in self-employment irrespective of the number of hours worked during the reference period. Countries which prefer for special reasons to set a minimum time criterion for the inclusion of unpaid family workers among the employed should identify and separately classify those who worked less than the prescribed time.
- (6) Persons engaged in the production of economic goods and services for own and household consumption should be considered as in self-employment if such production comprises an important contribution to the total consumption of the household.
- (7) Apprentices who received pay in cash or in kind should be considered in paid employment and classified as "at work" or "not at work" on the same basis as other persons in paid employment.
- (8) Students, homemakers and others mainly engaged in non-economic activities during the reference period, who at the same time were in paid employment or self-employment as defined in subparagraph (1) above should be considered as employed on the same basis as other categories of employed persons and be identified separately, where possible.
- (9) Members of the armed forces should be included among persons in paid employment. The armed forces should include both the regular and the temporary members as specified in the most recent revision of the International Standard Classification of Occupations (ISCO).

Source: <http://www.ilo.org/public/english/bureau/stat/download/res/ecacpop.pdf>