

UNITED REPUBLIC OF TANZANIA (URT)

POVERTY REDUCTION AND EMPLOYMENT

FINAL REPORT

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LIST OF ACRONYMS AND ABBREVIATIONS

ATE	-	Association of Tanzania Employers
BPED	-	British Partnership for Enterprise Development
CBI	-	Community Based Initiatives
CBO	-	Community Based Organisation
CIDA	-	Canadian International Development Agency
CRDB	-	Cooperative and Rural Development Bank
Danida	-	Danish International Development Agency
DFID	-	Department for International Development
ERB	-	Economic Research Bureau
ESRF	-	Economic and Social Research Foundation
FAIDA	-	Finance and Advice in Development Assistance to Small Enterprise
GTZ	-	Gesellschaft für Technische Zusammenarbeit
ILO	-	International Labour Organization
IPC	-	Investment Promotion Centre
ISO	-	Industry Support Organisation
LFS	-	Labour Force Survey
LGPF	-	Local Government Pension Fund
LMI	-	Labour Market Information
MCDWCA	-	Ministry of Community Development, Women & Children Affairs
MIS	-	Management Information Systems
MLYD	-	Ministry of Labour and Youth Development
MSE	-	Micro and Small Scale Enterprise
NGO	-	Non Governmental Organisation
NIC	-	National Insurance Corporation Ltd
NIGP	-	National Income Generating Programme
NORAD	-	Norwegian Aid Development Agency
NSSF	-	National Social Security Fund
ODA	-	Overseas Development Agency
OXFAM	-	Oxford Committee for Famine Relief
PPF	-	Parastatal Pension Fund
PRIDE	-	Promotion of Rural Initiatives and Development Enterprise Promotion
PTF	-	Presidential Trust Fund
RAS	-	Regional Administrative Secretary
REPOA	-	Research on Poverty Alleviation
SELFINA	-	Sero Lease and Finance company
Sida	-	Swedish International Development Agency
SIDO	-	Small Industries Development Organisation
TFTU	-	Tanzanian Federation of Free Trade Unions
UNDP	-	United Nations Development Programme
UNIDO	-	United Nations Industrial Development Organization
URT	-	United Republic of Tanzania
USAID	-	United States Agency for International Development
VET	-	Vocational Education and Training
VETA	-	Vocational Educational and Training Authority
WDF	-	Women Development Fund

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1.0 INTRODUCTION

Tanzania is currently facing the challenge of simultaneously promoting economic growth and reducing poverty. While economic reforms begun in the mid-1980s have had some positive impact on economic growth, the poverty challenge has yet to be addressed adequately. This paper examines the challenge of employment creation and its contribution to poverty reduction. It serves as an input into the Tanzania Assistance Strategy 2000 (TAS). TAS is a government-driven effort to identify its priorities for development as a basis for discussion of aid and donor programmes.

The paper is organised as follows. Section 2 examines the current situation of employment in Tanzania. Section 3 examines existing policies and programmes that have been adopted to deal with the employment problem. Section 4 identifies priorities for employment and the associated policies and strategies. Section 5 reviews the institutional framework, as well as its strengths and weaknesses.

There is a close link between economic growth, employment and poverty reduction. Growth raises savings and investment, which create opportunities for more employment and higher incomes for those in low productivity jobs. Creating jobs for the unemployed gives them opportunities to earn incomes and a better chance for them to pull themselves out of poverty. Increasing productivity of the large numbers of Tanzanians engaged in low-income activities is one of the key strategies for reducing poverty.

While growth is necessary for creation of employment and reduction of poverty, the extent to which poverty is reduced depends on the pattern and composition of investments and growth. Growth originating from investment in and expansion of employment (labour) intensive sectors is more likely to have more significant impact on poverty reduction than investment in and expansion of sectors which are less employment intensive. A high rate of growth is necessary for employment creation, but the quality of that growth must also be geared to employment creation and poverty reduction. These concerns are articulated very well in the Jobs for Africa programme of the ILO.

Although those in formal employment are generally better off than most of those not in the formal sector, even they have not done well in recent years. Wages and salaries in formal employment have declined since the 1970s. Efforts to reverse the downward trend have begun to bear fruit but real earnings have not yet been restored to 1970 levels. Inadequate real incomes have resulted in brain drain and low motivation. Incomes of those who are self-employed have not risen to any significant degree. In some informal sectors real incomes have fallen as a result of competition and overcrowding resulting in falling profit margins.

The ultimate determinant of real incomes is productivity. Labour productivity fluctuated with a declining trend from 1970 to its lowest level in 1986 and has risen only gradually since then. By 1995, labour productivity was only 6% higher than the 1970 level (Wangwe and Tsikata, 1999). Productivity has not increased largely because the level of technology employed in the major sector, agriculture, has not been upgraded.

2.0 THE STATUS OF EMPLOYMENT IN TANZANIA

2.1 Labour Market Information

The first labour survey was carried out in 1965 and a second one in 1991. The third labour survey is being planned for year 2000. This means that the latest detailed information on the labour market is for 1990/91. Data available since 1990/91 are based on projections and anecdotal evidence. They should thus be interpreted with great caution. The need for updating such data and carrying out the new survey is therefore urgent. Changes in the past nine years of economic adjustment have not been captured by the existing labour statistics. However, recent anecdotal trends of poverty and employment in Tanzania suggest a persistent static imbalance in the labour market. The imbalance arises from the fact that supply of labour (skilled and unskilled) exceeds demand at prevailing remuneration. The actual figures for supply and demand are however difficult to establish in the labour market due to the lack of recent labour market statistics.

2.2 Status and Dimensions of Employment/Unemployment

Available statistics show that the country's labour force (i.e. economically active persons of the age between 15-64 years) is estimated to have risen from 7.8 million people (1978) to 11.3 million people (1990). During the 1993 - 2000 period, labour force growth has been projected at 3% per annum, slightly higher than the country's annual population growth of 2.8% for the same period (World Bank, 1995). Estimates made by the Ministry of Labour and Youth Development for the labour force in 1996-99 are shown in Table 1 below.

Table 1: Tanzania Labour Force by Gender, 1996-1999 (millions)

Year	Males	Females	Total
1996	6.8	5.4	12.2
1997	7.0	7.7	14.7
1998	7.3	7.9	15.1
1999	7.5	8.1	15.6

Source: Projections from Ministry of Labour and Youth Development(1999)

According to the Labour Force Survey (1991), 80% of the labour force were engaged in agriculture. Only 7% of the labour force were engaged in formal wage employment. The main focus of policy must therefore be on the preponderant component of the labour force that is not engaged in formal employment.

The 1990/91 Labour Force Survey classified the active labour force according to 36 occupations. The major occupation is agriculture, which employs 82% of the total labour force, then followed by Small Business Managers (1.5%), Street Food Vendors (1.4%), casual Labour (1%), Sales Market (0.9%), Teachers (0.7%), Carpentry and related activities (0.8%), other crafts (0.7%), and mining operators (0.65%). The ten leading

occupations accounted for 90.5% of the total labour force. The remaining occupations (26 in number) employ the remaining ten per cent of the active labour force. In formal wage employment, the distribution among the main sectors is 42.4% in services, 14.1% in manufacturing and 12.7% in agriculture.

Agriculture still remains the backbone of the economy, estimated to absorb not less than 9 million of the total labour force. Close to 54% involved in the sector are women.

According to the labour force survey of 1991, the rate of unemployment was 10.6% (6.7% for males and 15.5% for females). However, in this sort of economy, as numerous studies by the ILO in Africa have demonstrated, the concepts of “employment” and “unemployment” have to be handled with some care. Underemployment in both rural and urban areas means that the unemployment problem is more serious than the open unemployment figures reveal. The *nguvu kazi* policy from 1983 onwards in which being unemployed in urban areas was a “crime” may have skewed peoples’ reporting of whether they were economically active or not. It is estimated that about a third of the labour force is either unemployed or underemployed.¹

Most of the huge majority (more than 90%) of the population that does not have formal sector jobs is not “unemployed”. They work in agriculture and in the rural and urban informal sectors, sometimes self-employed on the family *shamba*, in artisanal production or in selling services, and sometimes earning some wage payments unrecorded in surveys. The problem for most of this large majority is that they do not have opportunities to derive a satisfactory income from their economic activities. This is either because they are under-employed (e.g. peasant farmers who face idleness for lack of gainful activities part of the year), or they get pitifully low returns for their effort (e.g. petty traders who have to work for long hours to make a small sale). For these low-income workers, there are two possible routes out of poverty – either by gaining higher income formal jobs or by increasing their productivity and incomes in agriculture and the rural and urban informal sectors. All available projections suggest that for the coming generation, the main route to improved living standards will be the latter – that is not through formal employment.

The Ministry of Labour and Youth Development, other ministries and the private sector in general has a role in creating and enabling a more conducive environment for promotion of employment opportunities. Measures will include formulation of appropriate policies and strategies that will ensure decent work and full employment for all people available for work

¹ According to the Labour Force Survey 1990/91 (Technical Report), employed persons are persons who did some work either for payment in cash or kind (paid employees) or who were in self employment for profit or family gain, plus persons temporarily for profit or family gain, plus persons temporarily absent from these activities but definitely going to return to them (e.g. on leave or sick). Underemployed persons are persons who worked less than 40 hours in the reference week for an economic reason and who said they were available for more week.

The limited potential role of formal employment is demonstrated by available projections. 700,000 new workers enter the labour force every year of whom 500,000 are school leavers (primary and secondary) with few skills useful in finding a job. Out of these only 40,000 find formal employment, leaving as many as 660,000 to seek livelihoods outside the formal labour market.

While, agriculture and the informal sector have absorbed the bulk of new entrants to the labour force, MSEs are important employers, involving 3-4 million people i.e. 20-30% of the labour force. MSE activities are concentrated in trade and commerce related activities but over time manufacturing related activities have been gaining ground led by agro-processing activities. Much of this activity is in the informal sector. However, estimates of opportunities for expansion, even at existing low income levels, suggest that over time even the informal sector cannot be expected to continue to provide a buffer if nothing is done to address constraints on productivity and incomes in the sector.

2.2.1 Gender Issues in Employment

The Government of Tanzania has committed itself to implementing international agreements reached in Copenhagen (World Summit for Social Development) and the Fourth World Conference on Women Beijing in 1995 and CEDAW. All of these have a bearing on gender issues in employment.

Unemployment according to the LFS of 1991 is higher for women than for men (15.5% as compared to 6.7%). Yet, many essential services are provided by women in the so-called 'care economy', which is not recognised as gainful employment. A significant proportion of women's labour and thus their contribution to socio-economic development is therefore invisible.

The main challenge is to create more and better jobs for women. A general observation is that, despite some positive changes, women still hold relatively few decision-making positions at all levels, hindering their advance in many areas including employment. We distinguish three categories of employment, namely in the formal sector, the informal sector and in small-scale farming. Gender issues are different in each of these segments of the labour market.

Formal sector employment:

- * Disproportionate representation of women in stereotypical occupations: those occupations considered suitable for women. These often require lower levels of qualification and have lower pay.
- * In a privatising economic environment, competition at entry to the labour market is stiffer. Recruitment processes are often discriminatory and women's reproductive role is often seen as a disadvantage.
- * Unequal opportunities at work due to existing power relations, including issues such as sexual harassment, fewer training and promotion opportunities.

Employment in the informal sector (employees and operators):

- * High concentration of women as unpaid family labour (Dar es Salaam Informal Sector Survey, 1995-6).
- * Many young girls involved in domestic labour and related occupations, working under difficult and hazardous conditions and thus being deprived from education.
- * Many women in hazardous occupations.
- * Fewer women in the informal sector are organised either as operators or as employees.
- * Factors that result in female operators being concentrated in less rewarding, highly competitive segments are:
 - lower level of education and lack of appropriate skills
 - less access to work premises, market and other information, working capital.
 - women's numerous other duties require them to go for activities that can be combined (timewise and in terms of location) with their other domestic duties
 - socio-cultural limitations (perceptions of women's and men's appropriate activities and behaviour)

Small scale farming and non-farm activities

- * Women tend to have less access to and control over productive resources (land, labour, agricultural inputs, information, tools, finances, extension services) and over the fruits of their labour. Together this limits their productivity and has negative impacts on the poverty situation of the family, because income controlled by women tends to bring immediate benefits for the household as a whole.
- * Women also have less time to generate adequate incomes, because their many other domestic tasks are executed with a low level of technology (water, food processing, transport, and so on).

As a result of all these problems resulting from inequalities, Tanzania has not yet managed to effectively tap more than half of its human resources resulting in an immediate negative impact on poverty.

2.2.2 Age Dimension

Table 2: Number of Youths at Working Age, 1997 - 1999

Period	Number of Youths (15 - 29 Years)		
Year	Males	Females	Total
1996	3,912,310	4,055,978	7,968,288
1997	4,077,796	4,180,544	8,258,340
1998	4,213,550	4,284,245	8,497,795
1999	4,320,878	4,372,225	8,693,103

Source: Labour Statistics Unit, MLYD(1999)

The youth have a greater potential to learn new techniques and are more flexible in adapting to changing conditions. Yet the incidence of unemployment among the youth is relatively high. The youth constitute 60% of all people who are unemployed.

Unemployment is highest among the youth of 15-24 years, of which female youth face a particularly serious unemployment problem.

In the LFS, open unemployment was estimated at 8.7% for teenagers (15-19 years) and 5.6% for young adults (20-24 years). The average unemployment rate among urban youths was 25% (22% for males and 29% for females). Open unemployment was most prevalent in urban areas where 25% of the youth were unemployed. More recent estimates suggest that the situation could be worsening. It is estimated that 30% of the Tanzania youths are unemployed (URT, Economic Survey, 1998a: 4). This means that in 1999 approximately 2.6 million youth are estimated to be unemployed (30% of 8,693,103 youths).

2.2.3 Geographical Dimension

The population of Tanzania is spread out over a large landmass, with wide variations in regional levels of development, physical conditions and underlying potential. That being so, the appropriate strategy for intervention will vary from region to region.

The formal employment status of the regions is influenced by the location of manufacturing. Regional disparities in manufacturing have remained stable since 1989 (Shitundu, 1999). For instance, Dar es Salaam ranked first in its 37.4% share of industrial projects and 34.3% share of industrial employment by 1991. The least developed regions of Kigoma, Rukwa, Ruvuma, Mtwara, Lindi and Singida together had only a 4.5% share of industrial projects and 2.7% of manufacturing employment. The distribution of industries in other regions is as shown below in Table 3.

Urban areas attract labour migrants. The rate of growth of the urban population is higher than overall population growth as a result of rural-urban migration. There is need to promote employment in the rural sector in order to manage urban-rural migration.

Table 3: Regional Share of Industrial Projects and Employment (%)

Region	1989		1991	1994	1997
	Project	Employment	Employment	Employment	Employment
Arusha	9.0	7.7	8.9	8.2	8.2
Pwani	0.6	0.7	0.7	4.5	1.5
Dar es Salaam	37.4	36.4	34.3	28.9	29.9
Dodoma	0.4	0.4	0.5	0.7	0.7
Iringa	3.0	4.2	6.3	10.7	10.7
Kagera	1.4	3.2	3.0	1.0	1.0
Kigoma	0.4	0.1	0.1	0.1	0.1
Kilimanjaro	7.3	5.2	8.8	12.4	12.4
Lindi	0.8	1.3	0.1	0.1	0.1
Mara	1.7	1.4	1.4	1.6	1.6
Mbeya	4.4	2.4	3.6	2.9	2.9
Morogoro	6.8	18.3	12.3	11.9	11.9
Mtwara	0.7	0.3	0.9	0.1	0.1
Mwanza	6.6	6.4	5.5	5.6	5.6
Rukwa	0.3	0.0	0.0	0.0	0.0
Ruvuma	1.3	1.5	1.4	0.6	0.6
Shinyanga	2.7	2.0	2.0	2.6	2.6
Singida	1.0	0.2	0.2	0.3	0.3
Tabora	2.1	0.6	0.6	1.3	1.3
Tanga	12.2	8.1	9.7	9.6	9.6
Total	100	100	100	100	100

Source: Shitundu (1991, page 23)

Note: Industrial Projects refers to manufacturing firms employing ten or more people. These are projects recorded by the Tanzania Investment Centre.

A characterisation of regional variations in poverty, unemployment and level of development is shown in Table 4.

The “high” developed region, Dar-es-Salaam, has low levels of unemployment and poverty. The “medium high” developed regions are those which combined a relatively high level of development of agriculture with lively urban growth. These are regions with a good natural resource base and reasonable access to markets. Their economies are particularly likely to respond spontaneously to the stimulus of the market.

Table 4: Tanzania Administrative Regions Classified by their Development Status

Legend	Regions	Unemployment Levels	Poverty Levels
1. High Development	Dar es Salaam	Low	Low
2. Medium High Development	Kilimanjaro Arusha Tanga Morogoro Mwanza Iringa	Medium Low	Medium Low
3. Medium Low Development	Coast Mtwara Ruvuma Mbeya Tabora Shinyanga Kagera Mara	Medium High	Medium High
4. Least Developed	Lindi Dodoma Singida Rukwa Kigoma	High	Medium High

Source: Ministry of Communication and Works - Dar es Salaam: Cartographic Division.

While these regions are relatively better off in terms of poverty and employment, in those it may also be possible to have the greatest short-term impact in expanding incomes and job opportunities. Despite their relative position, these regions still have many poor, and it may be relatively easier to increase their economic opportunities than those of the poor in the least developed regions. This is because in an economy that is already enjoying spontaneous growth, the allocation of additional resources may be particularly productive. Moreover, in the longer-run it is inevitable that as the national economy develops, the location of population will shift, as people move towards areas of greater economic prospects.

The regions which fall into “medium low” and “least” developed categories are a mixed group. Some have a reasonable natural resource base and therefore have a reasonable underlying potential, but are held back by their location. For example, regions such as Rukwa, Kagera and Kigoma suffer from their remoteness from the coast. For some parts of Tanzania, the key requirement for poverty alleviation is the strengthening of the national transport system, to reduce transport costs, and improve access to national and international markets. Equally important for many rural communities is the upgrading of feeder and district roads and provision for their effective maintenance, so that they

provide all-weather access, increasing reliability and lowering the cost of transport. In remote areas of good potential sharp reductions in transport costs could spur a process of spontaneous market-led growth. Transport development is not only a necessary condition for the development of a number of low-income areas of reasonable potential, but also something that it is a relatively straightforward activity for donors to support.

A more difficult set of issues has to be faced in some of the poorer regions that have a poor resource or climatic base (e.g. semi-arid areas). In many of these areas, there is no obvious possibility for higher growth in response to market opportunities, while in other cases the growth that is occurring is little documented and not well understood. In some of these areas, efforts over many decades have not generated development. In these areas, much careful preparation and study may be required to design possible interventions that could affect basic constraints and start the local economies on a new growth path.

The few points made above are no more than initial suggestions regarding regional variations. A practical poverty assistance strategy will require a good deal of analysis to develop programs, which respond to differing local circumstances.

2.2.4 Literacy Dimension

The problem of unemployment and underemployment is acute even among the educated on which investment for their education and training has been made. Tanzania has the lowest level of enrolment in tertiary (and secondary) education per 1000 population in the Southern and Eastern Africa region. Yet the problem of unemployment of graduates from institutions of higher learning has grown to levels that are raising concern. The problem of unemployment of the educated challenges the structure of education and training which seems to be better suited to produce job seekers rather than job creators. There is need to restructure and reorient the education and training system to make it meet better the changing needs of the economy.

2.2.5 Child Labour

Despite the lack of official data, the number of economically active children in Tanzania is relevant. Child work is considered to be an essential part of the socialisation process and a means of transmitting acquired skills from parent to child. Otherwise, as families struggle to cope with rising poverty, the income contribution of children has become an essential part of the family survival strategy. This increased the level of exploitative and hazardous but more lucrative labour carried out by children. Due to the rising costs of education and the fall in quality standards, many parents see little value in education, which does not provide their children with income earning skills, with a subsequent increased dropout rate.

Children are engaged in child labour in various sectors of the economy including agriculture, mining, informal sector and in domestic services. The vast majority of child workers are engaged in subsistence agriculture and in private households.

3.0 EXISTING POLICIES AND PROGRAMMES

Vision 2025 makes the following statements, which provide a guide in addressing the challenge of employment.

- (i) High quality livelihood is to be attained through people-centred development based on sustainable and shared growth. Such development means that the creation of wealth and its distribution in society must be equitable and free from inequalities and all forms of social and political relations, which inhibit empowerment, and effective democratic and popular participation of all social groups in society.
- (ii) Tanzania must be creative, innovative and achieve high quality education in order to respond to development challenges and compete effectively. The management environment must be transformed at all levels. This can be achieved by putting into place incentives that encourage and reward individuals, groups and firms to embrace initiative, creativity, innovation and excellence. This transformation must be reflected in the education system, training institutions, recruitment and promotion processes and in the business culture.
- (iii) High priority must be given to education and continuous learning. Equally, the effective transformation of the mindset and culture to promote attitudes of self-development, challenges and exploit every opportunity for the improvement of the quality of livelihood is of prime importance.
- (iv) A progressive and development oriented culture need to evolve to link the peoples' way of life to the attainment of the goals of the development vision with particular regard to cultivating and nurturing a culture of entrepreneurship and self-development through creative and innovative hard work, responsibility, discipline, respect for life, education, saving and investment, and fostering self confidence and self esteem among individuals.
- (v) There is need to promote a broad human development investment strategy which involves a wide range of players as well as a broad resource base which embraces individuals, families, communities, agencies and corporate bodies.

3.1 Policies

The Human Resources Deployment Act (1983) which was instrumental in initiating most of the employment programs in the country has now been repealed and replaced by a New Act -- the National Employment Promotion Services Act (1999) (NEPSA). This Act is yet to be operational, but it introduces strategies for implementing the National Employment Policy (1997, currently under amendment). The Act establishes committees at national and local Government levels to deal with employment promotion agencies (EPA) which are also established by the Act. It lays down the ethics for operationalisation of the service and addresses the employment of foreigners.

The functions of the service include placement, vocational guidance and employment counselling, active labour market interventions, labour market and occupational

information, advisory services for lawful income generating undertakings, and promotion of self-employment and co-ordination of training needs.

However, doubt persists as to whether the present staff can undertake all the above mentioned functions due to their small size, lack of equipment and resources to accomplish some of the activities.

Employment (or the lack of employment opportunities) remains a serious problem in Tanzania as in many developing countries. In an effort to deal with this problem, the government prepared the National Employment Policy, which was approved by Cabinet in April 1997. The 1997 Employment Policy is the vision expected to lead to effective utilisation of the available labour force and tapping of available natural resources. The objective is to increase per capita income, which in turn will reduce the state of poverty embracing Tanzania. The policy identifies strategies for employment promotion and exploiting existing wealth, especially in sectors dealing with agriculture and livestock, fisheries, service sectors, small-scale mining and informal sector.

The policy also aims at creating an enabling environment to enable private sector, NGOs and community-based organisations to effectively participate in employment promotion. The policy provides employment strategies for the youth, people with disabilities and women. The overall objective of the policy is to promote employment opportunities and increase labour force productivity to ensure full utilisation of available human resource capacity.

Specifically, the 1997 National Employment Policy aims to:

- (i) create an enabling environment which encourages and support employment creation by the government, the private sector and other agencies
- (ii) identify areas of high employment potential and ways of increasing employment in these areas
- (iii) provide an institutional framework and support mechanism for effective, administration, implementation and co-ordination of employment policy
- (iv) define the roles of the Government, individuals, the community, private sector, NGOs, CBOs and donor community in employment promotion
- (v) develop a labour market information system to provide information to potential employers and employment seekers for the purpose of making a choice on the most suitable employment opportunity or most suitable employee
- (vi) offer opportunities for resources mobilisation, institutional capacity building and human resources development
- (vii) promote appropriate technologies for productive employment

- (viii) co-ordinate with other sectoral policies to ensure complementarity and consistency in objectives and goals
- (ix) design special employment programmes for disadvantaged groups such as youth, women, people with disabilities, retired people and retrenched
- (x) strengthen the rural and informal sectors that have great potential for self-employment.

The National Employment Policy constitutes a major response to the problem of unemployment. The thrust of the employment policy and programme to promote employment in general is to assist these disadvantaged groups to engage in self-employment, mainly in agriculture and the informal sector.

The policy also aims at improving labour market information by re-establishing Employment Exchange Offices, which were abolished in 1975. The National Employment Promotion Service Act (1999) allows public and private employment agencies to be established.

One of the main weaknesses of the Act is lack of a co-ordinating mechanism between the Ministry of Labour and Youth Development and the Local Government Authorities who are supposed to have committees for employment promotion in place and also create a conducive environment for employment and growth. Employment promotion is very much a crosscutting responsibility of most ministries. Efforts to enhance job creation thus require efforts from all ministries to create a more conducive environment for private sector development.

The 1997 National Employment Policy is currently being reviewed. In addition to its current objectives, the new policy will observe principles that have been currently enunciated in national plans, Vision 2025 and other recent policies. It will also emphasise productive investments involve more institutions, and take into account local legislation and international labour standards. Other areas to be covered include creation of more jobs in the rural sectors, improved infrastructure, improved credit delivery, provision of labour market information, child labour issues, improved working conditions, control of HIV/AIDS and conservation of the environment.

In reviewing this policy, which is expected to come into operation in the year 2000, several policies and recommendations have been taken into account. These include Freedom and Work, Education for Self-Reliance, The Human Resources Deployment Act No. 6 of 1983, Basic Needs in Danger, Tanzania Meeting the Employment Challenge 1991, Rolling Plans and Forward Budgets, The 1997 National Employment Policy and the 1999 Employment Services Act, the National Roundtable Meeting on Employment Policy Review which was held in Dar es Salaam, 17-19 May, 1999 and the ILO Jobs for Africa Programme.

3.1.1 Weaknesses in Existing Policies

Several shortfalls have been noted in the course of implementing the objectives of the various official employment related documents described in section 3.1. They include:

- (i) The Youth Development Policy has not taken into consideration the macroeconomic and political reforms that have taken place and hence downplay the current youth problems.
- (ii) Lack of capacity building (data, resource and personnel) and poor co-ordinating mechanism during implementation.
- (iii) Shortages of resources (trained manpower, funds and working facilities).
- (iv) Lack of co-ordination in many programmes and initiatives.
- (v) Many programmes have been donor dominated in terms of funding, control and influence.
- (vi) Programmes have not been backed by comprehensive packages for employment creative. For instance, the programmes which have offered funds to MSEs, women or youth have not also made other needed services available (e.g. training, technical services).

3.2 Training Policies and Programmes

The Tanzanian government and donors have long recognised the need for adequate training facilities in order to provide the labour market with the appropriate human capital. In order to achieve this goal numerous training facilities were institutionalised. Not only did almost every ministry create its own training program to fulfil the needs of their particular sector, but also Folk Development Colleges, Post-Primary Technical Centres and the Vocational Education and Training Authority (VETA) were created. Together with these “formal” training programmes, NGOs, donors, and mission schools provide a wide diversity of vocational education training. More recently, private training institutes have arisen to fill the apparent gaps of the formal training sector (especially computer training).

3.2.1 Folk Development Colleges

Folk Development Colleges (started 1975 with the help of SIDA) were initially meant to be situated in every district. There are 53 Folk Development Colleges with capacity of 3,600. In 1990, the responsibility of FDCs was transferred from the Ministry of Education and Culture to the Ministry of Community Development, Women Affairs and Children after which government support dropped dramatically. At present a fee of TShs 25,000 is charged per year. The nine subjects (directed at local community capacity building) taught at FDCs had resulted in a cumulative number of 130,000 graduates by

1998. A large proportion of these graduates, however, came from the big illiteracy programs of the seventies. Currently, average utilisation is estimated at only 15%. Plans have been mooted to transform the FDCs into National Vocational Training Centres, but with this the original goal of creating self-employment and community capacity building will be replaced by wage employment goals after students finish the National Trade Tests. Only one of the FDCs has an apprentice scheme (in motor mechanics), and generally the link with employers is low.

3.2.2 Post-Primary Technical Centres

Post-Primary Technical Centres (initiated by CCM in 1997) provide a two years training program in domestic science, carpentry, masonry and tin smithing in approximately three hundred centres. There are currently 284. A lack of funds to pay recurrent costs, insufficient qualified teachers and inadequate curricula have led to a huge underutilisation of the PPTCs (enrolment 4,000 with an initial capacity of 50,000). Although numerous reports have indicated the need to reorient, nothing comprehensive has been carried out to date. The PPTC that are currently active should of course be transformed into other training centres; it seems clear however, that the PPTCs are not contributing effectively to training for self-employment at the moment.

3.2.3 Vocational Education and Training

The Vocational Education and Training Authority (VETA)² currently runs the best facilitated Vocational Education and Training Institutes in Tanzania. With a 2% payroll tax for all registered companies with more than four employees, VETA facilitates nineteen regional training centres and approximately fifty VETA institutions to provide a four years training program to primary and secondary school leavers. The first year of the vocational training is followed by a theoretical three-year apprenticeship period. Although a fee between TShs 15,000 and 60,000 is charged per annum, demand from Standard VII and Form IV school leavers is enormous. The entrance requirement (entrance examination followed by an interview and study of exam results) has led to an increased intake of Form IV school leavers. Although VETA was originally designed for Standard VII school leavers, the increasing number of Form IV puts additional pressure on the employment of primary school leavers who are not able to find places in either public or private secondary schools.

From VETA's inception in 1994, a main objective was to make the curricula more suitable for the demand for informal sector activities and to add entrepreneurial courses to the curricula. This objective has still not been fulfilled, although they continue to be high on VETA's list of objectives. Basic information about the skill demand from the informal sector seems to be lacking.

² Formerly the National Vocational Training (NVTD) under the Ministry of Labour and Manpower Development.

Total enrolment in all VETA owned centres is estimated to be 35,000. The number of trained graduates released to the labour market each year cannot be calculated from this while the number of students sitting for their Grade I exam differs widely from the Grade III participants.

The Vocational Training Act of 1994 states that in addition to providing adequate training within the VETA institutions, VETA should also co-ordinate all other VET institutions. A large registration campaign underway in February 2000 is the first major activity. Preliminary feedback suggests much dissatisfaction among other VET institutions over the level of assistance from the government.

Overall, it appears that VETA could react better to changing skill demands from the labour market and produce a larger number of graduates. The challenge is to achieve this without a decline in the relatively good training facilities currently available.

3.2.4 Private, NGO, and Missionary Training Programs

With privatisation and the decline in training under parastatals, the number of private training institutions has grown rapidly. There are now 37 private institutions. Small private training institutes provide training in mainly “modern” subjects: computer courses, English, management and so on. Some are partly supported by donors or NGOs, but most operate on their own. Private sector training is expected to expand under the close supervision of VETA.

Mission schools and NGOs have been providing training for several years. Most mission schools provide technical oriented skills while the NGOs provide training in their field of work (for example, gender issues, health, solar energy and so on). Both NGO and mission schools have a wide variety of resources and operate independently. The relationship between these training institutes and VETA is unclear. The majority of the NGO training institutes (which are often a secondary activity of the NGO) are not registered by VETA.

The capacity of the mission trade schools is 8,200 and for private training institutions about 7,700. However the accuracy of the estimated capacity is questionable so long as the majority continue to be unregistered.

3.3 Public Works Programmes

Labour-intensive public works began in 1978 and included ten infrastructure-related projects. The objectives of these projects were to rehabilitate rural assets and to create employment for the rural under- and unemployed. In a review of these projects, Teklu (1994) finds three associated benefits. The projects were successful at creating employment (2.8 million paid workdays between 1980-1990) and this was the primary source of wage employment in 64% of the villages. The employment opportunities were important in stabilising the seasonal fluctuations in employment. And in some cases there

were important second round effects: access to irrigated land in Dodoma villages enabled farmers to switch their crops to labour-intensive high yield crops.

Teklu also notes, however, that because the projects wanted to avoid paying benefits (benefits were paid for employment of more than three months), project related employment was temporary. Some beneficiaries may, however, have generated income and employment beyond the life of the project. In addition, a substantial loss of created assets occurred due to inadequate maintenance work.

Rwebangira (1999) carried out a more recent and comprehensive review of labour-intensive public works in Tanzania. He covers projects carried out over the past twenty years in public works, rural road rehabilitation, rural transport, and urban infrastructure. He concludes that overall, Tanzania's public works schemes have been successful at creating employment; he observes that labour costs as a share of total costs have been higher in these projects relative to other projects.

The key is to ensure the sustainability of (labour-intensive) public works schemes. There are two dimensions here. First, the created assets must be adequately maintained. In 1995, the Ministry of Works estimated that the routine maintenance of 85% of roads in Tanzania could be done by labour-based schemes. Second, the schemes must reduce their dependence on donor funding. The establishment of a road fund in 1998, in which the fuel levy and other road user charges are deposited, is a positive move towards ensuring the sustainability of such projects.

3.4 Government Funding Programmes

The key government funded programmes discussed in this sections are: (i) the Women Development Fund; (ii) the Youth Development Fund; (iii) the National Entrepreneurship Development Fund; (iv) Community Based-Initiatives (CBI); (v) Local Government Youth and Women Development Funds; (vi) Government Social Fund. The performance of the first two and (v) has been disappointing.

(i) Women Development Fund

The Government through the MCDWAC supports women self-employment activities in the informal sector. The Women Development Fund was established in 1993/94 with the aim of generating incomes and employment for women. It is intended to assist girls of 18 years of age particularly the unemployed primary school leavers. It started with capital of TShs. 500 million. Its performance has fallen below expectations in terms of coverage (it has shown an urban bias) and capacity to revolve (the repayment rate for loans advanced has been low). The administration of the Fund exhibited poor linkage between the Ministry of Community Development, Women and Children Affairs and local development activities at district or community level.

(ii) *Youth Development Fund*

The Youth Development Fund was established in 1993/94 to promote youth employment and income generating activities. The Government (MLYD) through the Parliament has given support to the private sector by initiating a Youth Development Fund to be used as a revolving loan fund by youths involved in self-employment activities. A total of TShs. 450 million were allocated to youth in three years. Out of these TShs. 150 million were allocated in 1995/96, TShs. 200 million in 1997/98 and TShs. 100 million in 1998/99.

Some 5000 youths have accessed this fund. Coverage is low compared to the number of youths who are either unemployed or underemployed in the country. It is estimated that there are some 5.6 million youths (ages 15-24) in Tanzania.

Furthermore, during the same period, the MLYD mobilised youths to participate in the informal sector. 3,322 projects were initiated under 3,457 youth economic groups. About 19,870 boys and 8,243 girls were involved. The distribution of the projects is given in Table 5.

Table 5: Distribution of Youth Projects by Sector/Activity

Sector/Activity		Project	Sector/Activity		Project
Agriculture	-	1,023	Fishing	-	46
Tinsmith	-	125	Tree Planting	-	70
Animal Keeping	-	214	Business	-	106
Carpentry	-	432	Other Enterprises	-	106

Source: Ministry of Labour and Youth Development

(iii) *National Entrepreneurship Development Fund*

The Government of Tanzania through SIDO gives support to small and micro enterprises, industrial co-operatives and associations in Dar es Salaam, Kilimanjaro, Tanga and Coast Regions. The National Entrepreneurship Development Fund administered by SIDO started with TShs. 800 million seed capital and has grown to TShs. 1,940 million. It has served 6545 enterprises. In promoting youth farmers and livestock keepers, agriculture has remained one of the biggest occupations that involve youth in income generating projects. By 1999, there were about 1023 groups which are engaged in food/cash crops production and 214 groups engaged in livestock keeping.

(iv) *Community Based-Initiatives (CBI)*

This is a Government/UNDP programme in the five poorest regions in the country. It supports 137 community-based organisations. The contribution as of June 1999 amounted to Tshs. 98.5 million out of which Tshs. 42.4 million were paid to target groups and Tshs. 56.1 million to CBOs.

(v) *Local Government Youth and Women Development Funds*

In 1994 the central government through the Prime Minister's Office issued a directive and guidelines to all local government authorities to allocate 10% of their revenues for youth and women development, mainly in employment and income generating activities. This directive was first implemented in 1995. For practical purposes, the 10% allocation has been divided equally between two groups thus giving 5% to youth and 5% to women. Research by the Ministry of Finance has shown, however, that most districts ignore the directive to set aside 10% of council income. In addition, the funds have proven to be ineffective in their operations.

Concerning the funds, one school of thought is in favour of a unified Employment Trust Fund in order to reduce duplication of efforts, uncoordinated multiplicity of funds, and to ensure efficient utilisation of scarce financial resources.

A second school of thought argues that it is wise to have separate Trust Funds in order to guarantee identity and proper focus on disadvantaged groups as well minimising inter-ministerial conflicts of interests.

(vi) *Government Social Funds*

The Government Social Funds have been identified because of their potential as domestic sources of financial support to the implementation of the Employment Policy and poverty alleviation programmes. The following are the major social funds:

- (a) National Social Security Fund (NSSF);
- (b) Parastatal Pension Fund (PPF);
- (c) National Insurance Corporation Ltd. (NIC).
- (d) Local Government Pension Fund (LGPF)

3.5 Donor Supported Programmes

A number of donor supported programmes which have contributed to employment creation have been put in place. They include CIDA on MEDA, DANIDA on CRDB, DFID on BPED programme, Belgium on SSMECA, -Dutch on FAIDA and the District Rural Development Programme, EU, Finland, GTZ, Japan on KIDC, NORAD on PRIDE and NORFUND, GTZ, SIDA on SIDO and ISOs, UNDP on NIGP, UNIDO on the agro-processing project and USAID on the Business Centre and World Bank on development of a microfinance policy. The European Fund provided TShs 320million for Kasulu and Kibondo Women and Youth Initiatives. The ILO in collaboration with MCDWAC assists rural women in Mgololo-Mufindi District, Iringa Region to improve their economic status, and strengthening women workers' representation in the trade unions. The Royal Netherlands Embassy supports FAIDA Arusha (small business promotion programme), a private sector development programme in Lake Zone and Monduli, Kondo, Songea, financial sector development, dairy production and processing, women workers' in the sugar sector, and Action to Assist Rural Women. Several donors have supported VETA.

Currently, Danida, JICA and GTZ support it; GTZ supports particularly employment oriented training programmes.

The ILO supported project *Providing Women's Employment in the Context of Structural Adjustment* aims at promoting gender equality in the world of work, promotion of women's participation and integration of gender concerns in activities of employers' organisation and employment through law amendments. Components are labour and law reviews, labour market information capacity building and informal sector. A Tripartite Task Force was established in May 1996.

Most of the programs mentioned above focus on small enterprise development and empowerment of women and the poor, hence enhancing job creation. There is no comprehensive study of the impact of the various programmes on employment. Investigating the impact of these programs is of high priority in finding effective ways of promoting employment.

3.6 Technical Co-operation

Tanzania has received over the years a substantial amount of technical assistance, which was often tied up with the donor-funded projects listed above. Some technical assistance has also been made available in the area of policy development (for example, around the informal sector policy) and research. A recent evaluation of perceptions of traditional technical assistance (long-term postings, usually in projects) shows that it has not been a very effective way of meeting the need for new knowledge and skills. Major shortcomings mentioned were that it was often supply-driven, institutionally mis-located and not always appropriate in terms of type and quality of personnel. The filling of operational gaps by foreign technical experts has in certain sectors even led to a replacement of local personnel. The result of capacity building efforts (the counterpart model) by technical co-operation has overall not been very positive, partly because of a lack of appropriate skills for doing so, partly because personnel whose capacity was enhanced were subsequently transferred to a different post (or left government).

It is widely recognised that demand still exists for technical assistance (new knowledge and skills), but of a different type and organised in a radically different way. Less hands on (implementation type TA) and more facilitation of change processes, sourced in an open market with a clear awareness of cost seems to be the preferred direction.

3.7 NGO-Funded Programmes

Existing NGO MSE development or employment programmes include:

- Presidential Trust Fund³

³ The President Trust Fund was established in 1984 to facilitate implementation of the Human Resources Deployment Act 1983. Since fiscal year 1989/1990 to September 1998 the PTF has loaned TShs.648, 922,125 (US\$. 1,081,538) to 3,200 beneficiaries.

- Community Development Trust Fund
- Pride Tanzania
- Tanzania Gatsby Trust Fund
- Tanzania Youth Development Foundation
- Poverty Africa
- Small Enterprise Fund
- SELFINA
- AMKA
- NIGP⁴
- MEDA
- FAIDA

To promote equality in economic opportunities many credit schemes have been established to help small-scale entrepreneurs to engage in gainful investments. To help in the effort to integrate women in economic activities, the "Equal Opportunities Trust Fund" NGO has been formed; its main objective is to mobilise resources and provide them as credit to women in Tanzania. There are other NGOs involved in similar activities. OXFAM, for instance, assists in income generating projects by providing financial backup, capacity building and empowerment, training and other resources like transportation facilities in seven regions of Shinyanga, Tabora, Singida, Kagera, Kigoma Arusha and Mwanza. A total of 7,235 youths (5,136 males and 2,099 females) in 1,130 groups are involved in 21 different self-employment activities in the regions supported by OXFAM. About TShs. 92.8 million has been loaned to 138 groups in Shinyanga (68) Tabora (48) Singida (7) and Mwanza (15). ODA/NOVIB contributed a TShs. 59 million grant for the Savings and Credit Scheme.

⁴ Although the NIGP is mainly donor funded, it was understood that the government would show commitment as gesture that employment is a priority sector by allocating budgetary counterpart contribution to the NIGP. The government has committed itself to contribute TShs. 1.5 billion to the NIGP under this counterpart finding principle. So far, TShs. 500 million has been allocated to the NIGP by the government on top of other contribution in kind including subsidised office accommodation. NGOs involved in the micro-finance arena include Pride, Plan International and Poverty Africa, among others. A recent report prepared for the Vice President's Office summarises and assesses the activities of the main actors in micro-finance.

4.0 PRIORITIES FOR POVERTY REDUCING EMPLOYMENT

4.1 Macroeconomic Environment

The macroeconomic environment should be designed to stimulate investment and growth. At present both savings and investment rates are very low. Financial sector development, despite recent reforms, still has scope for improvement. High levels of investment can be reached and sustained if savings are mobilised and initial investments are efficient. Financial sector reforms should aim at improving intermediation of financial services in urban and rural areas. Government policies in both macro and micro arenas should make it more attractive to invest in the production of goods and services. Increased investments should be channelled to areas, which stimulate employment directly, or indirectly by stimulating productive investments and employment creating investments. Investments in infrastructure such as roads, communications and power deserve attention.

Government expenditure should be screened according to the different employment intensities of budget elements.

The new employment policy should strive to enhance employment creation in the context of new circumstances

- Globalisation and competitiveness
- Promoting participation of all stakeholders
- Private sector development
- Need to improve working conditions through labour productivity enhancement, broadening social security and observing safety and health standards.

Another source of potential employment creation that is constrained by the macroeconomic environment is the transition from informal sector enterprises to the formal sector. Reducing the constraints in this transition would enable the growth and expansion of economically viable enterprises. When applying for a formal sector license, an informal sector enterprise must pay a year tax in advance. Together with the license costs this forms a burden on the intended investment before any profit is made. Although the enforcement of tax payment at the end of the year is difficult in Tanzania's legal environment, it might be possible to connect end-of-year tax payment to the provision of a license in the following year.

4.2 Increasing Productivity

Potential comparative advantage from low labour cost is being partly lost by low labour productivity. First of all, inadequate training prevents employees from increasing their productivity. Secondly, constraints in complementary inputs such as water supply, electricity supply, communications network, and road infrastructure adversely affect labour productivity. Comparative advantage will continue to be eroded unless the labour force is trained to be more productive consistent with requirements of competitive markets. Application of simple and appropriate technology aimed at creating

employment opportunities is necessary. There is need to promote and use science and technology through training and support services especially directed to agriculture, livestock, fishing, MSEs and mining. Labour productivity is an outcome of the whole socio-economic environment. Decreases in hidden unemployment and underemployment, adequate training and improvements in the supporting infrastructure are expected to have the largest impact on labour productivity. Special emphasis should be put on creating an enabling environment for women, through ensuring ready access to land and other resources (including new technology).

4.3 Labour Market Information

Drawing conclusions and setting priorities is constrained by the fact that labour market information is outdated in all areas. Any recent consistent data on both the demand and supply side of the labour market is lacking and is therefore part of our conclusions are based on subjective observation and experience rather than preferred objective data. There is need to collect and disseminate new labour information including the position and roles of all relevant stakeholders. The information should reveal who is doing what and where, working conditions and social roles of various groups in society. In addition to the more formal labour and household surveys, a study on the knowledge and skills needed in the informal sector is of high priority. Overall, updated labour market information should also make invisible work in the 'care' economy more visible in national statistics.

4.4 Education and Training

Vocational and educational training has two major objectives:

- (a) Training for school leavers and for youth and women and other disadvantaged groups (social responsibility of the government).
- (b) Training for demand oriented higher skills and entrepreneurship development (vital for economic growth and increasing self-employment and employment potential).

Both objectives are equally important in a society and require different policies and approaches. VETA addresses these objectives by changing the training programmes responding to the labour market requirements of the modern sector. VETA also develops integrated training methods for target groups in the informal sector. Those programmes contain technical and commercial skills and assist socially and economically weaker groups with the purpose of gainful employment. The programmes are conducted in close collaboration with different training and service providers.

The link between education and the labour market is weak. Primary and secondary schools mainly focus on screening students for further education instead of providing knowledge and skills that can be in use during the life of the work. Only a few primary school leavers go on to further education (5% to secondary schools, less than 1% to vocational training). The private sector is the main engine for creating employment (wage employment and self-employment). There is need to develop a culture of self

reliance and enterprise culture among the youth, school leavers and university graduates. These should be motivated to develop into job creators rather than jobseekers.

Vocational education and training has always been thought to be the main provider of skilled labour for the labour force. Within Tanzania, the number of individuals with vocational education is small and should be strengthened and adapted to new and emerging requirements of the economy. The following programmes should be formulated in order to achieve this goal:

Within VETA:

- A broader apprenticeship modular training scheme
- A clear division between before employment training and during employment training (basic knowledge and skills before employment and upgrading skills during employment). Vocational guidance and counselling to link more closely VET and clients. (employers, communities and MSEs). Better assistance to students in finding apprenticeships and a guidance system during apprenticeship (for example, four days traineeship, one day school) in order to create some synergy between enterprises and training programs.
- Link between VETA and market research from Ministry of Labour and Youth Development.
- Sharpen market niche -- provide courses that are not provided by the private sector, NGOs and missionaries. Carry out community training needs assessment and develop appropriate training packages for community development.
- Evaluate use of the VETA levy (assistance to non-VETA VET institutes, courses provided by VETA, unit costs and so on).

Within Government:

- Evaluate all training programs run by government and parastatals and if necessary revise their structure and objectives to the VETA structure (Vocational Education Act 1994).
- Promote in-service and on the job training in both public and private sectors.

4.5 Labour-based Public Works Programmes

Sectors in which labour-based public works programmes are most effective in creating employment are in rural road construction and maintenance, urban infrastructure, irrigation, and village water supplies. There is a need to shift from relief programmes to asset generation programmes based on consideration of cost effectiveness of using labour to improve infrastructural activities and other assets for local level development including community development. These programmes should increasingly involve the private sector. Government should also take leadership in reorienting senior planners and professionals towards this vision – that is the use of labour based methods in the provision of infrastructure. Emphasis should be put on investments that reduce women's workload so that they may spend more time in productive activities.

Working in central government towards planning for labour based public works:

- Restructure and adapt curricula in VET and tertiary institutions to include labour-based methods and technologies. The Ministry of Works has set up an appropriate Technology unit and maintains an appropriate Technology Training Institute to train engineers and technicians in the application of labour-based methods in road rehabilitation and maintenance.
- Procurement should favour local contractors and consultants.
- The Urban Infrastructure upgrading programme is reported to have started showing positive results in the project area.

The experience of a community-based employment-creating project (Hanna Nassif pilot project in Kinondoni District in Dar es Salaam) suggests that:

- Upgrading urban infrastructure can create jobs (both paid jobs and labour contribution by the community).
- Construction skills were acquired through training.
- It was less successful in creating private contractors. More upfront training of petty contractors would have been useful.
- Community involvement was sub-optimal. Stronger community participation needed to be part of the project from the planning stages to implementation.

4.6 Sustainable Capacity Building

Poverty reduction and employment creation cannot be effective without capable institutions and able manpower for implementation. Although capacity building has been at the top of Tanzania's policy agenda since independence, a wide gap remains between stated objectives and performance. National capacities are built through the transfer, adaptation and utilisation of technology, skills, expertise and/or aptitudes of the population. Ideally, human resource development is considered a pre-requisite for self-reliance. Thus, capacity is a strategic combination of human resources and institutions that permit a nation or organisation to achieve its development goals. Capacity building and sustainability is a complex process that ensures the necessary human capacity and national ability to identify and analyse problems, formulate solutions, and implement them on a sustainable basis.

The capacity problem in Tanzania revolves around the lack of trained and experienced human resources as well as lack of an enabling environment to make productive use of existing manpower. The problem also arises from the fact that many projects or programmes do not last long after project termination.

On the one hand, the nation has suffered perennially from a shortfall of trained personnel in areas essential to development. These include economic analysis, project management, engineering, finance, medicine, accounting, jurisprudence and other technical and specialised skills. On the other hand, even in those sectors where such trained and experienced people were available, their skills and talents have often been

under-utilised, misallocated, or even prevented from being put to work as a result of a negative economic, social, institutional and political environment.

Regardless of the causes of the lack of human and institutional capacity, Tanzania has depended, almost invariably, on the provision of foreign experts and resources secured through various technical co-operation arrangements. Some experts have been used to perform even the most basic tasks of development. Capacity building in Tanzania should reverse this pattern of development, which limits the use of national resources and experts. Donors can help by strengthening local institutions to intensify the use of national resources and experts.

4.7 Gender Dimension

Gender mainstreaming is supposed to feature in all activities and given due emphasis. A clear trend towards participation by both men and women should be established in all aspects of the world of work. Ensuring that Tanzania achieves gender equality and thus makes an important dent in poverty requires that all employment promoting policies and programmes need to be based on a thorough understanding of the constraints that women face, both in the formal and informal sectors. It also has to be recognised that many issues cannot be addressed within a narrow sectoral mandate and will require active intersectoral collaboration (e.g. with education, agriculture, health, water, mining and other policies).

Priority recommendations to address gender issues in employment are:

- * Develop and implement a clear legal framework that reflects the principles of gender equality in the world of work. This includes:
 - Ensuring that the current process of labour law revision is the subject of public debate and particularly taking into account the gender perspective (Ministry of Labour and Youth Development (1999).
 - A social security framework that provides for maternity benefits thus protecting women's reproductive rights and taking away a disincentive for employers to employ particularly young women.
 - Adoption by private sector employers of the guidelines prepared by the Civil Service Department on sexual harassment and other equal opportunity guidelines.
 - The development and adoption of an Equal Opportunity Policy, including the establishment of an Equal Opportunity Council
- * Develop a framework for affirmative action on education and training, before and during employment (government can provide incentives to private sector based on their gender-positive policies and implementation).
- * Invest in reducing women's workload (e.g. water, fuel and childcare) and encouraging the sharing of family responsibilities.
- * Ensure that the informal sector and micro-enterprise policy that is being prepared removes all unnecessary legal and regulatory barriers to women's participation and yet provides adequate protection to women workers in this important sector.

- * Make the enormous amount of unpaid work women do visible in national statistics and therefore more appreciated.
- * Raise awareness of the socio-cultural constraints that hold back women's productivity, particularly the gender division of labour and unequal access to and control over resources.
- * Enhance women's employment through increased employment opportunities in the private sector and self-employment.
- * Provide legal education to all parties, government, employers and workers, to understand their rights as well as obligations.

In conclusion, promoting gender equality in the world of work should be done through the establishment of an appropriate legal framework as well as the implementation of employment promotion policies and programmes that take full account of the constraints women face. Government, employers' and workers' organisations all need to take their respective responsibility in this field. The MCDWAC's Women and Gender Advancement Programme planned for the 1997/98-2001 period expects to enhance capacity building and economic empowerment amongst women.

4.8 Youth

The youth should be attracted to employment especially self-employment in the rural areas. Integrating agricultural and non-agricultural activities in the rural areas should do this. The Lisbon Declaration on Youth Development Policies (1998) urged governments to take serious measures to address the problem of youth unemployment. There is need to fully review and enact legislation to all issues related to youth empowerment to ensure that there is sustainability.

The National Youth Empowerment Programme Vision will guide the Department of Youth Development. The National Youth Policy is under review to include the Youth Empowerment Strategies in Vision 2025. Effective implementation of youth empowerment will require partnership between the government, the private sector and donors.

4.9 Specific Sectors

Agriculture employs 80% of the labour force and will remain a dominant employer for sometime. Poverty is also prevalent in rural areas, which account for 90% of all the poor. High priority should be accorded to raising productivity in agriculture. Details of how this should be done are elaborated in the report on agriculture.

Industrial development is vital for the growth of the economy. The industrial sector accounts for about 18% of total wage employment in the country. The sector is the main source of formal urban employment in the country. In terms of exports, it runs second to agriculture.

The main objective of the industrial sector is to increase output through increasing efficiency in production and improved capacity utilisation in existing industries. A related objective is attracting new investment (especially in manufacturing) through the provision of a conducive macro-economic policy environment. These measures are aimed to increase output, employment opportunities, increase exports and ensure optimum use of local resources. High priority should be accorded to agro industries and other industries, which have high linkages (especially employment creating linkages) to agriculture.

The mineral sector has become an important employer as well as one of the major foreign exchange earners due to increased private participation in the mineral sector. Export earnings have increased from US\$.53 million in 1992 to US\$.103 million in 1998.

Policies and strategies to develop the mining sector:

- To motivate the private sector to invest in mining, the government should provide support through provision of services such as exploration and mapping areas with mineral wealth, publicity and simplification of regulations for entry into the mining sector.
- To promote small-scale miners by facilitating the acquisition of mining tools as well as provision of technical support and advice.
- Encourage citizens to be engaged in mining activities through training on technologies and techniques and provision of information so as to build indigenous capacity in mining.
- Promotion of manufacturing industry should give priority to activities that create employment directly or indirectly through linkages. In this context, the food processing, beverages and tobacco industries should be encouraged. Their high labour-intensity and the linkages with the agricultural sector imply significant potential for poverty reducing employment growth. Policy should focus, in particular, on constraints to export growth in these sectors.

4.10 MSE Development

The private sector is the main engine for creating employment (wage and self-employment). Conducive conditions for the establishment and growth of enterprises are the key factors for the increase of employment. To enhance employment and growth, the Government must concentrate its efforts on measures that reduce the cost of doing business in Tanzania. These are highlighted below.

Development of medium and small-scale enterprises entails that the enterprises in the informal sector should grow and undergo a transition from informal to becoming formal. This transition however will be realised by addressing the following bottlenecks facing the development of MSEs and the private sector more generally.

- Improve the business regulatory framework (business support services, land, taxes)
- Modernise and simplify labour regulations
- Provide improved infrastructure
- Support and strengthen women entrepreneurs and youth by providing skills and credit to enable them to engage in various income-generating activities.
- Strengthen the institutions that execute employment-related programmes. This will include the government, particularly the Ministry of Labour and Youth Development (Employment section), NGOs and, above all, private firms.
- Increase support to the rural and urban poor to enable them to sustain or establish micro enterprises.
- Develop market infrastructure for informal sector operators.
- Improve finance and credit systems for income generation for the poor.
- Encourage loan repayment so that credit funds can revolve to more poor people.

Management of the rural-urban migration requires a balanced development of rural and urban areas. This is essential for the country's overall development and well being. MSEs create a large number of opportunities of non-farm employment and income generation with manageable demands on capital and managerial and technical skills. Entrepreneurship development can spread out from those seedbeds at the grassroots level and form a stronger basis for national socio-economic development.

Rural industrial development can contribute to poverty reduction by:

- (i) diversifying income sources by combining measures to increase agricultural productivity with incomes from non-farm economic activities.
- (ii) Processing agricultural produce to add value and expand or stabilise markets.
- (iii) Improving agricultural productivity by undertaking industrial investments to produce inputs that increase the yield of small-scale farmers.
- (iv) MSEs contribution to increasing incomes and creating productive employment in rural areas.

Constraints on indigenous entrepreneurship and the development of rural MSEs include:

- (i) poor physical infrastructure especially water and energy.
- (ii) Weak public administration and public services especially the lack of communications and transport.
- (iii) Low family or community savings.
- (iv) Limited access to formal credit.

- (v) Specific problems of informal sector MSEs in accessing public support services, infrastructure, legal protection, land and credit.
- (vi) Policy discrimination occurs because MSEs have not been able to collectively organise to negotiate and put pressure on administrative, regulatory and fiscal regimes.
- (vii) Implications of globalisation on competitiveness, government resources and responsiveness to specialised market opportunities and flow of business and technological information.
- (viii) Cultural factors may influence chances of certain groups of people in ways that do not provide equal opportunity.
- (ix) Social and historical factors may influence access to resources (e.g. land, finance).
- (x) Lack of skills (technical, managerial and entrepreneurial).
- (xi) Lack of suitable technology and facilitation for upgrading technologies.
- (xii) Institutions are needed to provide a broad base of services needed by MSEs and to effectively address constraints facing their development.

UNIDO aims at enhancing the contributions of MSEs to poverty reduction through rural development and economic growth. The ultimate objective is to transform informal sectors activities into growth-oriented and competitive business. Promotion of responsible, sustainable rural development requires putting in place mutually growth-enhancing productive and demands relationships between agriculture and non-farm industries.

The strategy for rural development combines three capacity building components.

- (i) **Policy:** Creating an environment that is conducive for entrepreneurship to grow.
- (ii) **Institutional framework:** Strengthening the capacity and sustainability of support systems.
- (iii) **Enterprise level:** Strengthening collective self-help capabilities of entrepreneurs.

4.11 Geographical Dimension

Most of the labour force live in rural areas and their livelihood depends on rural or informal sector activities. There is need to: (1) promote employment in the rural sector in order to manage urban-rural migration by creating enabling environment to all rural areas through providing infrastructures and investment led activities (2) downsize the regional employment disparities through promoting regional integration by establishing regional

specialisation based on regional resource endowments. This will lead to regional factor mobility in an attempt to find the highest return which in turn will lead to low factor costs because the prices of such factors will be falling due to their increased supply to their point of destination.

4.11.1 Employment Promotion in Rural Areas

The causes of growing unemployment in the rural areas are the same as those associated with not very impressive agricultural growth. The reasons for the latter are discussed extensively in the accompanying TAS paper on agriculture and rural livelihoods. Employment promotion in rural areas must focus on enhancing opportunities for both farm and off-farm activities.

To encourage agriculture and livestock farming that is more productive, supportive services must be strengthened. Land, labour and capital must all be used more effectively. Specifically, procedures for obtaining land and certificates for the right of occupancy need to be streamlined. Literacy levels must be improved to obtain better gains from agricultural, education and research and extension programmes. A technical basis for expanding farm production needs to be developed and better diffusion of new knowledge about agricultural production through research. Complementary inputs such as storage facilities, and stable prices could also help to induce farmers to switch from subsistence to commercial farming.

Increasing productivity also requires the use of modern farm implements and large application of fertilisers. Development of improved animal breeds adapted for tropical areas, as well as disease and pest control measures and controlled grazing can help enhance productivity. Finally, irrigation facilities must be expanded and improved.

4.12 Child Labour

Various interventions are being undertaken by the Government and a broad range of partner agencies in collaboration with the ILO International programme on the Elimination of Child Labour (IPEC). Priorities are:

- Prevent child labour through awareness raising
- Withdrawing children from hazardous work and providing them with appropriate alternatives
- Improving working conditions as a transitional measure towards the elimination of child labour
- Increase the level of quantitative and qualitative knowledge of child labour in Tanzania
- Concentrate all the actions in combating the worst form of child labour as defined in the ILO Convention No. 182 of 1999.

5.0 INSTITUTIONAL FRAMEWORK

5.1 Key Government Players

Actors in employment creation are diverse including government, the social partners, and the private sector, CBOs, NGOs and donors. The responsibility of government is to co-ordinate and support all efforts and actors in employment creation. Key government players are described below.

(i) *The Ministry of Labour and Youth Development*

The Ministry of Labour and Youth Development will, according to the National Employment Policy (New Draft 2000), assume the role of co-ordination of employment issues in Tanzania.

The Ministry is, however, charged with the responsibility of employment promotion, stabilising industrial labour relations, development of the youth, and promotion of employment of people with disabilities. The National Employment Council (NEC), which was formed in 1998, has however not been operational due to several problems beyond the control of the Ministry. It is expected that with the adoption of the New Policy, the Council will meet and function effectively. Since NEC is essentially a monitoring arrangement there is need to establish a monitoring technical task group that will carry out the actual work of monitoring and feed information and advice to the NEC. The Ministry should also be changed with responsibility of monitoring all the employment promotion programmes in the country

Within the Ministry, the *Labour Department*, is responsible for employment issues. The major functions of the Department are:

- a) To co-ordinate action with other institutions on labour issues (government, private sector, NGOs, worker and employee organisations).
- b) To initiate legislation affecting labour, employment and related areas.
- c) To advise the government, NGOs, and the private sector on policies and programmes on employment-related matters.
- d) To generally monitor the labour market and on the basis of the observed and anticipated market signals, advise the government and relevant institutions on employment promotion and suitable employment programmes to be undertaken.

Review

The employment function in the Ministry of Labour and Youth Development is currently under the Labour Department. The social and economic reforms that have been undertaken in the past few years have led to employment losses in the civil service, parastals and in the private sector. This has in turn increased labour disputes, processing of workman compensation claims. The Labour Department is consequently spending

more time on industrial relations, tripartism, labour laws, and industrial safety and health issues – all of which reduces its focus on critical employment functions.

Within the Labour Department, employment issues are handled by an employment section, which is understaffed with very limited resources to carry on the required tasks. These include:

- (a) Monitoring the implementation of the employment policy.
- (b) Designing employment promotion programmes and presenting them to the government for implementation and donors for funding.
- (c) Co-ordinating with other ministries, employers' organisations, and workers organisations on employment promotion activities.
- (d) Co-ordinating and liaising with bilateral and multilateral agencies on employment issues.
- (e) Promoting and co-ordinating NGO activities on employment promotion.
- (f) Establishing and managing labour market information and employment promotion offices (labour exchanges).
- (g) Becoming the National Employment Council secretariat.

To perform the functions indicated, a fully-fledged Employment Department should be established to ensure successful implementation of the National Employment Policy. In addition to the above-mentioned responsibilities, the department would tackle the question of placement of employment officers at regional and district level.

A new Employment Department would need substantial technical and financial assistance in terms of training, consultancies, equipment, programme formulation and implementation. The number of trained employment officers at the National Institute of Social Welfare also needs to be increased.

(ii) The Vice President's Office

This is the national overall co-ordinating institution in poverty issues. It collects Poverty and Welfare indicators and undertakes studies to determine the level of poverty and how to improve the situation in collaboration with other players. Since poverty is closely related to unemployment and they affect each other, the Vice-President's office has a role to play particularly in programmes such as employment for poverty reduction.

(iii) The National Planning Commission

The Planning Commission has the responsibility of monitoring successful implementation and realisation of Tanzania's Development Vision 2025 and for identifying and developing essential macro-economic and social indicators. It also has responsibility for monitoring policies such as the National Employment Policy.

(iv) *Ministry of Local Government and Regional Administration*

At the regional level the office of the Regional Administrative Secretary has a role to play in co-ordinating and supervising data collection process and utilisation in the region. Information pertaining to indicators on poverty, food security, education, health situation, water and sanitation, transport and communication, housing, environment, empowerment and participation, and traditions and norms are all collected.

At the district level, the officers responsible for the above mentioned functions do perform the role of collection of data and information on their respective areas and pass it to the higher levels.

At the village and ward level the officers at that level will collect data with the help of the village and ward authorities and pass it on to the respective district authority. The local Government Authorities will be required to undertake promotion activities as stipulated in the National Employment Promotion Service Act of 1999.

(v) *The Ministry of Agriculture and Co-operatives*

The Ministry provides services that, if delivered effectively, can promote agricultural productivity and promotion of employment opportunities in the agriculture sector. The Ministry is responsible for regular data collection at the national level and conducts surveys and studies on different aspects of food security, in collaboration with the Tanzania Food and Nutrition Centre (TFNC). Participatory approaches are suggested to establish the percentage of households with food security. Efforts will have to be undertaken in this area to make sure that farmers are sensitised to increase their productivity and quality of farm produce to enable them to earn more incomes.

(vi) *Ministry of Education and Culture*

At the national level, the Ministry is responsible for co-ordination and supervision of improving literacy and educational standards. The responsible organs in this work include Head teachers, Headmasters, Village Education Committees, Ward Education Co-ordinator, District Education Officer, Regional Education Officer, and Various Departments in the ministry of Education and Culture. At every stage in the hierarchy, the lower point is supposed to provide the higher point with information, which will be used for purposes of planning, or problem solution. Efforts should be directed towards improving the quality of basic education a basis for employment promotion and introducing entrepreneurship education in schools as a way of building an entrepreneurial culture.

(vii) *Other Ministries/Institutions*

The role of the Ministries of Health, Water, Works, Communication and Transport, and Lands and Human Settlement in reducing poverty is addressed in other TAS submissions.

5.2 Donors, NGOs and CBOs

The donor agencies and their representatives are also essential players in employment and poverty issues. The most active donors and NGOs have been outlined in sections 3.5, 3.6 and 3.7 respectively.

5.2.1 Donor Agencies

It is acknowledged that donors play an important role in designing, financing and implementing employment promotion projects. Donors can play an important role (upon request from government, private sector, NGOs or CBOs) by:

- (a) Supplementing local resources directed towards employment promotion;
- (b) Building local capacity to design, implement, monitor and evaluate employment promotion programmes through
 - Short- and long-term training
 - Providing training facilities to local institutions e.g. the Social Welfare Institute
 - Providing short-term experts and consultants on employment policy and promotion issues
- (c) Designing and implementing employment promotion programmes

5.2.2 NGOs and CBOs

NGOs and CBOs are important agencies in the implementation of employment cum poverty reduction programmes since they are close to the people. In addition, they are sometimes formed and managed by local grassroots communities. In this regard, NGOs and CBOs are good at:

- (a) Building local capacity and empowering communities through establishing development projects with a view of enabling self-reliance among the people.
- (b) Collaborating and co-ordinating with other stakeholders in programme design and implementation in order to avoid overlapping of activities.
- (c) Participating and monitoring and evaluation of activities.
- (d) Mobilising and enhancing community participation in employment generation programmes.
- (e) Assisting the people, particularly women, in designing strategies to contribute to their own employment promotion programmes.
- (f) Mobilising community resources such as material and human needs for employment creation programmes.
- (g) Mobilising savings among the members and extending credit to each other.
- (h) Advising the government on the employment problems of their target groups and strategies for dealing with them.

5.3 Other Institutions

5.3.1 Research Institutions

Research institutions such as the Economic and Social Research Foundation (ESRF), the Economic Research Bureau (ERB) and the Research on Poverty Alleviation (REPOA) are potentially important since the design and implementation of any poverty eradication strategy will make use of research findings. Research will be carried out as an integral part of strategy implementation and will be conducted in the following important areas:

- (a) Carrying out community needs assessment at local level and assisting in the search for a comprehensive understanding of the nature, extent, causes and trend of unemployment.
- (b) Providing information on the implementation of employment programmes.
- (c) Defining appropriate indicators that will show the depth and dynamics of employment needs at community level.
- (d) Identifying appropriate measures that can be used to expand employment.

5.3.2 Private Sector Organisations

Private sector organisations such as the Association of Tanzania Employers (ATE) have an important role to play in the success of poverty reduction and employment creation. Its members are vital for the success of tripartism and are expected to play a leading role in expanding businesses and hence creating employment. The private sector is expected to play an increasingly important role in managing the economy. Therefore, private sector organisations should be taken seriously as significant players in employment promotion. Employers are responsible for instituting incentive procedures for raising labour productivity and for improving workers' skills. They should strive for harmonious working relationships at their place of work.

In a free market economy, employers and the private sector generally have a major role to play in employment promotion through:

- (a) Providing employment opportunities.
- (b) Providing education and health services.
- (c) Increasing quality and overall production of goods and services.
- (d) Mobilisation of savings and investment in employment generation programmes.
- (e) Provision of credit facilities.
- (f) Involvement in the marketing of agricultural and industrial inputs.
- (g) Collecting and disseminating information related to poverty reduction and employment promotion.

5.3.3 Trade Unions

Workers' organisations, either through the Tanzania Federation of Trade Unions (TFTU) or the individual sector unions, are an integral part of the poverty reduction and employment institutional framework. The TFTU can:

- (a) Advise the government on implementation of the employment policy and participate in the review of policy.
- (b) Educate workers on their rights and responsibilities.
- (c) Judiciously regulate industrial conflicts between employers and workers.
- (d) Recommend to government and employers training programmes for workers to improve productivity.
- (e) Participate as members of the tripartite of government, employers and workers in the review of employment related issues.
- (f) Influence adjustment programmes to encourage them to consider their social costs.
- (g) Proactively respond to technological changes.

TFTU should seek donor financial and technical assistance to build capacity to perform their function, especially training in labour laws and industrial relations to cope with a free market environment.

5.4 Issues in the Current Institutional Framework

There are several problems associated with the institutional set up as it exists today. These problems include:

- (i) Supervision and co-ordination of all policies related to employment is an institutional role of the Ministry of Labour and Youth Development. However, the Ministry does not directly supervise some of the institutions. NIGP for example is under the NPC, IPC is under the President's Office. This creates a missing link of operations between some of the stakeholders and the MLYD, which in turn creates a problem within the MLYD in assessing accurately the contribution of the various stakeholders in employment promotion efforts.
- (ii) The social and economic reforms that have been undertaken during the past years have led to loss of labour in the civil service, parastatals and private sectors. This in turn has increased labour disputes, processing of workman' compensation claims and causing the labour department to concentrate on industrial relations, tripartism, labour laws industrial safety and health activities and losing site of the employment functions which are critical at this moment. Besides, within the labour department, employment issues are handled by an employment section, which is understaffed and has very limited resources to carry on the required tasks.
- (iii) Institutional changes that have placed the Youth Department under different Ministries have delayed the assigning of priority to youth employment efforts. This is due to the fact that the vision of the different Ministries in which the Youth department was placed for example the Ministry of Community Development, Culture Sports and Youth the priority areas did not include youth employment but sports for youths. Of late, the youth department has accorded the issue of youth employment the priority it deserves but it lacks not only the

capacity to implement this service effectively but also decisive co-operation with the employment section of labour department.

5.5 Strengths and Opportunities

Despite the weaknesses and threats facing the existing institutional set up there are strengths/ opportunities that if exploited effectively (other factors held constant) will help to a great extent the efforts to address the unemployment and underemployment challenge.

- (i) Transfer of ownership of the development agenda to beneficiaries at grassroots level: There is commendable political will in the entire Government to transfer ownership of development to the people themselves. This has been done through fostering the 1972 decentralizations through devolution. This will is seen in the Civil Service Reforms and the re-establishment of Local governments and City/Town Councils under the Ministry of Local Government and Regional Administration.
- (ii) NGOs/CBOs' Participation: A number of NGOs and CBOs have shown interest and are in fact participating in the efforts of mobilising resources and people to participate in employment creation and promotion.
- (iii) Facilitating the environment for promoting employment: The government has initiated efforts for the establishment of group funds to assist individual or group efforts in self-employment. These funds are targeted to Youths, Women and Small business.

The main actors should be organised in an authoritative National Employment Council with the mandate to oversee and monitor the employment policy and all employment generation efforts.

Rationalising the institutional mechanisms for implementation of the employment policy is required. The National Employment Promotion Services Act 1999 makes provisions for the establishment of the Government Employment Promotion Services and Private Employment Promotion Agencies, all geared towards promoting employment within the context of National Economic and Social Development Plans. These offices will be instrumental in giving counselling on how to be self-employed and offer placement services to both employers and job seekers. In this way, labour will be directed to areas/sectors where it will be needed more efficiently and productively.

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