



**GOVERNMENT OF LESOTHO**

**DRAFT  
LESOTHO NATIONAL EMPLOYMENT POLICY**

**Prepared by the Ministry of Labour and Employment with technical assistance of the  
International Labour Organization (ILO)**

JUNE 2013

## TABLE OF CONTENTS

LIST OF ACRONYMS .....	IV
NATIONAL EMPLOYMENT POLICY .....	1
EXECUTIVE SUMMARY.....	1
<b>PART I: SITUATION ANALYSIS .....</b>	<b>4</b>
1.0 INTRODUCTION .....	4
1.1 LINK TO NATIONAL DEVELOPMENT GOALS .....	5
1.2 RATIONALE FOR THE NATIONAL EMPLOYMENT POLICY .....	5
2.0 PERFORMANCE REVIEW : TRENDS AND COMPARATIVE ANALYSIS .....	6
2.1 STRUCTURE OF THE ECONOMY .....	6
2.2 RECENT TRENDS IN ECONOMIC GROWTH.....	8
2.3 EMPLOYMENT PROFILE.....	10
2.4 THE INFORMAL ECONOMY AND INFORMALIZATION.....	11
2.5 CHILD LABOUR.....	11
2.6 UNEMPLOYMENT.....	11
2.7 EDUCATION AND SKILLS DEVELOPMENT .....	12
2.8 HIV AND AIDS AND MIGRATION.....	13
2.9 GENDER DISPARITIES: .....	14
2.10 DISABILITY .....	15
2.11 EMPLOYMENT STANDARDS/ WORKERS' RIGHTS.....	15
2.12 INEQUALITY, POVERTY AND HUMAN DEVELOPMENT.....	15
2.12.1 PROGRESS TOWARDS VISION 2020 AND THE MDGS.....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
2.13 SOCIAL PROTECTION.....	16
2.14 SOCIAL DIALOGUE.....	16
3.0 CURRENT POLICY, LEGAL AND INSTITUTIONAL FRAMEWORK .....	16
4.0 PROBLEM ANALYSIS AND STATEMENT .....	18
4.1 EMPLOYMENT CHALLENGES AND PRIORITIZED PROBLEM AREAS.....	18
4.1.1 PRIORITY PROBLEM.....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
4.2 CAUSES OF THE PRIORITY EMPLOYMENT PROBLEM, HIGH UNEMPLOYMENT.....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
5.0 POLICY ALTERNATIVES AND RECOMMENDED STRATEGIES .....	22
<b>PART II: POLICY STATEMENT</b>	
6.0 A. VISION OF THE POLICY .....	24
7.0 B. MISSION .....	24
8.0 C. PRINCIPLES OF THE POLICY.....	24
9.0 OBJECTIVES OF THE POLICY .....	25
10.0 STRATEGIES OF THE POLICY .....	25
10.1 MAINSTREAM EMPLOYMENT CREATION IN MACRO ECONOMIC AND SECTORAL PLANNING FRAMEWORKS .....	25
10.2 IMPROVE LEVELS OF PRODUCTIVITY IN ALL ECONOMIC SECTORS INCLUDING THE INFORMAL SECTOR AND FACILITATE TRANSITION TO FORMALITY.....	26
10.3 PROMOTE TRANSFORMATION OF THE EDUCATION AND TRAINING SYSTEM TO REDUCE THE GAP BETWEEN DEMAND AND SUPPLY OF LABOUR.....	26
10.4 ESTABLISH A FULLY FUNCTIONAL LABOUR MARKET INFORMATION SYSTEM.....	26
10.5 IMPROVE THE QUANTITY AND QUALITY OF EMPLOYMENT FOR THE YOUTH AND THOSE WHO HAVE BEEN RETRENCHED.....	27
11.0 POLICY IMPLEMENTATION .....	27
11.1 IMPLEMENTATION AND INSTITUTIONAL ARRANGEMENTS.....	28
11.2 LEGAL AND POLICY FRAMEWORK .....	29
11.3 RESOURCE MOBILISATION .....	29
12.0 RISKS AND SUSTAINABILITY.....	30
13.0 MONITORING AND EVALUATION.....	30
13.1 MONITORING INDICATORS.....	30
13.2 REVIEWS/EVALUATIONS OF THE POLICY.....	30

14.0 REFERENCES AND BIBLIOGRAPHY .....30

**APPENDICES** .....30

Annex 1: National Employment Policy: Action Plan .....31

Annex 2: Structure, Functions, reporting lines, communication lines of the reorganized NA COLA .....36

Annex 3: National Employment Policy: Logical Framework Analysis .....46

Annex 4: National Employment Policy: Implementation Matrix .....56

**LIST OF TABLES**

TABLE 1: ECONOMIC TRENDS, SELECTED INDICATORS, 2000-10.....**ERROR! BOOKMARK NOT DEFINED.**

TABLE 2: COMPARING THE GROWTH FORECASTS (SELECTED INDICATORS).....**ERROR! BOOKMARK NOT DEFINED.**

TABLE 3: NUMBER AND PERCENTAGE DISTRIBUTION OF THE CURRENTLY UNEMPLOYED POPULATION AGED 15-64 YEARS BY AGE AND SEX, 2008 .....**ERROR! BOOKMARK NOT DEFINED.**

## **LIST OF ACRONYMS**

AGOA	African Growth and Opportunity Act
AIDS	Acquired Immune Deficiency Syndrome
CMA	Common Monetary Area
DFID	Department for International Development
DNES	Directorate of National Employment Services
EBAs	Everything But Arms
EFTA	Economic Free Trade Area
EPF/LMA	Employment Policy Formulation and Labour Market Analysis
FAO	Food and Agricultural Organization
FDI's	Foreign Direct Investments
FPE	Free Primary Education
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
HIV	Human Immune-Deficiency Virus
ILFS	Integrated Labour Force Survey
ILO	International Labour Organization
ILS/NUL	Institute of Labour Studies/National University of Lesotho
IMF	International Monetary Fund
ISCEA	International Standard Classification of all Economic Activities
ISCO	International Standard Classification of Occupations
JBCC	Joint Bilateral Commission of Corporation
LCN	Lesotho Council of Non-Governmental Organization
LDC	Least Developed Country
LNDC	Lesotho National Development Cooperation
MDA	Mineworkers Development Agency
MDGs	Millennium Development Goals
MEL/NES	Ministry of Employment and Labour/National Employment Services
MFA	Multi-Fibre Agreement
MSMEs	Micro, Small and Medium Enterprises
NEPAD	New Partnership for Africa Development
NUM	National Union of Mineworkers
PRS	Poverty Reduction Strategy
RSA	Republic of South Africa
SADC	Southern African Development Community
SACU	Southern African Customs Union
TVD	Technical and Vocational Department
UNDP	United Nations Development Fund
UNESCO	United Nations Education, Science and Cultural Organization
UNICEF	United Nations Children Fund
VAT	Value Added Tax
VIP	Ventilated Improved Pit-Latrine
WFP	World Food Program
WHO	World Health Organization
WTO	World Trade Organization



## **NATIONAL EMPLOYMENT POLICY**

### **Executive Summary**

The 2008 Labour Force Survey indicated that Lesotho had a working-age population of 1,237,257, of which 608,327 (49.2 percent) were employed and 192,119 were unemployed, giving an unemployment rate of 25.3 percent. Of the employed population aged 15 years and above, 81.9 percent were employees engaged in elementary occupations. Overall, more than half (55.3 percent) of the employed population were males, while females constituted 44.7 percent. Only about 230,000 persons had formal wage employment, while the majority of the employed (71.7 percent) were engaged informally, implying high levels of underemployment. Of the informally employed population, 63.9 percent were engaged outside the informal economy, while 8.4 percent were in the informal economy. The formal sector accounts for the highest with 51.2 percent, followed by households at 40.4 percent and the informal economy at 8.4 percent.

While until the early 1990s, the mining industry in the Republic of South Africa was the main source of employment for most men from Lesotho, employing at its peak in 1989 approximately 130,000 Basotho men or almost 50 percent of the economically active male labour force, the levels went down to 40,000 by 2009. Manufacturing is the largest formal employer on account of strong investment in textile manufacturing resulting from the African Growth and Opportunity Act (AGOA) initiative. In 2009, there were 29 such factories employing for 40,000 workers and accounting for almost 80 percent of all jobs in the manufacturing sector with an estimated 80-85 percent of the employees being women.

According to the 2008 Integrated Labour Force Survey, there were 192,119 unemployed people, of which 49.1 percent (94,322) were males and 50.9 percent (97,797) were females. Whereas the unemployment rate declined from 34.2 percent in 1997 to 27.3 percent in 1999 and 25.3 percent by 2008, it is estimated to have increased to 29.4 percent in 2009 as a result of the global financial crisis and recession that started in 2008. Based on the international definition, youth aged 15-24 years constituted 35.8 percent of the unemployed. Alternatively, using the definition of youth used in Lesotho (15-34 age group), they represented 57.2 percent of the unemployed. Youth unemployment is therefore a major development challenge in Lesotho. Regrettably, unemployment in Lesotho is long-term, with the largest proportion of both males (45.9 percent) and females (47.2 percent) spending 24 or more months without work or business. Considering unemployment periods of at least 12 months raises the proportions to 62 percent for males and 61.4 percent for females.

While headcount poverty dropped from 66.6 percent in 1994/95 to 56.6 percent in 2002/03, the levels are still very high. Furthermore, inequality as measured by the Gini coefficient improved from 0.57 in 1994/95 to 0.53 in 2002/03.<sup>1</sup> Resultantly, these high levels of inequality make growth less pro-poor. On the basis of the Human Development Index (HDI), Lesotho was ranked 160 out of 187 countries in the 2011 Human Development Report, with an index value of 0.450.<sup>2</sup>

---

1 The Gini coefficient ranges from 0 to 1, with a Gini coefficient of 0 signifying total equality, while that of 1 denotes total inequality.

2 The HDI is a composite index comprising indicators that depict longevity (life expectancy at birth), knowledge [comprising adult literacy (two-thirds of the weight) and average years of schooling (one-third weight)] and income. The HDI ranges from 0 to 1, with an outcome of 0.000 to 0.500 in the low category, of 0.501 to 0.800 in the medium category, and 0.801 to 1.00 in the high category.

Given the focus on poverty reduction, particularly following the adoption of the Millennium Development Goals (MDGs) by the UN in 2000, it is now widely believed that growth is a necessary, but insufficient condition for poverty reduction and its eventual eradication. This is so because the quality of growth matters as much as its quantum, implying therefore that for growth to reduce poverty sustainably, it must be accompanied by decent employment, the nexus between growth and poverty reduction. The relationship between growth and poverty reduction is therefore not automatic, requiring the intermediation of the labour market, and in particular, the creation of decent jobs. For sustained poverty reduction, growth must therefore be (decent) employment-rich and shared widely within the populace.

Real GDP in Lesotho grew at an average annual rate of 3.9 percent between 1982/83 and 2009/10 or 3.4 percent per annum from 2000/01 to 2009/10, levels below the target 7 percent set in the Vision 2020 for the period 2016 and 2020, which was revised downwards to 5 percent to reflect the decline in population growth from 2 percent to a standstill. In other words, a 5 percent level of economic growth now has an equal impact on poverty reduction as a 7 percent growth rate would have had a decade ago. However, this growth was erratic, influenced by major external factors that resulted in major structural changes to the economy. These growth accelerators were either capital intensive (investments in Lesotho Highlands Water Project and diamond mining) or depended on uncertain incentives under the African Growth and Opportunity Act (AGOA) with a limited life span, which were susceptible to external influences. Furthermore, they were associated with limited linkages to the rest of the economy, creating very few permanent jobs; implying an enclave growth process.

Going forward, Lesotho is starting from an unfavourable position following the adverse impacts of the global financial crisis and recession that began in 2008. Reduced demand in the US for textiles and in global demand for diamonds forced some domestic textile producers to close down, with some mines suspending operations. The fall in the size of the SACU Customs Pool substantially reduced payments under the revenue-sharing arrangements. Thus, in spite of some fiscal adjustment, large fiscal deficits occurred in 2009/10 and 2010/11 that were financed by drawing down Government balances with the Central Bank of Lesotho. Resultantly, aggregate Net Foreign Assets declined sharply, reducing import cover to dangerously low levels of less than 3 months in 2011/12, clearly demonstrating Lesotho's vulnerability to exogenous events.

Notwithstanding the above challenges, Lesotho's most likely sources of growth arise from the comparative advantages that define its opportunities – its people, location and access to international markets. The structure of the population offers Lesotho with a historic opportunity in that it will have an unusually large labour force, which is now approximately 60 percent of the total population. A similar 'demographic bonus' accounted for about one-third of East Asia's poverty-reducing growth. Hence, addressing current skills shortages is a prerequisite for making use of the opportunity presented by the 'demographic bonus.' In addition, Lesotho's location at the centre of South Africa gives it access to good transportation links to southern Africa's largest and most sophisticated economy and a platform from which to produce. Its regional membership to SACU, SADC and AU provides access to large markets where it can take advantage of the significant preferential treatment / trade concessions through AGOA, EBAs, EFTA arising from its LDC status. Furthermore, the relative abundance of water and wind give Lesotho a strategic advantage for regional supply of clean energy and water; eco-tourism, niche organic agriculture, manufacturing of green technology.

The National Strategic Development Plan (NSDP), 2012/13-16/17 identified two growth accelerators which will increase growth in the short-term while investments are being made and four

growth generators that will provide long-term sustained growth in excess of 5 percent needed to achieve Vision 2020 goals and plan objectives. The growth accelerators include investments in Water Projects and Mining. The growth generators that will provide long-term sustained growth include commercial agriculture, manufacturing, tourism and improving the investment climate.

Past macroeconomic policies and programmes did not adequately address employment creation, resulting in a less than desired impact on employment creation, especially for young women and men. Employment was not even a central objective of the national development strategies, worsened by the fact that recent economic growth was not inclusive and 'job-rich.' In spite of the acknowledged potential of Micro, Small and Medium Enterprises (MSMEs) to accelerated growth and job creation, several constraints hold back the realization of their full potential.

This National Employment Policy Framework therefore seeks to consciously integrate and mainstream decent employment objectives into the development process to achieve the goals of Vision 2020 of reducing unemployment to 15 percent by 2020. It also desires to place decent work at the centre of development (human development) as an overarching priority across all policy frameworks (macro and sector policies).<sup>3</sup> This is in line with the Decent Work Agenda adopted at the 87<sup>th</sup> Session of the International Labour Conference (ILC) in 1999, the Declaration on Social Justice for a Fair Globalization adopted at the 97<sup>th</sup> Session of the ILC in June 2008 and the Global Jobs Pact adopted at the 98<sup>th</sup> Session of the ILC in June 2009.

In the case of Lesotho, this entails the following key interventions:

- Linking the Employment Policy Framework to the National Strategic Development Plan 2012/13-2016/17 and Vision 2020;
- Treating decent, productive and remunerative jobs as a cross-cutting issue;
- Promoting priority sectors in terms of job creation (including backward and forward linkages);
- Effective inter-ministerial and stakeholder coordination and participation to achieve synergies in order to achieve the targeted reduction of unemployment to 18 percent by 2016/17 and 15 percent by 2020;
- Promoting social justice and fighting inequalities; and
- Facilitating transition to formality and decent work.

---

<sup>3</sup> Decent work implies work undertaken in conditions of freedom, equity, human dignity and security and encapsulates four strategic objectives, namely, fundamental principles and rights at work; employment; social protection; and social dialogue.



## **PART I: SITUATION ANALYSIS**

### **1.0 INTRODUCTION**

Lesotho is a developing country which relies heavily on its only neighbor, Republic of South Africa, for most aspects of its economic development; with the latter accounting for nearly 90 percent of its imports and approximately half of its exports. It is a member of the Southern African Development Community (SADC), the Southern African Customs Union (SACU), and the Common Monetary Area (CMA) which have played a central role in shaping its fortunes. It recorded a GDP growth rate of 4.3 in 2011, which was a percentage increase from the 3.3 rate of 2010. Though it has a per capita of around US\$1,000, which is above the 2010 target of US\$600, it still has high income inequality as measured by the Gini coefficient at 0.53 in 2002/2003. On the basis of the Human Development Index (HDI), Lesotho is ranked 158 out of 186 countries in the 2013 Human Development Report, with an index value of 0.461, which is a two point improvement from the 160 ranking of 2011.

It has a population estimated at 1.9 million, which constitutes 48.7% males and 51.3% females, with a growth rate of 0.1 percent (Population Census 2006). There were approximately 1.2 million people aged 15 years and above of which nearly 807 000 were economically active in 2008 (ILFS 2008); with the employment to population ratio of 0.5. The participation rates are however higher males at 57.3% than females at 42.7% even though females dominate in the urban areas; which can be attributed to the growing textile manufacturing sector.

The unemployment rates in Lesotho have remained high since the 1990s. Overtime, the unemployment rate declined from 34.2 percent in 1997 to 27.3 percent in 1999 and 25.3 percent by 2008. However, following the global economic crisis, the rate of unemployment worsened to 29.4 percent in 2009 (see Lesotho Decent Work Country Programme (DWCP), 2011-2015). According to the 2008 Integrated Labour Force Survey, there were 192,119 unemployed people, of which 49.1 percent (94,322) were males and 50.9 percent (97,797) were females.<sup>4</sup> Data for 2009 suggests that the unemployment rate for females was higher at 33.1 percent compared to the level of 26.9 percent for males. Furthermore, young men and women in the age group 15-29 years, who constituted the largest proportion of the labour force, experienced the highest unemployment rate at more than 38 percent (see DWCP, 2011-15).

All the efforts adopted in the past to tackle unemployment have been fragmented and not well coordinated, with different stakeholders adopting different measures, thus weakening their impact. The situation is further compounded by the imbalances between the supply and the demand for labour, which is the result of among other reasons, the education system that is not coordinated with labour market requirements; - low economic growth and the recent global economic recession.

It is against this backdrop that the Government of Lesotho, through the Ministry of Employment and Labour, proposed the formulation of a National Employment Policy (NEP) that will provide a coherent policy framework for the country's efforts to promote decent and productive employment for the eradication of poverty in line with Vision 2020. This employment policy is therefore intended

---

<sup>4</sup> Based on the earlier definition of the labour force, those aged 10 years and above, there were 199,835 persons unemployed (13.7 percent) of which 49 percent (97,894) were males and 51 percent (101,941) were females.

to be used as a tool for addressing the employment problems of the country by all stakeholders, i.e. private sector, government, NGOs, communities, workers' and employers' organisations and international development partners. It will provide guidance and a framework of interventions to be used by all stakeholders when designing employment-creating measures. It will also be used as a benchmark in gauging the national results in terms of creation of decent employment.

### **1.1 LINK TO NATIONAL DEVELOPMENT GOALS**

This employment policy is premised on the National Vision 2020, the MDGs, the Decent Work Country Programme, the National Strategic Development Plan (NSDP), the Industrial Policy, the MSME Policy, the Revised National Population Policy and Gender Policy and also aligns itself with other sectoral policies such as the Forestry Policy aimed at directly or indirectly addressing the problem of unemployment, underemployment and poverty. The Vision 2020 calls for a stable democracy, a united and prosperous nation at peace with itself and its neighbours, a healthy and well-developed human resource base, technologically advanced, and a strong economy with well managed environment. In this regard, the employment policy will in particular contribute towards achievement of a strong decent work-rich economy and well-developed human resource base.

The NEP and NSDP draw from, and reinforce each other to achieve the objectives of Vision 2020. The NSDP recognises the need and urgency for radical economic transformation, enhancing the country's intellectual and skills profiles to take full advantage of its location at the heart of South Africa to produce goods and services for the Southern African, African and global markets. It is premised on the need for Lesotho to achieve broad-based and sustainable economic growth and employment generation that results in long-term reductions in poverty. NSDP prioritizes the attainment of high, sustainable and shared economic growth, diversification and employment creation, especially youth employment.

It particularly emphasizes the necessity of achieving sustained economic growth as the most effective route for poverty reduction, recognizing that poverty reduction, and its eradication, can only be achieved if economic growth translates into sustained employment opportunities. The NEP therefore focuses on the strategies to ensure that growth is decent work-rich, and provides a sustainable pathway out of poverty.

### **1.2 RATIONALE FOR THE NATIONAL EMPLOYMENT POLICY**

There are many reasons why an employment policy is not only important but critical for Lesotho in terms of development and reduction of poverty. The NSDP emphatically states that "the Plan's main indicator for success will therefore be the number of jobs added to the economy, since this represents the best way of achieving national objectives in terms of growth, poverty and inequality" (p6). The Plan targets creation of 50,000 private sector jobs over a five year period, 10,000 jobs per year. This employment target will help achieve the National Vision interim unemployment target of 18 percent for 2016/17 and enable the country to reduce it to 15 percent by 2020.

The National Employment Policy thus responds to and operationalizes the NSDP objectives and provides a framework for its implementation in respect of employment creation and poverty reduction. The Decent Work Country Programme for Lesotho also focuses on increased employment creation for poverty alleviation as one of the key priorities. In addition, the National Employment Policy (NEP) helps identifying key problems and factors that prevent the country from creating

sustainable decent employment. It also provides strategies and priority areas for achieving job-rich growth.

The re-emergence of social objectives as central to the development thrust is driven by world-wide developments, and in particular growing disenchantment with conventional approaches to development that were preoccupied with achieving macroeconomic stability through fiscal and inflation targets, at the expense of growth, employment and poverty reduction (the stabilisation trap). This exclusive focus on macroeconomic stability is based on the assumption that the link between growth and poverty reduction is automatic. However, it is now widely accepted that growth is a necessary condition for sustained poverty reduction; it is however inadequate and therefore the link is not automatic. Since labour is the main resource that most poor people have, labour-intensive growth is therefore the most effective way to reduce poverty. This implies that sustained poverty reduction requires the reduction of the costs for the poor to access sectors where growth is occurring, and to promote growth in the sectors where the poor are located. In this regard, public investment in the capacity of the poor to participate in, and benefit from economic growth becomes imperative. This is why the labour market is seen as the intermediary between growth and poverty reduction.

In terms of development priorities, the creation of sustainable and decent employment for Basotho has been identified as one of the biggest challenges facing the country. Since independence, several efforts have been made to address this problem, as could be witnessed from all the five year development plans, and later the three year rolling plans. However, the success of these measures has to a large extent been limited as a result of, among other things, lack of clearly articulated guidelines that can steer efforts towards the creation of decent and productive employment for Basotho.

The employment policy framework therefore provides a coherent and comprehensive approach to promoting decent and productive employment so essential to the eradication of poverty, a commitment Lesotho has made at various international fora. The Policy further gives effect to the provisions of the Ouagadougou Declaration and Follow Up Action on employment creation and poverty alleviation, the Decent Work Agenda for Africa, the ILO Declaration on Social Justice for a Fair Globalization and target 1B of the Millennium Development Goals relating to the achievement of full and productive employment and decent work for all as a means to halving the share of people living in extreme poverty by 2015.

## **2.0 PERFORMANCE REVIEW: TRENDS AND COMPARATIVE ANALYSIS**

### ***2.1 Structure of the Economy***

In terms of structure, the Lesotho economy can be divided into 3 distinct sectors i.e. the primary, the secondary and the tertiary sectors. The primary sector consists of agriculture and mining, the secondary sector comprises of manufacturing and construction, whilst the tertiary sector is made up of service provision. Commonly in developing countries the primary sector, and in particular agriculture, is the main contributor to GDP. However, this is not true for Lesotho where the secondary sector is main contributor to GDP. For instance, in 2011, the primary sector contributed only 3.9 percent to GDP compared to 6.3 percent contributed by the secondary sector in the same year.

Nonetheless in 1982/83, the primary sector, at the time almost exclusively agriculture, contributed 24.5 percent of GDP, this has declined to 13.1 percent of GDP by 2009/10, despite a substantial increase in the contribution of mining. Over this period, agricultural growth averaged only 0.25 percent per annum.<sup>5</sup> Moreover, agricultural work does not generate much income as two-thirds of all labour do not receive any wages as they are self-employed or work for a family member. However, agriculture remains important to most households, with over half having some agricultural land and keeping some livestock, one-third of rural females and two-thirds of rural males engaging in some agricultural work.

The mining and quarrying sub-sector has performed relatively well as a result of the re-opening of the Letšeng Diamond mine late in 2003. Although this sub-sector is a marginal contributor to GDP, growth in the sub-sector is important in ensuring sustained economic growth through employment creation, increased government revenue earnings and foreign investment, and an increase in foreign exchange earnings through exports.

Trends in the secondary sector are heavily influenced by the performance of the manufacturing sub-sector, which has expanded more than six-fold mainly driven by the introduction of the African Growth and Opportunity Act (AGOA) in 2000, which opened up export markets in the USA, especially for the garment industry. Decreases in exports to the United States in the last few years have been partially offset by increases in exports to South Africa.

While there is growing recognition of the role of Micro, Small and Medium Enterprises (MSMEs) in employment creation and economic development, its importance to the Basotho economy only emerged after the unemployment problems emanating from the retrenchments in the South African mines that affected migrant workers. The MSME policy acknowledged their crucial role in poverty reduction, the creation of decent employment, improving the situation of women and increasing indigenous ownership of the economy.

In spite of the potential role of MSMEs to accelerated growth and job creation in Lesotho, several bottlenecks affect their ability to realize their full potential. MSME development in Lesotho is held back by lack of, or limited access to finance, worsened by lack of collateral for most small business operators; lack of access to both domestic and regional markets; low level of managerial skills, including technological management know-how; lack of reliable physical infrastructure and serviced premises with adequate supply of water, electricity and adequate provision of communication, and the unfavourable business environment (regulations and licensing).

Historically, due to over-reliance of GDP growth on remittance income from South African mines, small businesses did not receive adequate official attention, with little practical efforts to strengthen the development of small, micro and medium enterprises in the country. Various economic blueprints such as the Poverty Reduction Strategy Paper (PRSP), Growth Strategy Paper (2009/10-12/13), MSME Policy, National Strategic Development Plan (2012/13-2016/17) and budget

---

<sup>5</sup> The Growth Strategy Paper notes that while at independence the share of agriculture in GDP was about 50 percent, it has since declined to about 17 percent in the mid-1990s and 9 percent by 2007 and 8 percent in 2009/10. An estimated 4 percent of farmers produce for the market, while 96 percent are subsistence farmers.

statements recognized the role of MSMEs. They articulated the following support measures: (i) establishing a more conducive environment with supportive legislation for small businesses; (ii) building the skills of Basotho entrepreneurs through training and development of sustainable market opportunities; (iii) provision of business counselling and mentoring; (iv) support to business associations; (v) piloting rotational markets and establishing new market centres equipped with modern technology; (vi) improving access to credit through the introduction of financial services and credit schemes that are market-oriented.

## ***2.2 Trends in Economic Growth***

Lesotho achieved a real average annual GDP growth of 3.9 percent between 1982/83 and 2009/10. However, as a result of a decline in remittances over the same period, the increase in GDP has not substantially decreased poverty. The growth target in the National Strategic Development Plan (NSDP) is 5 percent. This is lower than the 7 percent target in the Vision 2020, but as a result of lower population growth a 5 percent growth rate now will have a similar impact on poverty reduction as a 7 percent growth rate would have had a decade ago.

Until the early 1990s, close to half of the country's Gross National Income (GNI) was derived from remittances from Basotho miners employed in South Africa. However, the decline in mining opportunities was such that by 2007, only 18 percent of the country's GNI emanated from South Africa. As a result, the annual growth rate of Gross National Income (GNI) during the period 1982/83-2009/10 was only 1 percent, while Gross National Disposable Income (GNDI), which includes net transfers from the SACU revenue pool, grew by 1.1 percent per annum over this period.<sup>6</sup> Given an annual growth rate of the population of 1.1 percent during the period 1982-2006, this therefore suggests that there was no real gain in per capita national disposable incomes. Thus, the economic growth rates have not resulted in a decrease in poverty because many of the gains in GDP have been offset by falling remittances.

While falling remittances significantly reduced growth in GNI, several favourable external shocks associated with large scale investments financed by foreign capital inflows accelerated growth of GDP. These external factors included: (i) massive external investments in construction as a result of the Lesotho Highlands Water Project (LHWP) to export water to South Africa; (ii) Foreign Direct Investments (FDIs) from East Asia and South Africa to a rapidly expanding garments export sector (textile manufacturing arising from the AGOA initiative to serve the USA market); and (iii) a resumption in diamond mining operations also led by foreign owned companies.

Beginning in 2000, the economy of Lesotho experienced phenomenal growth of the garment sector that became the main driver of growth until 2005. In that period, Lesotho emerged as the largest exporter in Sub-Saharan Africa (SSA) of garments to the US market exporting products worth US\$450 million in 2004, 30 percent of the garment exports from SSA in terms of value. Diamond mining became the fastest growing sector since 2004 following the opening of two mines. Growth of

---

<sup>6</sup> Lesotho is unusual in that it receives substantial inflows of net factor income from abroad, mainly remittances from Basotho mine-workers. In that regard, GNI is a more appropriate measure of the country's economic well-being than GDP. GNDI indicates the resources available for savings and consumption.

these two export-oriented industries accelerated GDP growth during the period 2003-07 to 4.4 percent per annum.

The structural changes that have occurred to the Lesotho economy imply that while income was mainly derived from abroad in the 1980s, it is now generated internally, which translates to greater independence as GDP has become much more important as a source of national income. Fiscal performance suggests that revenues and grants increased from M2.98 billion in 2001/02 reaching M6.48 billion in 2006/07, an annual average of 16.8 percent. The rise in revenues was largely as a result of unexpected SACU windfalls that increased from M1.43 billion in 2001/02 to M4.097 billion in 2006/07, an annual average growth of 22.4 percent. Expenditures and net lending also increased during this period, growing at an annual rate of 10.8 percent, with the growth associated with increases in recurrent expenditures that reached M4.028 billion in 2006/07, growing at an annual rate of 12 percent since 2001/02. In the context of the world economic recession, the Medium Term Fiscal Framework (MTFF) 2 for 2008/09-2010/11 reflects a significant reduction in revenues due to lower SACU receipts and slower economic growth that undermines tax revenues.

However, given its small and open economy, Lesotho's growth and prosperity are driven by, and vulnerable to international trends. The onset of the economic and financial crisis affected Lesotho through; declining revenues from the SACU customs pool, resulting in expenditure cuts, falling FDI's due to global uncertainty; and contracting exports and leading to reductions in output and employment. Reduced demand in the US for textiles and in global demand for diamonds forced some domestic textile producers to close down, with some mines suspending operations. Thus, in spite of some fiscal adjustment, large fiscal deficits occurred in 2009/10 and 2010/11 that were financed by drawing down Government balances with the Central Bank of Lesotho. Resultantly, aggregate Net Foreign Assets declined sharply, reducing import cover to dangerously low levels of less than 3 months in 2011/12, clearly demonstrating Lesotho's vulnerability to exogenous events.

Historically, Lesotho has experienced low savings and investment ratios, undermining its growth and employment prospects. At constant 2004 prices, savings amounted to M2,589.5 million in 1982/83, and by 2009/10, they had increased to M4,146.4 million, an annual average rate of only 1.7 percent. While throughout the 1980s, savings were boosted by the deferred pay scheme for migrant mine-worker incomes, equalling 80 percent of GDP or 20 percent of GNDI, they have declined since the mid-1990s to the current average of about 40 percent of GDP and 20 percent of GNDI. Investment on the other hand remained very low throughout the 1980s at less than 40 percent of GDP or less than 10 percent of GNDI. Implementation of the Lesotho Highlands Water Project in the 1990s raised it to 25 percent of GNDI, however, it has dropped to around 15 percent currently. This indicates that the ratios of both savings and investment are below the levels necessary for economic transformation. At 21 percent of GNDI, savings fall short of the National Vision target of 35 percent, while investment at 16 percent, are even further short from the target of 39 percent.

### 2.3 *Employment Profile*

According to the 2008 Integrated Labour Force Survey (ILFS), of the 1,237,257 people aged fifteen years and above (the labour force), 608,327 (49.2 percent) were employed.<sup>7</sup> 55.3 percent of these employed labour force constituted males, whilst females only comprised 44.7 percent. This is characteristic of most developing countries whereby males occupy economic roles and females play reproductive roles. As a result, the participation rates are higher for males than for females. The employment-to-population ratio (the proportion of the target population 15 years and above that is employed) was 49.2 percent in 2008 which was a decrease from 52.9 percent of 1999. These compare unfavourably with the average levels of 65.8 percent for Sub-Saharan Africa and the world average of 60.9 percent for 2008 (see ILO's Global Employment Trends of January 2010).

The overwhelming majority of the employed population aged 15 years and above (81.9 percent) were employees engaged in elementary occupations, followed by own account workers at 13.7 percent, while the remaining employment categories accounted for 4.5 percent, of which unpaid family workers accounted for the highest share of 3.8 percent.

Until the early 1990s, the mining industry in the Republic of South Africa has been the main source of employment for Basotho men. At its peak in 1989, it was employing approximately 130,000, making up almost 50 percent of the economically active male labour force. However, the number had gone down to 37051 by December 2012, which constitutes less than 13 percent of the labour force. This route is now closed due to adoption of policies by the RSA Government that prevented hiring of novices from other countries into the mining industry. Unfortunately, the local labour market has failed to reabsorb these retrenched mineworkers, hence are forced to enter the subsistence agriculture. This sector (subsistence agriculture) is characterized by extreme levels of underemployment both in terms of remuneration and work performed, and falls under informal employment which absorbed 71.7% of the labour force in 2008. Even though the absolute unemployment rate has been cushioned from 31% in 1999 to 25.4% in 2008, it cannot be concluded that the situation has improved because the change is due to increase in underemployment.

The performance of the manufacturing sector was substantially boosted by the emergence of the textile and garment industry, making it the largest formal employer in Lesotho. In March 2009, there were 29 factories employing 33,070, with an estimated 80-85 percent of the employees being women, which was a decline from approximately 42,000 employed in March 2008 due to the global financial crisis (BOS 2009: Performance of Manufacturing Sector 2009, No: 22).. This reflects a 22.6 percent decrease in employment in this sector in a period of a year.

Government is the second largest formal employer (including civil service and the armed forces); it registered an annual increase of 4.2 percent from 2007 to 2008 due to a rise in recruitment of teachers in response to the free primary education initiative. The levels employed in the public

---

<sup>7</sup> The employed include persons either self-employed, who employ others, employed by someone (paid employees), or working on the family farm or business either without actually getting paid or is being paid in kind (unpaid family worker). Using the definition of the labour force used in earlier surveys, those aged 10 years and above, there were 1,461,763 people in the labour force, of which 42.3 percent were employed.

service and teaching however declined between 2008 and 2009 from 20,014 to 19,349 and 14,970 to 14,923 respectively.

## ***2.4 The Informal Economy***

Informal employment and formal employment are distinguished by, amongst others, the nature of employment contracts, the rights and benefits, and access to social security. In Lesotho 71.7 percent of the employed population was informally employed (2008 ILFS). It is noteworthy that the bulk (51%) of this informal employment is in formal sector enterprises. Such a high level of informalization of the Basotho economy denotes huge decent work deficits. However, the informal sector itself still plays a major role in terms of income generation and employment creation even there has been a shift from the sector itself to the informal employment in the formal sector and subsistence agricultural sector. In 1999 the informal economy was employing approximately 130,200 people equivalent to 22% of the total labour force in Lesotho, but the figure has declined to.....in 2008, which constitutes only 8.4% of the labour force. The highly represented industries in this sector are wholesale and retail with 24.8% in the urban areas while public administration and security have higher proportions in rural areas with 23%. Furthermore, this sector provides employment mainly to the youthful population of the labour force absorbing more than 20% of those aged 25-34. This highlights the plight of underemployment faced by youth, and calls for formulation of youth targeted employment creation strategies, and transitioning the informal jobs into formality.

## ***2.5 Child Labour<sup>8</sup>***

The legislated working age is 15 years and above in Lesotho (Labour Code Order 1992), as a result all labour market participants falling below this age limit can be regarded as child labour. Children aged 6-14 years numbered 388,845, of which 49.7 percent were boys and 50.3 percent were girls (2008 ILFS). Of these children, 2.9% were working though only 29.7% of them were simultaneously attending school. However, on average child labour rate has been estimated at 23% in 2001 to 2010 (HDR 2013). The unique characteristic of Lesotho in this regard, is that the boy child is the most affected by child labour and non attendance of school (75.4 % for the age group 6-9 years and 78.7% for the age group 10-14 years). This can be attributed to the traditional institutional roles which prescribed preparation of young boys for occupation of their positions as heads of households by engaging in agricultural activities including herding from very early ages.

## ***2.6 Unemployment***

The unemployment levels have remained high in Lesotho even though the picture portrayed by the unemployment rates from the 1999 and 2008 Labour Force Surveys indicate a decline with 31% and 25.4% respectively. It should be noted that the two surveys used different definitions of labour force with the former including the age group 10 years whilst the latter defined it as those 15 years and above. As can be observed from the previous sections, the unemployment and underemployment problems have grown to enormous proportions since the late 1980's when the country was beset with

---

<sup>8</sup> Child labour as defined in the 2008 ILFS refers only to economic activities or 'those activities which are socially useful and remunerable, requiring manual and or intellectual effort, which result in the production of goods and services and therefore excludes household chores'.



retrenchments from RSA. There were however, slight improvements in employment levels attributed to a boost in manufacturing as result of Lesotho being able to benefit from the AGOA agreement 9. However, following the global economic crisis, the rate of unemployment worsened from the 25.4% to 29.4% in 2009 (see Lesotho Decent Work Country Programme (DWCP), 2011-2015).

According to the 2008 Integrated Labour Force Survey, there were 192,119 unemployed people, of which 49.1 percent were males and 50.9 percent were females.<sup>10</sup> Using the international definition, youths aged 15-24 years constituted 35.8 percent of the unemployed. However, using the definition in the Lesotho Youth Policy, youths aged 15-34 accounted for 57.2 percent of the unemployed.<sup>11</sup> Data for 2009 suggests that the unemployment rate for females was higher at 33.1 percent compared to the level of 26.9 percent for males. Furthermore, young men and women in the age group 15-29 years, who constituted the largest proportion of the labour force, experienced the highest unemployment rate at more than 38 percent (see DWCP, 2011-15).

Moreover, the country is affected mostly by structural unemployment, as the largest proportion of both males (45.9) and females (47.2) spent 24 or more months without work or business. Cyclical unemployment is also a challenge as employment tends to rise with major economic developments such as construction of roads, hospitals and shopping malls. In both cases women and youth are highly vulnerable. It therefore calls for intervention by various players in the economy to come up with strategies that will help combat these challenges.

### **2.7 Education and Skills Development**

Lesotho achieved substantial gains in education since the introduction of free primary education in 2000. As a result, the net primary school enrolment rate increased from 60 percent in 1999 to 82 percent by 2008; which is among the highest in Sub-Saharan Africa (SSA). In addition, about 50 percent of both males and females completed primary school as the highest level of education attained. However, the teacher to student ratio remains very high hence compromising the quality of education.

The country is nevertheless faced with capacity problems in vocational, technical and higher learning institutions due to limited training facilities which cannot accommodate the secondary level completers. Worse still, graduates from these post secondary institutions are job-seekers rather than job creators. Challenges associated with the education and training system include lack of entrepreneurial focus, lack of a range of relevant business skills, the slow pace of innovation, low level of total factor productivity and inappropriate choices of technology. Attempts at introducing entrepreneurial education in the past failed to take off. In the event, the country experiences a mismatch between skills demand and supply.

---

9 AGOA is a United States of America initiative, whereby Sub-Saharan countries declared as Least Developed “Can sell all products duty and quota free to the United States” It is divided into 2 phases: In phase 1 (2000 – 2004), inputs can be procured freely while in phase 2 (2005 – 2008) inputs must be sourced within Sub Saharan Africa or United States.

10 Based on the earlier definition of the labour force, those aged 10 years and above, there were 199,835 persons unemployed (13.7 percent) of which 49 percent (97,894) were males and 51 percent (101,941) were females.

11 The definition used in the Lesotho Youth Policy treats those in the age group 15-35 as youths.

Reforms are therefore a prerequisite to make the education and training system meet the challenges of quality, access and relevance. In this instance, the Technical Vocational Education and Training (TVET) policy recommends the establishment of a semi-autonomous Lesotho Skills Agency (LSA) and Sector Skills Committees (SSC) within this institution to formulate the relevant needs of the various sectors of the labour market. SSC is being introduced in the textiles and clothing sector where the World bank's Private Sector Competitiveness and Economic Diversification project has established two industry-led Skills Development Centres in Maseru and Maputsoe to address the need for improved productivity.

## **2.8 Migration**

The phenomenon of migration has been a common practice for Basotho since the discovery of precious metals in the Republic of South Africa (RSA) in the 18<sup>th</sup> century. In the past, young able-bodied men migrated from 'rural areas' in particular, to find employment in the RSA mining industry. At the time of the 2008 ILFS, 6.4 % of the members of households were outside the country, mainly the economically active. Male migrants formed the bulk of international migrants (76 percent). However, the migratory pattern changed from external after the middle 1990's retrenchments and became more internal with people moving from rural to urban areas in search of better employment opportunities..

Significant in this new migratory pattern (internal) is the fact that young women, as opposed to men, now dominate it. This is due to the large textile-manufacturing sector in the country, which employs almost exclusively females (95 percent of the textile workforce is women). The increasing youth unemployment problem has also impacted on rural-urban migration as it has affected the size of urban population. The urban population has increased from 16.9 percent in 1996 to 23.8 percent in 2006.

Notably, the patterns of migration that the country has experienced have had differing impacts on its population and economy. Economically, the migration of young able bodied men (external) has been blamed for denying Lesotho's rural economy with men who can develop and improve agricultural performance. At the same time this migration assisted in developing the rural money economy. For instance, the temporary nature and the conditions under which the men were working<sup>12</sup> necessitated substantive remittance of their incomes to Lesotho, helping to create increased demand for goods, especially in the rural areas where they originated. However, with the decline in RSA mining employment, the rural economy has been the hardest hit as remittances diminished.

Furthermore, Human Trafficking is another challenge related to poverty and unemployment Lesotho is facing. Many unemployed persons are at risk of becoming victims of trafficking on the back of promises of being employed in the country and elsewhere. Unemployment makes it easy and possible for traffickers, for example, to lure vulnerable people, particularly women, into the promises of lucrative jobs outside Lesotho.

---

<sup>12</sup> During the apartheid era, migration of men from countries such as Lesotho was temporary in that the men were not allowed to bring their families to RSA. Further, the men were only given a maximum of one year contract and were compelled to return home for renewal each year. This ensured that the men did not stay permanently in RSA.

## 2.9 HIV and AIDS

Lesotho has the third highest adult HIV and AIDS prevalence rate estimated at 23.2 percent.<sup>13</sup> LDHS (2009) shows that 26.7 percent of the female population aged 15-49 and 18.0 percent of the male population aged 15-59 were HIV positive. The percentage of infected women is greater than that of men in almost all age groups, except for the age group of 40 years and above. Critically, active members of the labour force are the worst affected, with the majority of those infected in the age bracket 15-49 years. Young women are the hardest hit such that those aged 15-29 constitute almost 75 percent of all reported cases. Given the high prevalence of HIV/AIDS among young women, they are likely to be more constrained in becoming economically active, in addition to the impact on their children, in terms of provided parental care, likelihood of their infection and possibly becoming HIV/AIDS orphans.

The pandemic is fuelled by, amongst other things, migration, poverty, and traditional attitudes that make it difficult to discuss sexual practices openly. For the Lesotho youth while migration increases their employment opportunities it puts them at the greater risk of being infected by HIV, as it is normally only one partner who migrates either to the RSA mining industry (Men) or to Maseru/Leribe (women) for the textile industry making them vulnerable to extra-marital sexual practices. The impact of HIV/ AIDS on productivity is also critical. It is estimated that HIV and AIDS is the single greatest obstacle to the achievement of the MDGs in Lesotho (see Lesotho Decent Work Country Programme, 2011-15).

### ***2.9 Gender Disparities:***

The situation of men and women in Lesotho is somewhat different from that of many developing countries. In terms of education Basotho women are much more educated than their male counterparts. This notwithstanding, women have struggled to translate their educational advantage and higher literacy rates into high rates of participation in the labour market or economic empowerment, to the extent expected. While they are well represented in the lower levels of the civil service, relatively few reach the top echelons of decision-making. A combination of factors explains this situation: women are concentrated in the lower echelons of the employment structure because they tend to make career choices as family nurturers and sex stereotyping influences the choice of subjects which boys and girls undertake and limits their capacity to venture into non traditional careers. Women therefore dominate the gender stereotyped professions such as secretarial services, shop assistants, teaching and nursing which are low-paying. Social prejudices, rather than lack of qualifications, limit their involvement in better paying managerial positions.

The Government has made big strides to achieve gender equality such as removing legal minority status of married women which had impact on access and control over productive resources such as land, finances, information and technology. Enactment of Legal Capacity of Married Persons Act in 2006 allows women to register property in their names. However, women empowerment issues are met with resistance by both men and women due to lack of understanding of true intentions of such development efforts.

The customary practices particularly, still impede on these efforts as there is patriarchal system which favours men over women in relation to inheritance and control of productive resources. Women are active in several economic sectors such as wage labour and subsistence farming but their participation is low due to their roles as caretakers of the household and reproductive functions. This

---

<sup>13</sup> HIV and AIDS Commission.

calls for establishment of self groups and cooperatives where there are limited facilities to access finances and other services. Rigid labour laws also contribute towards low participation of women in employment sectors as women's entitlement to maternity leave is limited to the period she has in service. Another challenge is that payment of wages while on maternity leave is at the discretion of the employer, there is no obligation.

### **2.10 Disability**

Disability of a person is often linked with his/her inability to perform some tasks and in worse cases inability to take care of oneself. This common association has in most circumstances led to marginalisation of people with disability in participation to issues of national development. Further the marginalisation of people with disability has more often been linked to their unemployment i.e. employers are reluctant to employ people with disability under the notion that they cannot perform as well as people without disability. Also due to cultural connotations and social attitudes, people with disability especially in the rural areas are still denied the right to education and training. This is further compounded by societal common element of regarding people with disability as objects of charity rather than people, who can, if given a chance, participate most effectively in development. This situation renders them economically poor, undeveloped and unable to satisfy their special needs

### **2.11 Employment Standards / Workers' Rights**

While Lesotho has ratified 23 international labour conventions, of which 22 are in force, including all the eight fundamental conventions, there are challenges related to implementation and compliance. For example, lack of rights to form trade unions and enjoy collective bargaining in the public sector remains an outstanding challenge that has been brought to the attention of the ILO.

### **2.12 Inequality, Poverty and Human Development**

Income distribution in Lesotho has been high since the 90's, even though slight improvements were experienced in the last decade. This is reflected by the Gini coefficients of 1994/95 to 2010 which indicate that the values decreased from 0.57 in 1994/95 to 0.525 in 2000-2010 (Human Development Report 2013). Furthermore, income distribution is heavily skewed such that while the richest 20 percent of the population account for 60.1 percent of total income, the poorest 20 percent receive only 2.8 percent (see African Peer Review Mechanism, page 183). While inequality is high in both urban and rural areas, the rural-urban divide only accounts for 4 percent of overall inequality, with the remaining 96 percent attributable to intra-urban and intra-rural inequality. Such high levels of inequality make growth less pro-poor.

Based on the international poverty line of \$1.25 per day, 43.4% of the population lived below the poverty line in 2002 to 2011. Moreover, an estimated 35.3% of the population was at the higher risk of multi-dimensional poverty in 2009 (HDR 2013). This affected particularly households with many children, those headed by older and less educated people, and households that survived by subsistence agriculture. Furthermore, 76.7% of the population have access to improved water sources and 72.2% are less than 30 minutes from a water source ( LDHS, 2009). In the area of sanitation, 25.1 percent have improved, non-shared facilities, 38.8 percent have non-improved, shared facilities and 36.0 percent have no facilities. An indication that there is a need to develop measures targeted at improving sanitary services as they have direct effect on health and living standards in general.

On the basis of the Human Development Index (HDI), The 2013 Human Development Report of the UNDP places Lesotho in the low human development category, attaining a position of 158 out of 186 countries. The HDI for Lesotho increased from 0.418 in 1980 to 0.470 in 1990 before declining to 0.427 in 2000. The performance of Lesotho has improved significantly from 2010 by scoring 0.446, and recording 0.461 in 2012. This can be attributed to several initiatives implemented by the government and its partners to improve livelihoods and fight the scourge of HIV and AIDS which can be cited for the decline in HDI ratings experienced from the 90s.

### **2.13 Social Protection**

Lesotho has a social assistance and social protection floor framework, funded from the fiscus and also supported by cooperating partners. This social assistance system focuses on the indigent and vulnerable, with the broader social protection floor extending basic support to everyone. However, a comprehensive contributory-based social insurance scheme is not yet in place, even though efforts to do so were initiated more than a decade ago. The lack of portability of South African social security benefits with respect to both ex-mineworkers and non-ex-mineworkers from Lesotho and their dependents remains a daunting challenge.

### **2.14 Social Dialogue**

The government is committed to more inclusive decision-making, and the social partners are interested in actively participating in policy formulation, implementation and monitoring processes. Areas that need to be addressed in order to enhance the effectiveness of social dialogue include: the legislative restrictions on the powers and functions of social dialogue structures; multiplicity of structures for social dialogue that are not properly coordinated; and lack of application of freedom of association and collective bargaining in the public service.

The social partners on the employers' side include the Association of Lesotho Employers and Business, which is the most representative employer organization. Its shortcoming is its inability to attract membership from the indigenous SME sector., The Lesotho Textile Exporters Association (LTEA), an association of textile and apparel manufacturers represents the majority of export-oriented textile and garment manufacturers. On the trade union side, there are four trade union federations: Congress of Lesotho Trade Union (COLETU), Lesotho Congress of Democratic Unions (LECODU), Lesotho Trade Union Congress (LTUC), and the recently formed (2010/11) Lesotho Labour Council (LLC). Fragmentation and multiplicity of trade unions hampers their performance in social dialogue and collective bargaining. This results in ineffective, uncoordinated, and weak social dialogue.

## **3.0 CURRENT POLICY, LEGAL AND INSTITUTIONAL FRAMEWORK**

There has never been any comprehensive National Employment Policy in Lesotho, but there have been several attempts to increase employment opportunities in the country. These initiatives were in the form of policies, programmes, and pieces of legislation.

The Labour Code Order of 1992 as amended provides for a localization programme, which is aimed at controlling employment of non-citizens in Lesotho. For instance, non-nationals can only be employed if there is thorough proof that there is no citizen of Lesotho suitable for the job in question and in such a case a local counterpart is attached to the expatriate for purposes of skills transfer. The

localization programme was also adopted by the Ministry of Public Service, which is responsible for the hiring of public servants; the aim of the Ministry of Public Service was to have counterparts for all foreigners employed by the Government of Lesotho in order to ensure takeover by Basotho once the foreigners' term of office expires.

The Government of Lesotho through various institutions also adopted active labour market policies aimed at increasing the level of employment within the country. These included promotion of large-scale enterprises through the adoption of policies and strategies that would attract more foreign direct investment (FDI). The Lesotho National Development Corporation (LNDC) was established as a result and was charged with the mandate to implement these policies. To achieve its mandate, the LNDC offered a package of incentives to foreign investors that included *inter alia*, tax holidays, serviced industrial sites etc. The success enjoyed by LNDC notwithstanding, its strategies have fallen far below the country's needs. As a result, a policy aimed at improving the level of domestic investment through improvement of micro, small and medium scale enterprises has been adopted.

The government also adopted special employment schemes and agricultural development policy. Special employment schemes in public works were aimed at improving rural infrastructure while at the same time providing employment to the rural communities. The agricultural policy emphasised promotion of agro industry and non-farm rural activities to ensure linkages with the agricultural sector at the rural level.

In 2003, the government launched its long-term strategic document, Vision 2020, which had poverty reduction as its main goal, thereby reinforcing the focus of the MDGs adopted at the turn of the new millennium, which recognized that decent and productive employment for all is central in addressing poverty and hunger. The National Growth Strategy 2009/2010 – 2012/13 seeks to accelerate shared and sustainable growth as a basis for sustainable poverty reduction. However, it fails to link growth and employment more explicitly and to identify employment-intensive sectors and ways of enhancing employment-rich growth, by for instance promoting backward and forward linkages across and within sectors and creating value chains and clusters.

The NSDP 2012/13-2016/17 launched in 2011 seeks to map out development efforts required to set the country on a path to achieve the goals and priorities of Vision 2020. It addresses the prerequisites for high sustainable and shared economic growth, diversification, and employment creation, especially youth employment.

The DWCP 2011-15 has been adopted as a framework for ILO's contribution to Lesotho's development priorities. It is centered on three country programme priorities; *employment creation for all*, particularly the youth, women, and retrenched workers; *social protection* (with a focus on social security, including improved conditions of work and occupational safety and health and strengthening of workplace responses to the HIV/AIDS epidemic); *tripartism and national social dialogue*. Partners noted that for the effective implementation of the LDWCP, there is need to strengthen strategic and effective partnerships and coordination mechanisms with constituents, the UN system, within the context of Delivery as One (DaO) initiative and other development partners in the country. In fact, the UN, in partnership with the Government of Lesotho, has begun to

implement the United Nations Development Assistance Framework (UNDAF), 2008-12.14 This is the second UNDAF for Lesotho based on a Common Country Assessment completed in 2004.

#### **4.0 PROBLEM ANALYSIS AND STATEMENT**

It is evident that past macroeconomic policies and programmes did not adequately impact on employment creation as the country is still faced with the high unemployment challenge. Furthermore, economic growth trends have not been inclusive and ‘job-rich.’ Despite the potential role of MSMEs to accelerate growth and job creation, a number of bottlenecks affect their ability of both formal and non-formal enterprises to realize their full potential.

##### **4.1 Employment challenges and prioritized problem areas**

In view of the limited success of the past measures and policies adopted to tackle the employment problems of the country, the following challenges remained;

###### *Identified Problems*

- High unemployment
- High underemployment
- Precarious employment
- Low levels of productivity
- Low earnings
- Child labour
- Human Trafficking
- Unskilled literate labour
- Lack of entrepreneurship
- Biased distribution of income (benefits from economic growth)
- Poor Enabling Environment for employment creation
- High prevalence of HIV and AIDS and its negative impacts on the labour market and economy

###### *Priority Problem Areas*

The following were prioritised as key problems in the country to be addressed urgently in order to maximise employment creation:

- Inadequate enabling environment for economic development and employment creation
- High unemployment particularly of youth and retrenched workers
- Unskilled literate labour

#### **4.2 CAUSES OF THE PRIORITY EMPLOYMENT PROBLEMS**

##### **1. INADEQUATE ENABLING ENVIRONMENT**

In order to create employment and alleviate poverty in Lesotho, a much higher economic growth rate is needed. Maximum economic growth can best be achieved through full participation of the private sector acting as the leading employment creator while the public sector should play the role of the facilitator for effective private sector participation.

---

<sup>14</sup> The UNDAF is the UN’s collective response to national development priorities and support for the attainment of MDGs.

### ***1.1 Causes of Inadequate Enabling Environment for Economic Growth and Employment Creation***

#### **i. Inadequate socio –economic policies**

Measures adopted in the past to improve socio-economic performance of the country as indicated have fallen far short of requirements. The policies and measures have been fragmented and not well coordinated resulting in less than desired impact. Furthermore most of the past socio-economic measures have been based on the trickle down concept i.e. economic growth is adequate on its own because the benefits from thereof will trickle down to all sectors of society. This however did not hold in Lesotho and the benefits of growth have not been transmitted to the population in general; only a few benefited resulting in a highly skewed income distribution as reflected by the high Gini Coefficient of 0.525. This was compounded by the inability of such policies in making employment creation central to their objectives thereby leading to little resources being allocated to employment creation.

#### **ii. Inadequate Legal and Regulatory Framework**

The legal and regulatory framework creates an unnecessary burden on potential investors in Lesotho. Although, there have been some improvements attributable to the creation of a one stop shop for industrial investors, **the enactment of the new Land Act 2010 and the Companies Bill, challenges still remain.** Furthermore the legal regime for obtaining several permits; work permits, residents permits is highly complex and embody lengthy procedures.

#### **iii. Access to Credit**

The financial sector is small in Lesotho therefore there is little competition leading to unnecessarily high interest rates on credit. Regulatory hurdles also make it difficult not only for borrowers but also to those who are interested in establishing financing schemes, for example registration of a micro-loans company. Lending is restricted by the limited availability and enforceability of collateral which makes credit services unfavourable and inaccessible especially for small enterprises. Other technical issues such as the capacity to prepare bankable business plans, business development services and information asymmetry need to be addressed.

#### **iv. Infrastructure**

Lack of efficient delivery of infrastructure service and utilities is one of the major challenges in Lesotho. This has been identified as a major deterrent in expanded industrial diversification leading to potential foreign investors opting for other countries. The government of Lesotho undertook a series of reforms in the telecommunications, power, water and transportation sector although the impact of such reforms has been limited. Infrastructure and utilities are an important element of any development process as they enable efficient and effective operations at enterprise level.

#### **v. Low Productivity in the Economy**

Like in many African countries, Lesotho is characterized by low productivity. This situation may be compounded by lack of a productivity regulating mechanism to coordinate all productivity improvement initiatives undertaken by different institutions in the country. Although productivity is dependent on several factors, the low productivity has in most cases been attributed to labour as a result of low skill levels. This has a negative impact on the ability of Lesotho to compete in the global market especially because the labour costs are relatively competitive.

**Furthermore, the high rate of underemployment and low production levels in the agricultural sector especially in subsistence agriculture is testimony to the low levels of productivity in the country. This is particularly serious for the country given that subsistence agriculture is the highest employer (approximately 70% in 1999) in the country, and provides livelihoods to over 80% of the Lesotho Population.**



## vi. Access to Business Development Services (BDS)

The institutional support environment is important to the creation of an enabling environment for employment creation. However, lack of or inadequate business development services makes it difficult for potential job creators to make informed decisions with regard to business and investment opportunities, markets and other related information.

## 2. YOUTH UNEMPLOYMENT AND RETRENCHED WORKERS

### 2.1 Youth Unemployment Problem use the Preliminary reports for the data. 2008

According to the Lesotho youth policy, youth is defined as any person aged between 15 and 35yrs<sup>15</sup>. The higher age limit has been set “for the purpose of facilitating proper targeting ... of assistance to the youth”. It is estimated that they make above 50% of the total population (estimated at around 1.9 Million) and mostly reside in the rural areas \from the Labour Force Survey 2008, 69% of the unemployed population is youth. It was estimated that unemployment amongst youth (15-34) was 30.5% as opposed to the overall unemployment rate of the country of approximately 25.3%. Further, the unemployment was mostly gender biased with young women making up the bulk of the unemployed with the unemployment rate of 43.4% while males constituted only 25.6% (Labour force Survey 2008).

Youth unemployment problem affects mostly school drop outs especially at primary or early secondary because they have minimal education and practically no functional skills as a result of an education system that is skewed towards academic learning only. Given the topology of the country and the resultant urban-rural disparities youth from the rural areas are in a much worse situation than their urban counterparts, and they are also the ones who mostly drop out of school before completion of primary education. Another group which also faces this unemployment problem are the school leavers and graduates who are increasingly faced structural unemployment.

#### 2.1.1 Major causes of Youth Unemployment

##### i. Lack of Skills

One of the most important causes of youth unemployment is low levels of employable skills. For instance it is estimated that of the total 26,000 youth who enter the labour market annually only 19% are from tertiary institutions and could be said to have employable skills. The matter is further exacerbated by lack of adequate skills training facilities for those youth who drop out of school before completing primary and secondary education.

##### ii. Poverty

The other factor, which has both contributing and residual factors to the employment status of youth in Lesotho, is the ever increasing levels of poverty in the country. Currently, it is estimated that 56.6% of the population is poor and 29.1% is very poor<sup>16</sup> (HBS 2002/3). (look for recent survey, if not use HDR 2013) While poverty is both cause and consequence of unemployment and underemployment, these poverty rates are also manifested in unemployment and underemployment, which result in a viscous circle of lower economic activity level and poverty. This also implies that the poverty status of some of the households forces children and youth in particular to join the labour market at relatively early stages of their lives without

15 This definition is slightly different from the International Definition which defines youth as any person aged between 15 and 25.

16 The poverty line for Lesotho based on 2002 constant prices is M146 per person per month; half of this level is defined as the “ultra poverty line”. For Lesotho studies have revealed that the high levels of inequality (Gini coefficient for Lesotho is estimated at 0.66) fuels the increasing levels of poverty. Furthermore poverty is more pronounced in the rural areas where the main source of income is subsistence agriculture. Studies have also shown that the incidence of poverty is highest amongst the female headed households (approximately 30% of households in Lesotho) whereby poverty rates are estimated at 62%.

having gained enough training in terms of functional skills, thus exacerbating the unemployment problem in the country. Further, lack of social protection in the country worsens the predicament of these youth because elderly people are forced to work thereby blocking job opportunities for youth

#### **iv. Financial Constraints**

Lack of financial resources increases the numbers of unemployed youth in the country because it contributes to their level of schooling, and to their entrance into the labour market. This does not only impact on those who are poor, unskilled and have little or no basic education, but it also affects skilled youth who want to venture into entrepreneurship due to their limited access to credit.

## **2.2 Unemployed retrenched workers**

### **i. Mining Retrenchment**

Since the early 90's, Lesotho has been experiencing massive retrenchments from the mining industry in the RSA which used to be the main employer for Basotho males due to changes in policies of RSA, and also changes in the price of gold. These changes brought about closure of some mines and down-sizing of employees in others. For example in 1990 there were approximately 130,000 Basotho employed in the RSA mining industry this went down to approximately 37051 in 2012. The retrenchments in this sector have also been compounded by global macroeconomic changes like the economic crunch that started late 2008. This crisis also led to closures of local small scale mining activities which resulted in job losses.

### **ii. Privatization Retrenchment**

In addition, there have also been retrenchments in government owned enterprises as a result of privatisation as advocated for by the Bretton Woods institutions under their Structural Adjustment Programmes. The programme is still continuing and up to now a total of 14 companies which were employing approximately 3,900 employees out of which a total of 1700 were laid off as a direct result of privatisation.

### **iii. Globalisation**

Further, until late 2004, the garment textile industry, which contributed 90% of the total export, was also one of the major employers in the country, employing about 54 000, but due to increasing international competition, and in particular, the ending of the Multi Fibre Agreement, and strengthening of South African Rand to which Maluti is pegged, there were massive retrenchments in this sector. The economic crunch is also one example of the impact of globalisation. Although the causes of the melt-down originated from 1<sup>st</sup> world countries, their effects have trickled to third world countries including Lesotho, causing more job losses (we should say how many jobs) in an economy already beset with employment problems.

These retrenchments affected various sectors of the labour force, with the mining industry affecting mainly males from the rural areas, and retrenchments from the textile industries affecting mainly females since 95% of employees in this sector are females.

## **3. UNSKILLED LITERATE LABOUR**

Unskilled literate labour comprises of all people who can read and write but lack functional skills i.e. they do not have employable skills. This constitutes most of Lesotho's labour force as most people drop out at primary level of education (according to MOET an average of 6.9% of primary pupils drop out) a level where the education system is such that neither functional nor basic life skills are attained.

The problem is manifested in the mismatch between available human capital and labour market requirements resulting in a large pool of educated unemployed labour force. As a result, not only of the mismatches but also due to the generally low demand for labour in the country, those who are better educated are forced to do jobs for which they are over-qualified, pushing out those who could do the jobs either into unemployment or into the informal sector or subsistence agriculture. Unskilled labour also leads to low productivity in the economy resulting in un-profitability of enterprises

As in the case of youth unemployment the problem of unskilled labour is more evident in the rural areas, mostly affecting young persons and ex-migrant workers, especially those who have been retrenched from the mining industry in RSA and of late the textile industry in Lesotho. Further, while the problem is not yet highly significant, there is a growing concern of graduates especially from the University who fail to secure decent employment.

### **3.1 Major causes of unskilled literate labour**

#### **i. Mismatch between the education system and the labour market demand**

One of the main contributing factors to lack of functional skills amongst the Lesotho labour force is the education system which is skewed towards white collar jobs. This is exacerbated by lack of vocational and skills training opportunities with those that are available being not market driven. For instance, the capacity of institutions (in terms of both quantity and quality) devoted to providing vocational and technical training is highly limited. This situation is accentuated by poor accreditation system which is highly bureaucratic and lack standard framework for its operation making it difficult to allow flexibility and private provision of skills training.

#### **ii. Lack of Human Resources Development Plan**

Lack of national human resource development plan that can guide provision of required skills in the labour market coupled with lack of career guidance and development framework at all levels of education and training in the country, makes it difficult for training institutions and trainees to respond to labour market requirements in terms of their choice of training. This situation is aggravated by non-existence of a fully functioning labour market information system which can be used to develop a comprehensive human resources development plan.

#### **iii. Single Provider (Government)**

For a long time the Government has been the sole provider of education and training from primary to university, and as a result, other stakeholders were edged out. This has resulted in training and education not being correlated with demands of the entire economy leading to labour market mismatch. While most of the schools are 'owned' by churches their authority and decision is highly limited as it is the Government that provides almost all the financial requirements of the schools.

## **5.0 POLICY ALTERNATIVES AND RECOMMENDED STRATEGIES**

The adoption of a pro-employment macroeconomic policy framework by the Government is the first necessary step in realising an inclusive and job rich growth. The next step is the design of an appropriate policy mix, and sequence that would translate the policy targets into reality. The National Employment Policy, implemented within the Lesotho Decent Work Country Programme framework, contributes to the realization of the National Strategic Development Plan by elaborating on the policy instrument choices at national and sectoral levels that are available to the Government and its cooperating partners.

The proposed policy strategy therefore comprises the following:

- *Ensuring an optimal balance between the stabilization, growth and employment creation objectives.*
- *Ensuring that the fiscal and monetary policy and targets support the goal of job-rich and inclusive growth and hence provide the needed fiscal space*
- *Ensuring that the financial and capital management policies lead to satisfactory financial intermediation and resource mobilization to support private sector led growth*

- *Support implementation of sectoral policies that promote both labour intensive and high productivity sectors of the economy*
- *Improve levels of productivity in all economic sectors including the informal sector.*
- *Promote transformation of the education and training system to reduce the gap between demand and supply of labour.*
- *Establish a fully functional labour market information system.*
- *Improve the quantity and quality of employment for the youth and those who have been retrenched.*

## PART II POLICY STATEMENT

### 6.0 A. VISION OF THE POLICY

**Decent<sup>17</sup> employment opportunities for all Basotho.**

### 7.0 B. MISSION

**To create a more enabling environment conducive for increasing decent employment opportunities for the entire Basotho workforce and reduce the rate of unemployment to less than 18 percent by 2016 and less than 15 percent by 2020, thus reducing the poverty levels in the country.**

### 8.0 C. PRINCIPLES OF THE POLICY

The employment policy should be co-ordinated with and implemented within the framework of national economic and social policy. In this regard, it will be consistent with the overall human development and economic strategies of Lesotho as outlined in the Poverty Reduction Strategy and the long-term National Vision 2020.

1. In particular, the success of this Employment Policy will be guided by the following principles:

- Promotion of a partnership approach involving the Government, the Private Sector, Trade Unions and Civil Society.
- Shift from a culture of ‘job-seekers’ to ‘job-creators’.
- Economic empowerment of marginalised and vulnerable groups (women, youth, disabled and Basotho migrants) to improve their integration and competitiveness.
- Evidence based policies and programmes to meet employment challenges.
- Inclusion of all stakeholders in all decisions relating to the decent work agenda.
- Commitment to mainstream employment creation within national development planning frameworks.
- Equal and equitable distribution of resources, opportunities and high and shared economic growth.
- Target resources to those areas that offer the most likely sources of employment growth.

---

17 The programme framework of decent work or work undertaken in conditions of freedom, equity, human dignity and security, has four key pillars including: promoting rights at work, promoting decent and productive employment opportunities for men and women, social protection and social dialogue:

Rights at work: in particular fundamental principles and rights at work, such as: freedom of association, collective bargaining, and elimination of forced labour, elimination of child labour and promoting equality at work, and other labour standards, etc.

Employment Opportunities: productivity, promotion of quality employment in all sectors of the economy, decent remuneration, etc.

Social Protection: social security, occupational safety and health, HIV and AIDS policies at the workplace etc.

Social Dialogue: Inclusion of all stakeholders in all decisions relating to the decent work agenda.

## 9.0 OBJECTIVES OF THE POLICY

The overall objective of this employment policy is to promote and stimulate high, shared and sustainable economic growth and development, raise levels of living, meet manpower requirements and overcome unemployment and under-employment, thereby eliminating poverty amongst the Basotho. Specifically the policy aims to:

- *Mainstream employment creation in macro economic and sectoral planning frameworks aimed at reducing unemployment to less than 18 percent by 2016 and less than 15 percent by 2020.*
- *Improve levels of productivity in all economic sectors including the informal sector.*
- *Promote transformation of the education and training system to reduce the gap between demand and supply of labour.*
- *Establish a fully functional labour market information system.*
- *Improve the quantity and quality of employment for the youth and those who have been retrenched.*

## 10.0 STRATEGIES OF THE POLICY

### 10.1 *Mainstream employment creation in macro economic and sectoral planning frameworks*

- Promote complementarities between macro and sectoral policies to accelerate employment creation.
- Promote the creation of sustainable MSMEs with decent working conditions.
- Promote backward and forward linkages across all sectors including value chains and cluster development for micro, small and medium enterprises.
- Develop legal instruments that promote economic growth and job creation, specifically a competition law and an Investment Code.
- Review and revise laws that place a burden on potential investors both local and foreign.
- Integrate employment targets in the development frameworks.
- Draft and introduce amendments to Financial Institutions Act 1999 to allow for the easier licensing of non-bank financial institutions.
- Adopt and operationalise a policy that encourages the wider use of local resources and the application of labour intensive methods in the delivery of infrastructure.
- Promote the implementation of rural and micro finance within the framework which will inter-alia define regulatory and supervisory framework for the micro-finance sector.

**10.2 *Improve levels of productivity in all economic sectors including the informal sector and facilitate transition to formality***

- Facilitate establishment of a National Productivity Organisation.
- Up-grade the knowledge and skills of workers, so that they can better adapt to new technologies.
- Promote the application of appropriate technologies to various economic sectors, where productivity can be increased and decent jobs can be created.
- Advocate and support implementation of the Agricultural Sector Strategy aimed at improving productivity levels in the sector.
- Adopting a multi faceted approach that improves vertical integration, diversifies markets, enhances production, and ensures high levels of compliance with labour and environmental standards.
- 
- Advocate for the removal of discriminatory customary practices that act as barriers to women's inheritance.
- Create and maintain an appropriate regulatory environment including competition in order to facilitate the emergence of business development services.
- Assess the impact of the HIV and AIDS workplace policy.

**10.3 *Promote transformation of the education and training system to reduce the gap between demand and supply of labour***

- Review and reform the education systems to adopt these in line with the future economic and developmental needs of the country, while ensuring equal opportunities for basic education for all.
- Review and reform the vocational and technical training systems to adopt them in line with the future economic and developmental needs of the country, making them more demand driven.
- Facilitate adaptation and provision of support mechanisms to existing vocational and technical training institutions and expand their capacity to make them more inclusive and responsive to the needs of vulnerable groups including people with disabilities.
- Promoting a partnership approach to education and training whereby all stakeholders have input into skills requirement, funding and development.
- Developing a comprehensive and coordinated human resources development plan based on labour market analysis.

**10.4 *Establish a fully functional labour market information system.***

- Identify and continuously review key labour market information (LMI) indicators.
- Promote a coordinated approach to labour market information linking all producers and users.

- Enhance the capacity of producers of labour market information and harmonise the concepts and methods of collecting data.
- Enhance the capacity of users of LMI so that they can interpret information for analysis and decision making.
- Enact legislation to support collection of labour market information data.

#### ***10.5 Improve the quantity and quality of employment for the youth and those who have been retrenched***

- Development of outreach training programmes aimed at skilling out of school youth in order to improve their employability.
- Provision of entrepreneurship training, career guidance and counselling to youth and retrenched workers in order to encourage them to engage in self employment activities.
- Re-skilling, retraining and redeployment of retrenched workers.
- Negotiate a Diaspora regulatory framework with key receiving countries to allow retrenched workers to seek alternative employment, portability of social security benefits and safeguarding of their rights.
- Promote cooperation between government, NGOs, and the private sector in development of apprenticeship programmes aimed at improving the transition from school to work by giving youth valuable work experience, hence increasing their competitiveness in the labour market.
- Provide support for creation of sustainable income generating projects in sectors like tourism, agriculture, manufacturing, mining etcetera, in the form of cooperatives and associations for youth and retrenched workers.
- Promote interventions for reintegration of juvenile offenders.
- Create forward and backward linkages between large scale industries and the micro, small and medium enterprises (MSMEs) and encourage venturing into entrepreneurship by youth and retrenched workers.
- Promote self help interventions that are targeted at orphans and vulnerable children.

### **11.0 POLICY IMPLEMENTATION**

While the promulgation of this National Policy on Employment is designed to contribute to the acceleration of employment growth, and move the nation towards full employment, this goal can only be achieved if the policy is vigorously and fully implemented. Given the multidimensional nature of the employment problem, implementation of the National Employment Policy requires the active participation and involvement of many actors, and their careful coordination. In this regard, it should be noted that this employment policy is not designed to supersede other policies in the different sectors. It is meant to be a guiding tool that job creating sectors of the economy such as agriculture, trade and industry, infrastructure and construction etc. should follow in relation to employment impact of their policies and measures.



Given that employment is a broad, multi-dimensional and cross cutting issue it would be unrealistic to assume that one sector or institution can be responsible for this employment policy. There is a need to establish a multi-dimensional coordinating institution based on existing consultative structures that will have all the necessary expertise to cater for the requirements of this employment policy while ensuring that its implementation adheres to the premises of the NSDP, Vision 2020 and the Millennium Development Goals (MDGs). Imperative to the success of this policy is to ensure that it is integrated within the national macro-economic policy i.e. employment creation should be the central theme of all macro-economic policies. The reason being that, although economic growth is highly important to employment creation, it does not simply translate into increased employment opportunities in the absence of measures that will ensure that growth is translated into employment. Essentially therefore, this Employment Policy is a tool for mainstreaming decent employment into all national development planning frameworks.

Furthermore, this policy is developed bearing in mind that the country has obligations and requirements at regional and international spheres. In this regard, implementation of this policy will be in line with the commitments that the country has undertaken in regional bodies such as the Southern African Development Community (SADC), African Union (AU) and the international community at large and also bilateral agreements such as those in Joint Bilateral Commission of Corporation (JBCC). In line with this, the policy will be implemented with the view to meeting commitments made under the New Partnership for African Development (NEPAD), the ILO Global Jobs Pact and the AU declaration and plan of Action on Employment Creation and Poverty Alleviation in Africa.

### **11.1 Implementation and Institutional Arrangements**

The overall coordination and management of this Employment Policy, and other policy frameworks dealing or having a bearing on employment creation in Lesotho and their subsequent implementation will be the responsibility of a restructured National Advisory Committee on Labour (NACOLA). In this regard, an employment impact assessment standard will be developed to determine the employment implications of investments and other policies/programmes adopted, and the examination of alternative proposals with a view to maximising their employment impact. Further, information gathering and dissemination will play a pivotal role in guiding the implementation, monitoring and subsequent review of this policy. Resources will be required to ensure that the institutions responsible for Labour Market Information (LMI) are fully functional and effective in carrying-out their duties. In particular, the capacity of the Directorate of National Employment Services, which is responsible for LMI, will be increased such that it is able to conduct research on the labour market expeditiously and hence guide the process of implementing this employment policy and other policies<sup>18</sup>.

Given the broad-based ownership of the policy and the importance of its successful implementation, members of the reorganized NACOLA will be high level policy makers drawn from various government agencies, labour market institutions, employers' and workers' organisations, NGOs, Youth Council, local government structures and other members of the civil society. In other words, the principle of social dialogue and participation will govern the whole process of implementation, monitoring, and evaluation.

In order to avoid duplication of efforts and opposing activities/programmes and to balance the trade-off between employment creation and decent conditions of employment, it is suggested that the reorganized NACOLA reports to Cabinet so that agreed positions are implemented.

Increasing productivity levels is highly essential for the success of this employment policy and reduction of poverty in general. This calls for establishment of a National Productivity Organisation given that in a rapidly globalising world it is only those countries which are competitive that will reap more benefits out of globalisation. Also important to the success of this policy is the establishment of the Lesotho Skills Authority (LSA) as stipulated in the TVET policy. It is also vital that implementation of several policy initiatives;

---

<sup>18</sup> For proposed LMI system and the proposed synergies between LMI, Skills Training and Employment see appendix 3

agricultural, food security, trade and industry, including MSMEs, youth, gender, investment, social protection etc. are vigorously pursued in order for this employment policy to be successful. Particularly important to the success of this policy will be the implementation of the envisaged National Social Security Scheme, which is aimed at improving the standard of living for ex-workers.

### ***11.2 Legal and Policy Framework***

NEC will be a legally established entity tasked with overseeing the implementation of the employment policy and other employment creation related frameworks. The legislation establishing NEC will give it enough authority and power to be able to supervise, guide and direct other stakeholders in the implementation of the policy. Thus, the Labour Code, the Public Service Act and other relevant statutes, with regard to employment will be amended to clearly indicate the powers accorded to the NEC and accommodate the provisions of this policy. The amendments will reflect all the jurisdiction of the NEC, frequency of its meetings and powers to establish committees, sub-committees and task forces to deal with specific issues related to the implementation of this policy. It will also be necessary to review and/or develop laws that will ensure that other structures which are necessary for the success of this employment policy are given enough powers and authority for them to be effective. However, the legal powers notwithstanding, the success of this policy will largely depend on collaborative effort and a close working relation among all stakeholders.

In order to ensure effectiveness of the reorganized NACOLA, it will be chaired by the Minister of Labour and Employment with first and second vice-chairpersons being the secretary generals of the Employers and Workers Associations. The chairperson will have the overall responsibility of ensuring that decisions taken by the reorganized NACOLA are implemented effectively and successfully. Day to day activities of the reorganized NACOLA will be carried by the Secretariat (Directorate of National Employment Services), whose main responsibility would be to perform the actual monitoring and evaluation of the implementation of the policy.

The government has already demonstrated political will towards employment creation. However, in order to cement and ensure continued support for employment creation, the committee of Ministers responsible for the economic cluster should also be given a mandate of overseeing issues of employment creation in the country. In terms of employment promotion, the committee should ensure that employment is included in the development agenda of the country as a priority issue. Further, the committee being responsible for all economic development issues in the country should receive reports from the various institutions responsible for the different aspects of development in the country. In this way, the committee will be able to keep track of developments and where inconsistencies arise, warn the responsible party such that corrective measures could be taken timely. This would also create a platform where synergies and working relations between the different stakeholders could be established and decisions on national economic development issues be taken holistically.

Further, since the actual implementation of this Policy would be at local level, it is important that local authorities also emulate the structures that have been developed at National level for the effective implementation of this policy. In this regard, each district will establish a committee comprised of the District Administrator, the District Council Secretary, Heads of Departments, Employers' and Workers' representatives, NGOs and other important stakeholders at district level. The main responsibility of these committees would be to adapt the stipulations of this policy to their District requirements and ensure that local councils are kept abreast and follow the strategies of this policy in their developmental agendas.

### ***11.3 Resource Mobilisation***

Mobilization of resources needed to implement this employment policy will be coordinated under the National Development Plan. This notwithstanding, the reorganized NACOLA will be expected to provide assistance where necessary. Concerted efforts will be focused on programmes that address the priority employment programmes as identified above. In particular, resources will be directed towards promoting

decent work, improving market access for the local entrepreneurs and international investors, uplifting the livelihoods of Basotho, and empowering the vulnerable groups of the society through employment by:

- Developing projects/programmes proposals to be funded by government (annual budget), needed to support employment initiatives and programmes.
- Promoting national, regional, and international financing windows as well as technical expertise needed to realize the objectives of this policy and the broader national goals.
- Tapping into the provisions of the NSDP given that employment creation is the highest priority in poverty reduction.
- Harnessing excess liquidity within the financial system and assisting entrepreneurs develop bankable projects that have maximum impact in employment creation.

### **12.0 Risks and Sustainability**

Since the adoption and implementation of the National Employment Policy represents a strategic paradigm shift, its success depends on the integration and mainstreaming of employment objectives across all policy frameworks, macro and sectoral, and the realization of the structural shift envisaged in the Plan Forecast of NSDP. A ‘business as usual’ approach to economic management reflected in the Low Growth Forecast will not result in the attainment of these growth and employment targets of NSDP and Vision 2020.

Furthermore, since the actual implementation of this Policy would be at local level, it is important that local authorities replicate the structures created at National level for the effective implementation of this policy. Accordingly, each district should establish a committee comprised of the District Administrator, the District Council Secretary, Heads of Departments, Employers’ and Workers’ representatives, NGOs and other important stakeholders at district level. These committees should adapt the stipulations of this policy to their District requirements and ensure that local councils are kept abreast and follow the strategies of this policy in their developmental agendas.

### **13.0 Monitoring and Evaluation**

The reorganized NACOLA will have the overall responsibility of setting standards, goals and benchmarks to ensure quality of outputs and to measure progress. It will also have the task of monitoring and evaluating progress made in implementation of this policy and its programmes and projects. Monitoring of the impact made on employment creation by other policy frameworks will also be the mandate of the reorganized NACOLA.

Based on the set goals and benchmarks, the reorganized NACOLA will carry out an evaluation of the results of programmes and projects implemented under the auspices of the policy at intervals of one to two years depending on the magnitude and extend of the programme/project. In this regard, the reorganized NACOLA will rely on LMI and use it as a tool to gauge and assess the impact of implemented programmes/projects on employment levels. The reorganized NACOLA will be expected to produce annual general monitoring and evaluation reports. Policy revisions may be undertaken as necessitated by the aforementioned reports. Accordingly, a review of the policy will be carried out in line with the life cycle of the NSDP.

#### **13.1 Monitoring Indicators**

#### **13.2 Reviews/evaluations of the Policy**

### **14.0 References and Bibliography**

### **15.0 Appendices**

**Annex 1: National Employment Policy: Action Plan**

## Vision of the Policy: Decent Employment Opportunities for all Basotho

**Priority Area A: Create an enabling environment for employment creation*****OBJECTIVE 1 Mainstream employment creation in macro economic and sectoral planning frameworks***

- Promote complementarities between macro and sectoral policies to accelerate employment creation.

## Proposed Activities

- i. Review and revise macro and fiscal policies so that they streamline employment creation and are conducive for increased investments.
  - ii. Streamline sectoral policies and their administration so that they are coherent and investor friendly to attract potential investors.
  - iii. Adopting a multi faceted approach that improves vertical integration, diversifies markets and production
- Promote the creation of sustainable MSMEs with decent working conditions.

## Proposed Activities

- i. Facilitate the adoption of the white paper on development of the MSMEs in the country
  - ii. Promote backward and forward linkages across all sectors including value chains and cluster development for small and medium enterprises.
  - iii. Improving competitiveness of MSMEs through entrepreneurship training and capitalisation
  - iv. Promote a culture of working in clusters for micro, small and medium entrepreneurs in regard to access to credit, market, infrastructure ,etc
  - v. Create and maintain an appropriate regulatory environment including competition in order to facilitate the emergence of business development services.
  - vi. Sensitize the relevant stakeholders on the removal of discriminatory laws that acted as barriers to women's access to credits, financial services and access to land.
- Develop legal instruments that promote economic growth and job creation, specifically a competition law and an Investment Code.

## Proposed Activities

- i. Promote compliance with the Lesotho Labour Laws while improving the industrial climate for increased investment
- ii. Adopt a competition law and investment code to promote economic growth and job creation
- iii. Review and revise laws that place a burden on potential investors.

- Integrate employment targets in the development frameworks.

#### Proposed Activities

- Undertake diagnostic analysis of the relationship between growth and employment in the prioritized sectors of the economy.
  - Develop employment targets in the prioritized sectors.
- Adopt and operationalize a policy that encourages the wider use of local resources and the application of labour intensive methods in the delivery of infrastructure.

#### Proposed Activities

- Facilitate utilization of labour intensive methodologies for infrastructure development.
- Put in place programmes that involve local communities (including youth, persons with disabilities, women and other vulnerable groups) in every stage of the project/programmes development and implementation in order to create employment and sense of ownership at community level.
- Review and revise the regulatory framework and implement the proposed reforms for increased private sector participation in infrastructure development, investment and service delivery.
- Promote the implementation of rural and micro finance within the framework which will inter-alia define regulatory and supervisory framework for the micro-finance sector.

### **OBJECTIVE 2 Improve levels of productivity in all economic sectors including the informal sector**

- Facilitate the diffusion of new technologies in enterprises and up-grade the knowledge and skills of workers, so that they can better adapt to new technologies, including ICT.

#### Proposed Activities

- Conduct research to determine the needs, country status and capacity to establish a National Productivity Organisation.
- Enact enabling law and operationalize the establishment of the NPO
- Develop and retain scarce and highly beneficial skills to the economy.
- Support implementation of the prioritized sector strategies aimed at improving productivity levels.
- Ensure improved compliance with labour and environmental standards.
- Assess the impact of the HIV and AIDS workplace policy

### ***OBJECTIVE 3 Promote transformation of the education and training system to reduce the gap between demand and supply of labour***

- Review and reform the education and training systems to adopt these in line with the future economic and developmental needs of the country, while ensuring equal opportunities for basic education for all.

#### Proposed Activities

- Conduct school mapping exercise to make schools accessible to everybody, this should be done in collaboration with infrastructure development institutions.

- ii. Build schools based on the result of the mapping exercise.
  - iii. Assess the impact of teachers' skill upgrading programme.
  - iv. Review and revise basic education curricula so that basic life skills are provided as early as possible to learners.
  - v. Provide subsidised basic skills training at lower secondary.
  - vi. Advocate, at community level, for importance of basic education as a foundation of future employability of an individual.
- Review and reform the vocational and technical training systems to adopt them in line with the future economic and developmental needs of the country, making them more demand driven.

#### Proposed Activities

- i. Strengthen the capacity of Institutions responsible for LMI by increasing resource allocation to them (Material, Financial and Human)
  - ii. Develop linkages between LMI producers and users through Labour Market Analysis that informs higher education and training.
  - iii. Conduct Tracer studies on graduates to determine the effectiveness of their training in the Labour market and inform new training programmes.
  - iv. Enact legislation to make disclosure of labour market information compulsory to improve access to secondary information.
  - v. Adapt and provide of support mechanisms to existing vocational and technical training institutions and expand their capacity to make them more inclusive and responsive to the needs of vulnerable groups including people with disabilities.
- Promoting a partnership approach to education and training whereby all stakeholders have input into skills requirement, funding and development.

#### Proposed Activities

- i. Promote cooperation between government, NGOs, and the private sector in development of apprenticeship programmes aimed at improving the transition from school to work.
- ii. Develop and implement a comprehensive and coordinated human resources development plan based on labour market analysis.
- iii. Formalise the establishment of the school-to-work transition programme (apprenticeship) aimed at equipping graduates with necessary work experience.

**OBJECTIVE 4 Establish** a fully functional labour market information system.

- Promote a coordinated approach to labour market information linking all producers and users

#### Proposed activities

- i. Strengthen the statistical literacy of stakeholders to improve the use of statistical information and nurture a culture of evidence-based policy-making
- ii. Enhance the functioning of the LMI task team
- iii. Identify key labour market information indicators
- iv. Enhance the capacity of producers of labour market information and harmonize the concepts and methods of collecting data.

- v. Enact legislation to support collection of labour market information
- vi. Sensitize stakeholders on the importance of LMI.

***Objective 5 Improve the quantity and quality of employment for the youth and those who have been retrenched***

- Development of outreach training programmes aimed at skilling out of school youth in order to improve their employability.

Proposed activities:

- i. Conduct needs assessment for out- of school youth and retrenched workers to determine their employability, training and other requirements.
  - ii. Provide LMI to be used in matching the needs of youth to the demands of the labour market.
  - iii. Organize job fairs targeting retrenched workers and unemployed youth.
  - iv. Design tailor-made skills training programmes based on the findings of i and ii above, and train youth and retrenched workers accordingly.
  - v. Establish linkages between institutions that are responsible for youth and retrenched workers, training providers and enterprises for improved absorption of youth and retrenched workers in employment.
  - vi. Train out- of-school youth through workshops and establishment of informal schools for different segments of youth by strengthening existing structures within government ministries, NGOs, private sector etc.
- Provision of entrepreneurship training, career guidance and counselling to youth and retrenched workers in order to encourage them to engage in self employment activities

Proposed activities:

- i. Empower and build capacity of business development service providers through training and mobilisation of resources for their use.
  - ii. Strengthen the institutions that provide guidance and counselling services by providing them with training and resources
  - iii. Decentralise guidance and counselling services to facilitate easy access to youth and retrenched workers.
  - iv. Identify training programmes on entrepreneurship and business management skills for the youth and retrenched workers
  - v. Develop a programme for re-skilling and redeployment of retrenched workers
- Negotiate a Diaspora regulatory framework with key receiving countries to allow retrenched workers to seek alternative employment, portability of social security benefits and safeguarding of their rights.

Proposed activities:

- i. Conscientize relevant ministries on the international experiences on migration and remittances.
- ii. Carry out study on the potential of migration and remittances in Lesotho.
- iii. Develop a negotiating framework based on internal consultations.
- iv. Negotiate a Diaspora regulatory framework with migrant receiving countries.

- Provide support for creation of sustainable income generating projects in prioritized sectors, including the informal economy for youth and retrenched workers and vulnerable groups (juvenile offenders and OVCs).

Proposed activities:

- i.** Develop and implement an Action Plan for increased decent employment of youth and retrenched workers.
- ii.** Provide necessary training, funding, access to market opportunities, and monitoring and evaluation of the projects/programmes.
- iii.** In collaboration with other stakeholders, organise youth and retrenched workers into working clusters/associations/cooperatives to make it easier for them to access credit and markets.
- iv.** Promote forward and backward linkages between large scale industries and the small, micro and medium enterprises and encourage venturing into entrepreneurship by youth and retrenched workers.



**Annex 2: Structure, Functions, reporting lines, communication lines of the reorganized NACOLA**Structure of the reorganized NACOLA:

It is proposed that the NEC be chaired by the Minister of Employment and Labour with alternative chairs drawn from the Private Sector (Employers) and Workers Organisations. The Directorate of the National Employment Services (DNES) in the Ministry of Labour and Employment will be the secretariat of the reorganized NACOLA. Other members of the reorganized NACOLA will be:

- Government: - MTICM, MFDP, BOS, MoLG, MAFS, MOWPT, MOET, TVET, LAW REFORM, MoLE, MPS, MTEC, MoCST, MGYSR.
- three representatives from workers' organisations
- three representatives from employers' association
- two representatives from business chambers
- two representative from youth council (including chairman of the council)
- two representative from retrenched workers
- two representative from civil society
- two representative from academia
- one representative from Central Bank of Lesotho

Given that the council is relatively large hence might find it difficult to meet more regularly, there will be established, within the council, a working committee comprised of not more than ten (10) members drawn from the council. The working committee shall meet on quarterly basis, while the council shall sit at least once a year.

Mandate of the the reorganized NACOLA

- 1) Facilitate and ensure implementation of the National Employment Policy.
- 2) The reorganized NACOLA shall nominate from amongst its members the working committee.
- 3) Develop reporting standards and ensure that all implementing agencies are familiar with it.

## Annex 3: National Employment Policy: Logical Framework Analysis

Priority Area	Objective	Strategies	Main Activities	Indicators	Outcomes	Comments / Assumption
<i>An environment conducive for rapid employment creation</i>	<p>To put employment creation at the centre of economic growth by adopting legal and policy frameworks that are conducive for rapid employment creation.</p> <p>To improve institutional capacity so that implementation of policies that are meant to speed up employment creation can be implemented smoothly.</p>	<b>1. Improve the legal and policy framework such that it becomes more investor friendly</b>	<p>a. Review and revise the laws that place burden on potential investors both local and foreign.</p> <p>i. Review and revise the Lesotho Labour Law to abolish inconsistencies and bring it line with international labour law while improving the industrial climate for increased investment.</p> <p>ii. Adopt a competition law and investment code to promote economic growth and job creation.</p> <p>iii. Review and revise the Financial Act and regulations to put it in line with developments in the financial markets and ensure that it promotes investment.</p> <p>b. Streamline employment creation in all macro economic policies in the country</p> <p>i. Standardize sectoral policies and their administration such that they are coherent and investor friendly.</p> <p>ii. Review and revise macro and fiscal policies such that they are more employment oriented and conducive for increased investments.</p>	<p>Revised Lesotho Labour Laws</p> <p>Competition Law and Investment code</p> <p>Revised Financial Act and Regulations</p> <p>- Number of standardized sectoral policies.</p> <p>- Harmonized and integrated policies</p>	<p>Decent work, good labour relations</p> <p>FDI and domestic investment</p> <p>Increased access to credit</p> <p>Sustainable economic growth</p>	

			<p>c. Advocate for the participation and representation of youth, retrenched workers, women and other vulnerable groups in existing structures dealing with developmental issues.</p>	<p>Number of youth, retrenched workers, women, etc. participating in decision making process as indicated by their membership in decision making fora.</p>	<p>Youth, retrenched workers, women, etc. participating in developmental issues</p>	
		<p><b>2. Make credit readily available to all who need it especially in relation to business development and capitalisation.</b></p>	<p>a. Promote the culture of working in clusters for small and medium entrepreneurs in regard to access to credit, market, infrastructure, etc.</p> <p>i. Liaise with credit institutions to make credit easily accessible for people working in clusters.</p> <p>ii. Solicit funds from government and development partners for the decentralization of rural and micro-finance</p> <p>iii. Develop credit management programmes and train clusters, cooperatives etc. in credit management to lessen the default rate among debtors.</p> <p>iv. Develop Information Education and Communication (IEC) materials on market opportunities.</p>	<p>Number of people working in clusters who have received credit.</p> <p>Amount of Credit provided</p> <p>-Number of credit Management programmes developed - Number of trained clusters</p> <p>IEC material developed on market opportunities.</p>	<p>Increased number of MSME clusters registered.</p>	

			<p>b. Promote the implementation of rural and micro finance which will inter-alia define regulatory and supervisory framework for the microfinance sector.</p> <p>i. Train providers of micro-finance on standards and credit management in order to maintain sustainability of the microfinance sector.</p> <p>ii. Establish an MSME development fund.</p> <p>iii. Solicit funds from government and development partners for the decentralization of rural and micro-finance</p> <p>c. Advocate for removal of customary practices that serve as barriers to access to credit and financial services.</p> <p>i. Develop IEC materials that change the attitudes of credit providers about vulnerable groups' access to credit.</p>	<p>Number of trained micro-finance providers</p> <p>MSME development fund established</p> <p>Records of solicited funds</p> <p>developed IEC materials</p> <p>Number of vulnerable people accessing credit.</p>	<p>Increased provision of sustainable rural and micro-finance.</p>	
--	--	--	--	---	--	--

		<b>3. Improve access to Land as one of the necessary factors of production.</b>	Advocate for adoption of the bill to reduce administrative bottlenecks in acquiring title deeds and allow land to be recognised as collateral by financial institutions.	Bill enacted into an Act	Improved access to land.	
		<b>4. Develop infrastructure for improved investment through more employment intensive methods.</b>	<p>a. Review and revise the regulatory framework and implement the proposed reforms for increased private sector participation in infrastructure development, investment and service delivery.</p> <p>i. Develop a framework for outsourcing services and subcontracting so that institutions could concentrate on their respective mandates.</p> <p>ii. Develop and adopt a policy for utilization of employment intensive methodologies for infrastructure development.</p> <p>iii. Develop procedures/policies for involvement of local communities in development and implementation of project/programmes in order to a sense of ownership at community level.</p>	<p>Framework developed.</p> <p>Employment Intensive infrastructure policy.</p> <p>Procedures/policies developed.</p>	Increased levels of employment in infrastructure and development projects	
		<b>5. Improve provision of Business Development Services to MSME's so that they can transform into viable enterprises that provide decent</b>	<p>a. Create and maintain an appropriate regulatory environment for effective operation of BDS</p> <p>i. Facilitate the adoption and implementation of the white paper on development of the MSME's in the country.</p> <p>b. Create forward and backward linkages between large scale industries and the small, micro and medium enterprise to encourage venturing into entrepreneurship and also to facilitate growth of the MSME's and thus increase the level of employment in this sector by:</p>	<p>The number of viable and productive MSMEs.</p> <p>Number of decent and sustainable jobs created in MSMEs</p>	Improved business development services (BDS) to MSMEs	

		<b>employment</b>	<ul style="list-style-type: none"> <li>i. Improving competitiveness of MSME through entrepreneurship training and capitalization.</li> <li>ii. Establishing a forum comprised of representatives from small and large businesses where issues of common interest can be discussed and working relations forged.</li> </ul>	Contracts, agreements, programmes etc. between MSMEs, public sector and large businesses		
		<b>6. Improve productivity for increased competitiveness especially in the global markets.</b>	<ul style="list-style-type: none"> <li>a. Establish a National Productivity Organisation.                             <ul style="list-style-type: none"> <li>i. Conduct research to determine the needs, country status and capacity to establish a National Productivity Organisation.</li> <li>ii. Hold a Stakeholders’ consultative forum that will establish a Task Force whose main mandate would be the establishment of the National Productivity Organisation</li> </ul> </li> <li>b. Upgrade the knowledge and skills of workers, so that they can better adapt to new technologies.                             <ul style="list-style-type: none"> <li>i. Reform Research and Development (R&amp;D) Unit so that it informs the economy in new technologies that can further improve productivity levels and create new types of jobs in the country.</li> <li>ii. Development and retention of scarce and highly beneficial skills to the economy.</li> </ul> </li> <li>d. Support implementation of the Agricultural Sector Strategy aimed at improving productivity levels in the sector</li> </ul>	Research report.  Established Task Force          Reformed R&D unit          Availability of scarce and highly beneficial skills          Increased commercialisation and productivity in agriculture	Increased and efficient production of goods and services as indicated by: Productivity rates	

Priority Area	Objective	Strategies	Main Activities	Indicators	Means of Verification/R results	Comments / Assumption
<i>Skilled and employable labour force.</i>	<p><b>To transform education and training system to be responsive to labour market needs in coordination with education and training policy, while ensuring equal access for all.</b></p> <p><b>To have a fully functional labour market information system.</b></p>	<p><b>1. Review and reform the basic education system so that it is equally accessible to all and better prepares students for tertiary education or for skills training.</b></p>	<p>a. Make basic education and basic skills training accessible to all and reform it such that it allows for smooth transition into tertiary education or work.</p> <p>vii. Conduct school mapping exercise to make schools accessible to everybody</p> <p>viii. Based on the results of the mapping exercise, build schools where there is need.</p> <p>ix. Train more teachers to ensure that all schools are fully staffed with qualified educators.</p> <p>x. Review and revise basic education curricula so that basic life skills are provided as early as possible to learners.</p> <p>xi. Provide subsidised basic skills training at lower secondary.</p>	<p>Geographical education information system developed</p> <p>Number of schools built.</p> <p>Increased number of trained teachers</p> <p>Revised basic education curricula</p> <p>Basic skills programmes</p> <p>Advocacy reports</p>	<p>Basic education system that is equally accessible to all and provides basic skills.</p>	
			<p><b>2. Review and reform tertiary education and training systems to adopt them in line with the</b></p> <p>a. Make vocational and technical training more demand driven and ensure that it is accessible to all.</p> <p>i. Develop a labour market information system that informs tertiary education and training (LMIS).</p>	<p>LMIS developed</p>		

		<p><b>current and future economic and developmental needs of the country</b></p>	<ul style="list-style-type: none"> <li>ii. Develop and implement a human resources development policy.</li> <li>iii. Conduct Tracer studies on graduates to determine the effectiveness of their training in the Labour market and inform new training programmes.</li> <li>b. Institutional development in relation to Labour Market Information.             <ul style="list-style-type: none"> <li>i. Improve access to secondary information – information disclosure by companies be obligatory.</li> <li>i. Modularize training programmes. (Training systems that are responsive to changing skills requirements including new skills).</li> <li>ii. Train in skills that are currently not demanded in the labour market but have a potential to attract new investments once available.</li> <li>iii. Establish information sharing forum amongst training providers. (coherent curricula development and implementation) – This forum/s must ensure progression from basic to intermediate to high skills to specified skills.</li> </ul> </li> </ul>	<p>Human Resource Development Policy</p> <p>Tracer study report</p> <p>Mandatory provision in the Labour Code ensuring disclosure of LMI</p> <p>Modularised curricula for tertiary level</p> <p>Training reports</p> <p>Reports and minutes of meetings held.</p>		
		<p><b>3. Improve cooperation between providers of both Education and Training and Labour</b></p>	<ul style="list-style-type: none"> <li>a. Speed up the establishment of LSA and mandate it to co-opt all those involved in the labour market to participate in development of education and training programmes.             <ul style="list-style-type: none"> <li>i. Coordinate through sector level advisory committees, industrial and training needs to develop appropriate training programmes.</li> </ul> </li> </ul>		<p>Increased attachments and apprenticeships</p>	



Priority Area	Objective	Strategies	Main Activities	Indicators	Means of Verification/R results	Comments / Assumption
		<b>Market information providers.</b>	<b>b.</b> Develop programmes between industries and training institutions to ensure smooth transition from school to work; through apprenticeship attachment, training and curriculum development and sponsorship.			
<i>Decent Employment for youth and those who have been retrenched.</i>	<p>To ensure sustainable work opportunities for youth and retrenched workers and hence reduce levels of unemployment and underemployment amongst them.</p> <p>To Have highly skilled youth and retrenched workers who can be easily absorbed in the Local economy.</p>	<p><b>1. Develop outreach training programmes aimed at skilling out-of-school youth and retrenched workers in order to improve their employability.</b></p>	<p>a. Conduct needs assessment for out- of school youth and retrenched workers to determine their employability, training and other requirements.</p> <p>b. Provide LMI to be used in matching the skills of youth and retrenchees to the demands of the labour market.</p> <p>c. Organize Job Fairs targeting the retrenched and unemployed youth.</p> <p>d. Design tailor-made skills training programmes based on the findings of a, and b, above and train youth and retrenched workers accordingly.</p> <p>e. Establish linkages between institutions that are responsible for youth and retrenched workers, training providers and enterprises for improved absorption of youth and retrenched workers in employment.</p> <p>f. Strengthen existing institutions and where there is need establish new ones for training of out-of-school youth and retrenched workers.</p>	<p>Needs assessment report</p> <p>Skills audit report.</p> <p>Number of job fairs.</p> <p>Number of tailor-made skills training programmes</p> <p>Employment rates amongst youth and retrenched workers</p> <p>Number of new institutions and capacitated institutions</p>	Employable youth and retrenched workers with skills needed by the labour market	
		<b>2. Provide entrepreneurship</b>	a. Empower and build capacity of business development service providers through training	Number of trained BDS	Increased self employment	

		<b>p training, guidance and counselling to youth and retrenched in order to encourage them to engage in self-employment activities.</b>	<p>and mobilisation of resources.</p> <p>b. Strengthen the institutions that provide guidance and counselling services by providing them with training and resources and strategically decentralise such services to facilitated easy access to youth and retrenched workers.</p> <p>c. Identify training programmes on entrepreneurship and other business management skills and provide them to youth and retrenched workers</p>	<p>providers</p> <p>Number of institutions capacitated.</p> <p>Number of identified training programmes.</p>	among youth and retrenched workers.	
		<b>3. Develop and implement apprenticeship programmes that smooth the transition into work for youth and for retrenched workers who have undergone skills training.</b>	<p>a. Conduct consultative meetings between government, NGO’s, private sector, and skills training centres to agree on the terms of apprenticeship programmes for youth and retrenched workers.</p> <p>b. Develop and implement comprehensive apprenticeship programmes for youth and retrenched workers.</p> <p>c. Review and revise the current competency attestation programme to make it more accessible so that all those who qualify can be appropriately certified to improve their employability.</p>	<p>Minutes of consultative meetings.</p> <p>Number of youth and retrenched workers in apprenticeship programmes</p> <p>Revised competency attestation programme.</p>	Apprenticeship and competency attestation programmes that are effective.	
		<b>4. Provide support for creation of sustainable income generating projects in</b>	<p>a. Provide necessary training, funding, and access to market opportunities, and monitoring and evaluation of the projects/programmes.</p> <p>b. In collaboration with other stakeholders, organise youth and retrenched workers into</p>	<p>Number of income generating programmes/projects</p> <p>Number of youth and</p>	Viable and Sustainable income generating projects/ programmes for youth and	

		<p><b>sectors like tourism, agriculture, manufacturing and mining for youth and retrenched workers.</b></p>	<p>working clusters, associations, cooperatives etc. to make it easier for them to access credit and markets.</p> <p>c. Develop and implement an Action Plan for increased decent employment of youth and retrenched workers</p>	<p>retrenchees in clusters.</p> <p>Decent employment action plan</p>	<p>retrenched workers.</p>	
--	--	---	--	--	----------------------------	--

## Annex 4: National Employment Policy: Implementation Matrix

Expected Main Outputs	Key Activities/ Outputs and Targets	Time Frame in Years					Responsible Party	Planned Budget		
		1	2	3	4	5		Source of Funds	Budget Description	Estimated Amount
<p><i>1. An environment Conducive for rapid employment creation</i></p> <p>a. Employment creation streamlined within economic growth through legal and policy frameworks.</p> <p>b. Improved institutional capacity in relation to implementation of policies that are meant to speed up employment creation.</p>	1. Improve the legal and policy framework such that it becomes more investor friendly.	X	X	X	X	X	MFDP, MoJHR, MTICM, MoLE MoLG PARLIAMENT		1. Standardisation of policies and programmes and streamlining of employment into macro/fiscal policies. 2. Revision and development of labour market related legislation 3. Advocacy for inclusion of vulnerable groups in development agenda	
	2. Make credit readily available to all who need it especially in relation to business development and capitalisation.	X	X	X	X		MFDP, MTICM, MoLE CREDIT PROVIDERS		1. Promotion of working clusters/cooperatives 2. Develop Credit Management systems and programmes 3. Development and Distribution of IEC material development 4. Train micro credit providers 5. Facilitation of adoption of policies that promote involvement of vulnerable groups in economic development	
	3. Improve access to Land as one of the necessary factors of production	X					Land Administrative Authority, MoLG PARLIAMENT		1. Reduction of administrative bottlenecks 2. Adoption of land bill 3. Review of land tenure system	
	4. Develop infrastructure for improved investment through more employment intensive methods.	X	X	X	X	X	MOPWT, Private Sector, MFDP MoLG, LNDC		1. Development of outsourcing and subcontracting framework 2. Adoption of Employment intensive infrastructure development policy Establishment of a task force for ensuring that employment is maximized 3. Ensuring ownership of projects/programmes by communities	

	<b>5. Improve provision of Business Development Services to MSME's so that they can transform into viable enterprises that provide decent employment</b>	X	X				MTICM, MoLE BEDCO LNDC SMME NETWORK		1. Adoption of MSMEs Policy 2. Entrepreneurship training and capitalization of MSME's 3. Forum establishment	
	<b>6. Improve productivity for increased competitiveness especially in the global markets.</b>	X	X	X	X	X	MAFS, MoCST, MTICM, MoLE		1. Conduct needs assessment study 2. Stakeholders Forum and task force  3. Workers and Employers awareness campaign 4. Research and Development Unit reform 5. Development and retention of scarce skills 6. Implementation of Agricultural Sector Strategy 7. Establishment of National Productivity Organisation	
<b>2. Skilled and employable labour force</b>	<b>1. Review and reform the basic education system so that it is equally accessible to all and better prepare students for tertiary education or for skills training.</b>	X		X		X	MOET MOFDP MOPWT, MoLE		1. School mapping exercise 2. Building schools 3. Training Teachers 4. Review Basic Curricula framework 5. Provision Free Basic Education 6. Provision of subsidised basic skills training 7. Advocacy at community level	
<b>a. An education and training system to be responsive to labour market needs in coordination with education and training policy, while ensuring equal access for all.</b>	<b>2. Review and reform tertiary education and training systems to adopt them in line with the current and future economic and developmental needs of the country</b>	X	X	X	X	X	MOET, MOLE, MFDPW TERTIARY INSTITUTION S		1. Development of a demand driven vocational and technical training (revision of curricula to a modularised system) 2. Labour Market Analysis (HRDP, LMI-collection, analysis and dissemination, Tracer Studies) 3. Development of information sharing mechanisms 4. Train in demanded skills and those with a potential for increasing economic activity	
<b>b. A fully functional labour market information system.</b>										

	<b>3. Improve cooperation between providers of Education and Training and Labour Market information providers</b>	X	X	X			MOET, MoLE, Private Sector, Employers & Workers Association		1. Establishment of LSA 2. Development of School to Work transition programmes	
<b>3. Decent Employment for youth and those who have been retrenched.</b>  <b>a. Sustainable work opportunities for youth and retrenched workers and hence reduced levels of unemployment and underemployment amongst them.</b>  <b>b. Skilled youth and retrenched workers who can be easily absorbed in the Local economy.</b>	<b>1. Develop outreach training programmes aimed at skilling out-of-school youth and retrenched workers in order to improve their employability.</b>	X	X	X	X	X	MGYSR, MoLE, MOET, MTICM, Private Sector		1. Needs Assessment 2. Development of training programmes (Business management, entrepreneurship, skills) 3. Capacity building of vocational and technical training institutions	
	<b>2. Provide entrepreneurship training, guidance and counselling to youth and retrenchedes in order to encourage them to engage in self-employment activities</b>	X	X	X	X	X	MoLE, MGYSR, MTICM, Private Sector		1. Capacity building of BDS and Guidance and Counselling Agencies 2. Training (Business management, entrepreneurship, skills)	
	<b>3. Develop and implement apprenticeship programmes that smooth the transition into work for youth and for retrenched workers who have undergone skills training.</b>	X	X				MGYSR, MOET, MoLE, TERTIARY INSTITUTIONS Private Sector		1. Design and implement tailor made apprenticeship programmes 2. Review and revision of competency testing programmes and decentralise them.	
	<b>4. Provide support for creation of sustainable income generating projects in sectors like tourism, agriculture, manufacturing and mining for youth and retrenched workers</b>	X	X	X	X	X	MFDP MTEC MAFS MTICM MGYSR MoLE Private sector		1. Formation of working clusters/cooperatives 2. Assist in identifying sources of funds for start-up capital, inputs and market opportunities	