




# The Situation of the Metal and Engineering Sector in Zambia

By  
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**FRIEDRICH  
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**STIFTUNG**

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# **Zambia Country Report**

## **The Situation of the Metal and Engineering Sector in Zambia**

**C 08 - 01329**

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### **Foreword**

This study aims to analyse the situation of the metal and engineering sector in Zambia in order to understand what would constitute appropriate strategies for strengthening trade unions in the sector. This study is also part of a cross-country research aimed at developing regional strategies for strengthening trade unions in the metal and engineering sector in Africa. From observations in this report, it is also clear that since the early 1990s, during which time the metal and engineering sector has been restructuring, the coverage of collective bargaining has diminished substantially, the scope of bargaining has narrowed, the depth of union involvement has reduced, and organisational security offered to unions by the employer has deteriorated. Many forces have combined to bring about this change but they all derive from the underlying logic of new management strategies that are pushing towards internalisation of employee relations and its alignments with business unit organisation.

Within this context, this study focuses on Zambia and explores three specific areas: i) the contribution of the metal and engineering sector to the national economy; ii) the situation of employment, trade unions and the labour regime in the sector, and iii) government programmes for supporting the sector. The analysis focuses on the period between 1994 to 2004.

FES is very thankful to the author of this study, Grayson Koyi, to have contributed to a deeper analysis of the metal and engineering sector in Zambia.

Gerd Botterweck  
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He has publications on macroeconomics, trade unions, international trade and youth unemployment in Zambia and has extensive experience in labour issues in Zambia. He also enjoys a very satisfying association with trade unions in Zambia. He is a member of the Africa Labour Research Network; Economics Association of Zambia, the Global Union Research Network and the Civil Society Network on Poverty Reduction in Zambia

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## Table of Contents

<b>1.0</b>	<b>Introduction .....</b>	<b>3</b>
1.1	Overview .....	3
1.2	Methodology and Sources of Data .....	3
1.3	Structure and Historical Overview of Sector .....	3
<b>2.0</b>	<b>Contribution of Metal and Engineering Sector to National Economy .....</b>	<b>3</b>
2.1	Geographical Spread of the Sector .....	3
2.2	Contribution to Gross Domestic Product (1994 – 2004) .....	3
2.3	Metal Sector Contribution to Manufacturing, 1994 – 2004 .....	3
2.4	Investment Trends (1994 – 2004) .....	3
2.5	External Trade and key Trading Partners .....	3
<b>3.0</b>	<b>Employment, Trade Unions and Labour Regime .....</b>	<b>3</b>
3.1	Employment Growth Pattern (1994 –2004) .....	3
3.2	Collective Bargaining, Labour and Trade Unions .....	3
3.3	Occupational Health and Safety .....	3
<b>4.0</b>	<b>Government Programmes Supporting the Metals and Engineering Sector .....</b>	<b>3</b>
4.1	Tax Regime .....	3
4.2	Multi-facility Economic Zone (MFEZ) .....	3
4.3	Zambia Development Agency .....	3
<b>5.0</b>	<b>Conclusion .....</b>	<b>3</b>
	Bibliography .....	6



## **1.0 Introduction**

### **1.1 Overview**

This study aims to analyse the situation of the metal and engineering sector in Zambia in order to understand what would constitute appropriate strategies for strengthening trade unions in the sector. Overall, this study is part of a cross-country research aimed at developing regional strategies for strengthening trade unions in the metal and engineering sector in Africa. Within this context, this study focuses on Zambia and explores three specific areas: i) the contribution of the metal and engineering sector to the national economy; ii) the situation of employment, trade unions and the labour regime in the sector, and iii) government programmes for supporting the sector. The analysis spans the period 1994 to 2004.

### **1.2 Methodology and Sources of Data**

The study methodology involved a review of important documents that shed light on the metal and engineering sector in Zambia as well as some structured interviews with key informants in government and labour. The main sources of the secondary data used include the following: official publications from the Central Statistics Office (CSO); the Central Bank of Zambia (BOZ); the Ministry of Finance and National Planning; the Ministry of Mines and Minerals Development; The Ministry of Commerce, Trade and Industry; the Ministry of Labour and Social Security; the Mine Workers Union of Zambia (MUZ); the National Union of Building, Engineering and General Workers (NUBEGW); the Zambia Investment Centre (ZIC) and, the Zambia Privatisation Agency (ZPA).

Specifically, CSO provided statistical information on industrial output, external trade and sector contribution to Gross Domestic Product (GDP). The Ministry of Mines and Minerals Development and Mopani Copper Mines Plc provided data on the geographical spread of the basic metals sector. The Ministry of Commerce, Trade and Industry provided data on government programmes in support of the sector. Most data on investment trends was obtained from the Zambia Privatisation Agency and the Zambia Investment Centre. Data related to employment, trade unions and the labour regime was obtained from the Ministry of Labour and Social Security and, the National Union of Building Engineering and General Workers (NUBEGW) and the Mine Workers' Union of Zambia (MUZ).

Much of the data used, however, was not disaggregated to the level of the metal and engineering sector in Zambia. In order to fill this gap, some computations and estimations had to be used to get close to what would constitute a picture of the metal and engineering sector. Besides, much of the data available relate to the extractive metal industry and so to a greater extent, data from the metal industry is relied upon to inform the analysis in this study. Even with these limitations, however, the study offers some very useful insights into the situation of the metal and engineering sector in Zambia and can be relied upon to inform sustainable strategies for trade unions.

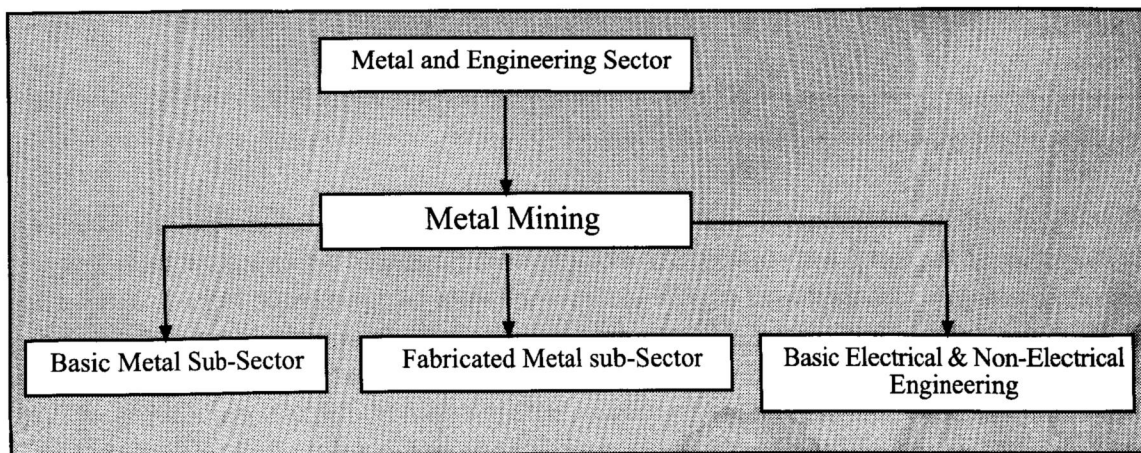
### 1.3 Structure and Historical Overview of Sector

#### 1.3.1 Structure of Sector

The structure of the metal and engineering sector in Zambia can broadly be divided into two sub-sectors: basic metals mining and metals fabrication engineering. Non-ferrous metal mining, mainly copper, zinc and lead dominate the basic metals sub-sector. This sub-sector is crucial because it is the one that produces much of the materials for the fabricated metal engineering sector, with Konkola Copper Mines, and Mopani leading the pack in the sub-sector. The fabricated metal engineering sector covers industries involved in the transformation of mining products into fabricated metal products, mainly copper rods, wire and sheets. The Zambia Metal Fabrication limited (ZAMEFA) leads the pack in this sub-sector. Of concern, however, is that the development of this sub-sector has been slow as; hitherto, much downstream processing into standard metal material is not done locally. Notwithstanding, the electrical engineering industry has had a strong link with the metal sector through the use of the copper wire in electricity generation and distribution equipment. The Copper belt Energy Corporation (CEC) and the Zambia Electricity and Supply Corporation (ZESCO) lead the pack in the use of copper wire. Generally, however, it is noticeable that mechanical engineering in Zambia has substantially reduced following the structural adjustment episodes of the 1990s, particularly as a result of the liquidation, privatisation and closure of most mechanical engineering firms that used to thrive on Government support.

The broad structure of the existing metal and engineering sector in Zambia is summarised in Figure 1 below.

Figure 1: Structure of Metal and Engineering (M&E) Sector in Zambia



Source: Author

#### 1.3.2 Historical Overview of the Sector

In terms of key trends in the development of the metal and engineering sector, it is the case that metal mining has had a long history in Zambia, from the late nineteenth century when its territory was brought under British rule by the British South Africa Company, through Independence in 1964 to the present day. Zambia's economy is, and always has been, exceptionally dependent on its metal mining industry, dominated by copper mining. Copper accounts for about 10% of Zambia's GDP (down from 40% in 1965) and a startling 90% of export revenues (CSO 2004). This dominance has influenced the rate and nature of industrial activity in the economy. As Ndulo(2004) writes,

## The Situation of the Metal and Engineering Sector in Zambia

“with favorable copper earnings it was easy to finance projects in the industrial sector using budgetary resources”. Such an incentive system led to the set-up and support of key industries in the national economy. Within this context, state supported metal and engineering industries were established to manufacture basic equipment and construction materials such as iron and corrugated sheets, pipes and bars of various types. Equally, engineering factories for the assembling of motor vehicles, bicycles and radios were established including the Zambia Engineering and Contracting Company limited (ZECCO), Livingstone Motor Assembly (LMA), Zambia Steel and Building Supplies limited (ZSBS), the Lusaka Engineering Company limited (LENCO) and the Luangwa Bicycles limited.

However, with the continued fall in copper earnings that set in around 1975, the industrial sector started to experience underutilization of capacity. This was partly due to the nature of the investment in the sector and the scarcity of foreign exchange available for imported inputs and spare parts. For instance, the Livingstone Motor Assembly and the Lusaka Engineering Company limited were highly dependent on imported parts to assemble cars and buses, respectively. Unfortunately, this import dependence proved costly when external shocks adversely affected revenue earnings from copper that had previously been used to support the broad industrial sector.

**Table 1: Sectoral Distribution of GDP (Percentage distribution), 1980 - 2004**

Sector	1980	1981-1990	1991-2000	2001-2002	2004
Agriculture	14.2	15.8	16.4	16.1	15.0
Mining	16.4	25.0	7.9	7.1	8.4
Manufacturing	18.5	15.5	20.0	10.7	10.9
Services	50.9	43.6	55.7	66.2	65.7
Total	100	100	100	100	100

Source: CSO (2005:2)

Broadly, therefore, the industrial sector in Zambia has long been on the decline and so has the contribution of the metal and engineering sector to national output. As seen from table 1 above, the contribution of manufacturing to GDP has declined from 18.5 percent in 1980 to 10.9 percent in 2004. Incidentally, the situation of manufacturing has been exacerbated by the liquidation of most companies in the mid-1990s, which resulted in de-industrialization side effects of the recent structural adjustment episode. As Ndulo writes, “with the structural adjustment episode of 1991, most firms could not withstand competition with imports and ended up folding”(2004). This is exactly what happened to most engineering firms set up during the era of Import Substitution Industrialization.<sup>1</sup> Cases in point include the Livingstone Motor Assembly, Rover Zambia, Lusaka Engineering Company limited and the Zambia Engineering Company limited (ZECCO).

Overall, the size of the metal and engineering industry in Zambia has shrunk significantly. Consequently, formal sector employment trends in associated industries have assumed declining

<sup>1</sup> Import Substitution Industrialisation (ISI) refers to a policy towards industrial development adopted during the early stages of economic development in the 1950s through to the 1960s by most developing countries. According to Osei-Hwendie (2003), the ISI was an inward looking industrial development strategy characterised by production of non-durable and durable goods, and intermediate and capital goods to reduce dependence on western markets.



trends. According to the CSO's *Quarterly Employment and Earnings Inquiry Report (2004)* the proportion of formal employment in metal mining has fallen from 51,200 in 1994 to 46,078 in 2004; the proportion in manufacturing has fallen from 57,000 in 1994 to 45,000 in 2004; the proportion of formal employment in construction has fallen from 17,500 in 1994 to 5,787 in 2004. Only the electricity industry has recorded an increase in the proportion of formal sector employment over the same period. Accordingly, the electricity industry has recorded an increase in the share of formal sector employment from 5,100 in 1994 to 12,217 in 2004. However, unionization rates in the metal and engineering sector have trended downwards. The union organizing the extractive metal industry, Mine Workers Union of Zambia (MUZ), which is the largest union in the metal sector, has recorded a fall in membership from 48,000 in 1994 to 24,245 in 2002, representing about 50 percent decline (ZCTU 2005:26). Similarly, the union organizing the construction, iron and steel fabrication, and timber industry, the National Union of Building Engineering and General Workers (NUBEGW), has recorded a decline in membership from 25,000 in 1990 to 15,463 in 2004, representing about 40 decline (ZCTU 2005:26).<sup>2</sup>

Besides, industrial output since the mid- 1980s has generally been on the downswing. For instance, the contribution of mining to real GDP has assumed a downward trend since 1980, falling from 16.4 percent in 1980 to 8.4 percent in 2004 [as seen in table 1]. This is due to a combination of factors ranging from increasing cost of production, under-utilization of capacity and declining demand of copper on the world market. More recently, however, Zambia has begun to witness some relatively sustained rise in growth rates of the basic metals sub-sector. As seen in table 2, copper production has been increasing since 2000, with 2001 recording the highest increase of about 15.1 percent from 259,573 tonnes in 2000 to 298,822 tonnes in 2001. Copper output increased by 13.0 percent in 2002 and 3.9 percent in 2003. In 2004, 398,274 tonnes of copper was produced, recording an increase of 13.9 percent from the 2003 production of 349, 814 tonnes.

**Table 2: Trend in Copper Production (in tonnes), 1994- 2004**

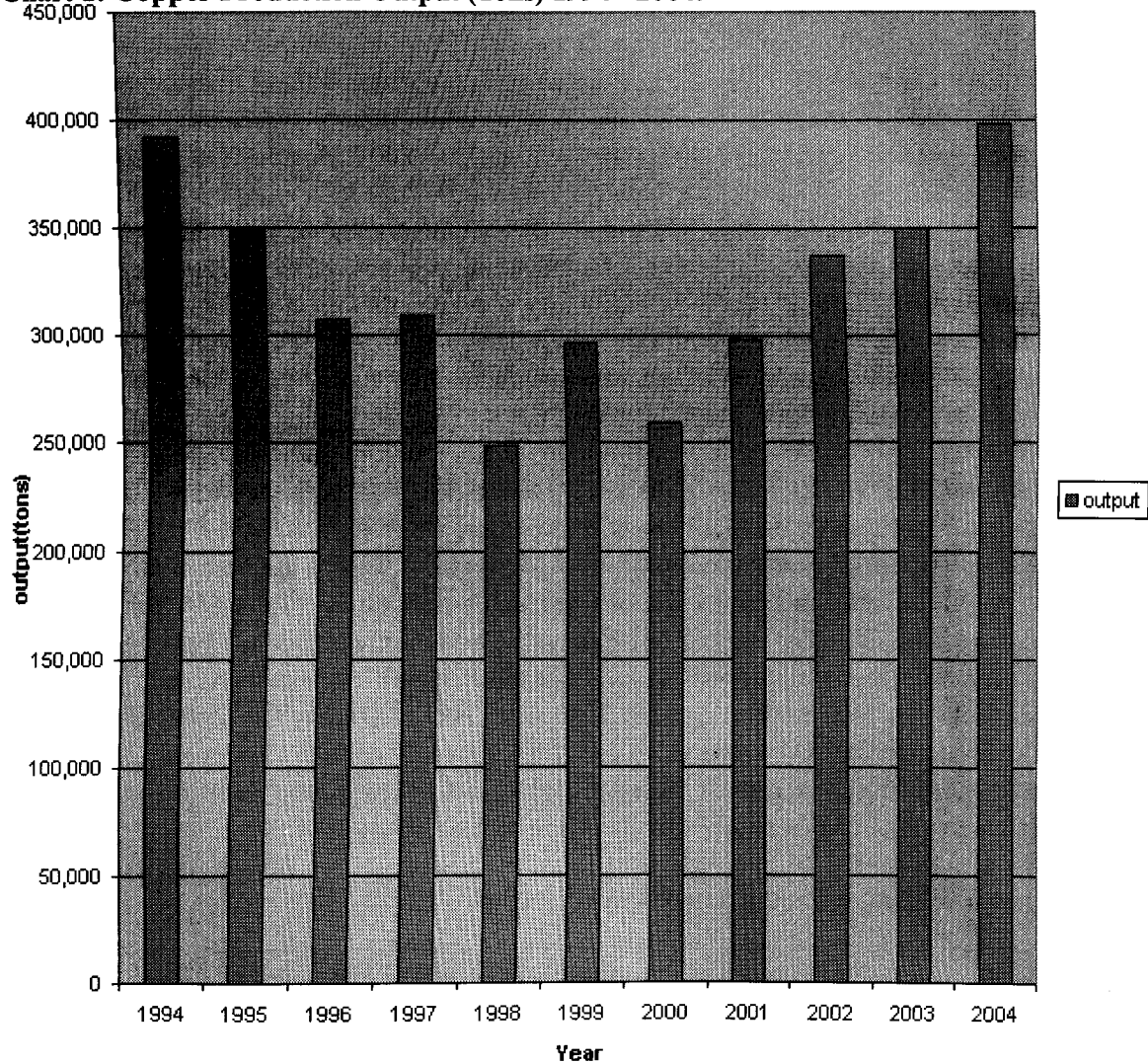
<b>Year</b>	1994	1995	1996	1997	1998	1999
<b>Output</b>	392,179	350,476	307,071	308,888	249,030	296,609
<b>Year</b>	2000	2001	2002	2003	2004	
<b>Output</b>	259,573	298,822	337,743	349,814	398,274	

Source: Ministry of Mines and Minerals Development and Bank of Zambia

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<sup>2</sup> Recent trends for NUBEGW, however indicate an upward trend in membership. For instance, between 1998 and 2004, the union reports an increase in membership from 7,000 to 15 463. This increase is still below the pre-1990 membership levels, however. The expansion in membership for this union could be due to expansion activities in the construction sub-sector. As at December 2005, the recorded membership of NUBEGW marginally rose to 15,940.

Chart 1: Copper Production Output (Tons) 1994 - 2004.



With the steady rise in copper metal output, which started in 2000, and a number of positive incentives for the metal mining sector, the prospects of the metal and engineering sector in Zambia can be characterized as favorable.

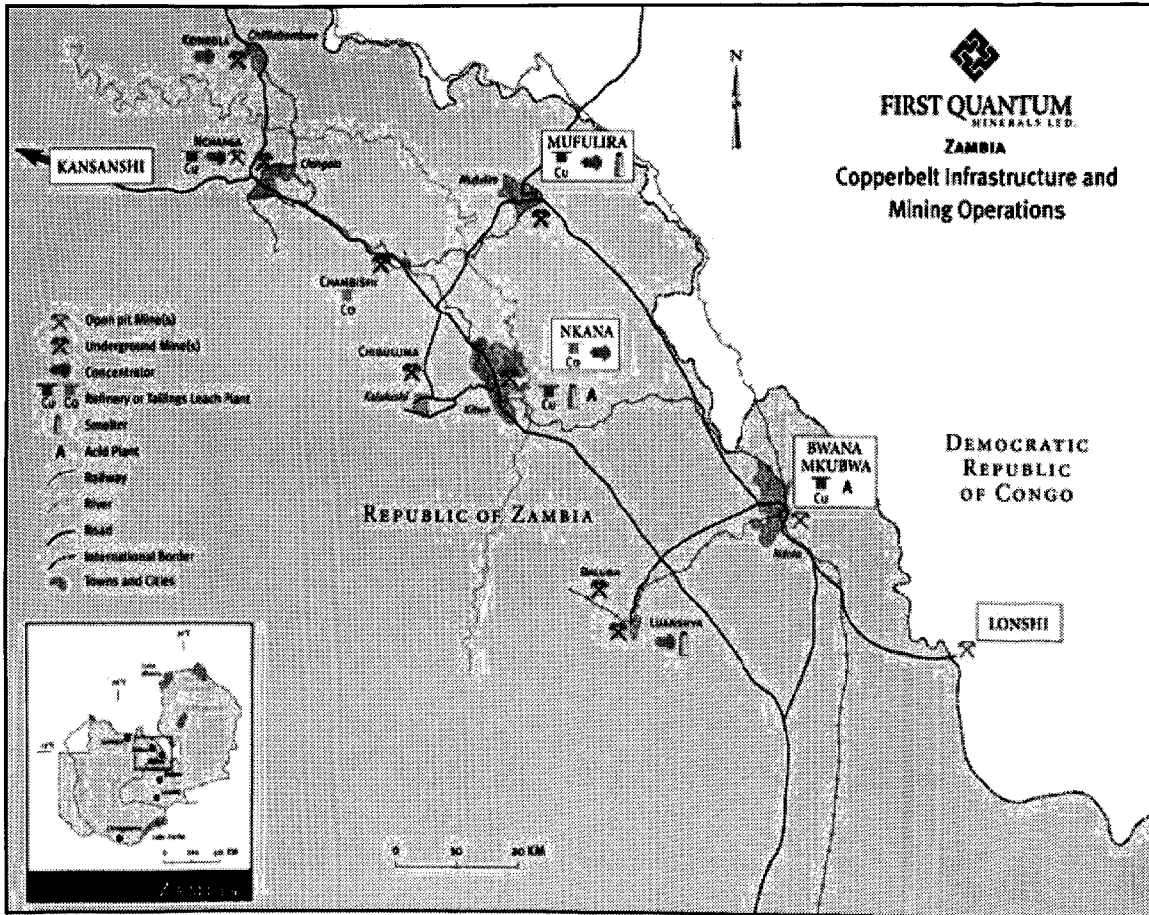
## 2.0 Contribution of Metal and Engineering Sector to National Economy

### 2.1 Geographical Spread of the Sector

In terms of geographical spread, the metal and engineering sector follows exactly the pattern of the overall industrial sector geographical spread in Zambia, whereby two out of the total of nine regions, copper belt and Lusaka provinces, account for over 80 percent of registered manufacturing enterprises (Masiye and Wake 2005). The Copperbelt region, (shown in the map overleaf), however

dominates in terms of industrial concentration of metal and engineering firms.

Figure 2: Copper belt Region of Zambia



Source: Mopani Copper Mines Annual Report (2005).

The root of this regional imbalance can be found in the geographical concentration of the copper metal industry and other industries in certain places only. Soon after independence, the location pattern of 163 enterprises shows that all of them were located in the three urban provinces. Further development of industrial enterprises tended to be concentrated in three towns in order of importance: Ndola, Lusaka and Kitwe. Over 77 % of the total enterprises were located in these named towns, which meant that the Copper belt was the most developed, industrially and economically. Annexure 1 in the appendix shows the geographical spread of registered manufacturing enterprises in 2004 on the map of Zambia.

Thus, for the metal and engineering industries with employments above 50 people, over 80 percent are located on the copper belt and Lusaka. Table 3 below shows the geographical spread of a sample of 20 major enterprises in the metal and engineering sector in 2004. A column on the nature of the ownership is included, showing that the sector is dominated by the private sector. This is all not too surprising given the ambitious privatisation programme that has seen over 250 formerly state owned enterprises sold off to the private sector in the last ten years [Zambia Privatisation Agency, *Status Report*, 2005]. The Government is still having minority shares in a few strategic

## The Situation of the Metal and Engineering Sector in Zambia

industries such as the metal mining industries but most of the industries in the metal and engineering sector are wholly private owned.

**Table 3: Metal and Engineering Industries Spread in 2004**

<b>Company</b>	<b>Town</b>	<b>Region</b>	<b>Nature of Ownership</b>
1. Chambeshi Metals limited	Kitwe	Copperbelt	Private
2. Baluba Metallurgical Company	Luanshya	Copperbelt	Private
3. Mopani Copper Mines	Mufulira/ Kitwe	Copperbelt	Majority share private
4. Kansanshi Copper Mine	Solwezi	Northwestern	Majority share private
5. Vendetta Mine	Kitwe	Kitwe	Majority share private
6. Ndola Precious Metals	Ndola	Copperbelt	Private
7. Copperbelt Energy Company	Kitwe	Copperbelt	Majority share private
8. Chibuluma Copper Mine	Kitwe	Copperbelt	Majority share private
9. Konkola Copper Mine (KCM)	Chingola	Copperbelt	Majority share private
10. Nchanga Mine	Chingola	Copperbelt	Majority share private
11. Techpro Zambia Limited	Lusaka	Lusaka	Private
12. Philips Electrical	Lusaka	Lusaka	Private
13. Setrec Steel Company	Lusaka	Lusaka	Private
14. Energo Projekt	Lusaka	Lusaka	Private
15. Tata(Z) limited	Luangwa	Lusaka	Private
16. Metal Fabricators Plc	Luanshya	Copperbelt	Private
17. Zambia Aluminium	Lusaka	Lusaka	Private
18. Beekay Engineering	Lusaka	Lusaka	Private
19. Monarch	Ndola	Copperbelt	Private
20. Engineering Services Corporation	Lusaka	Lusaka	Private

Source: Zambia Privatisation Agency *Status Report*, February 2005

### 2.2 Contribution to Gross Domestic Product (1994 – 2004)

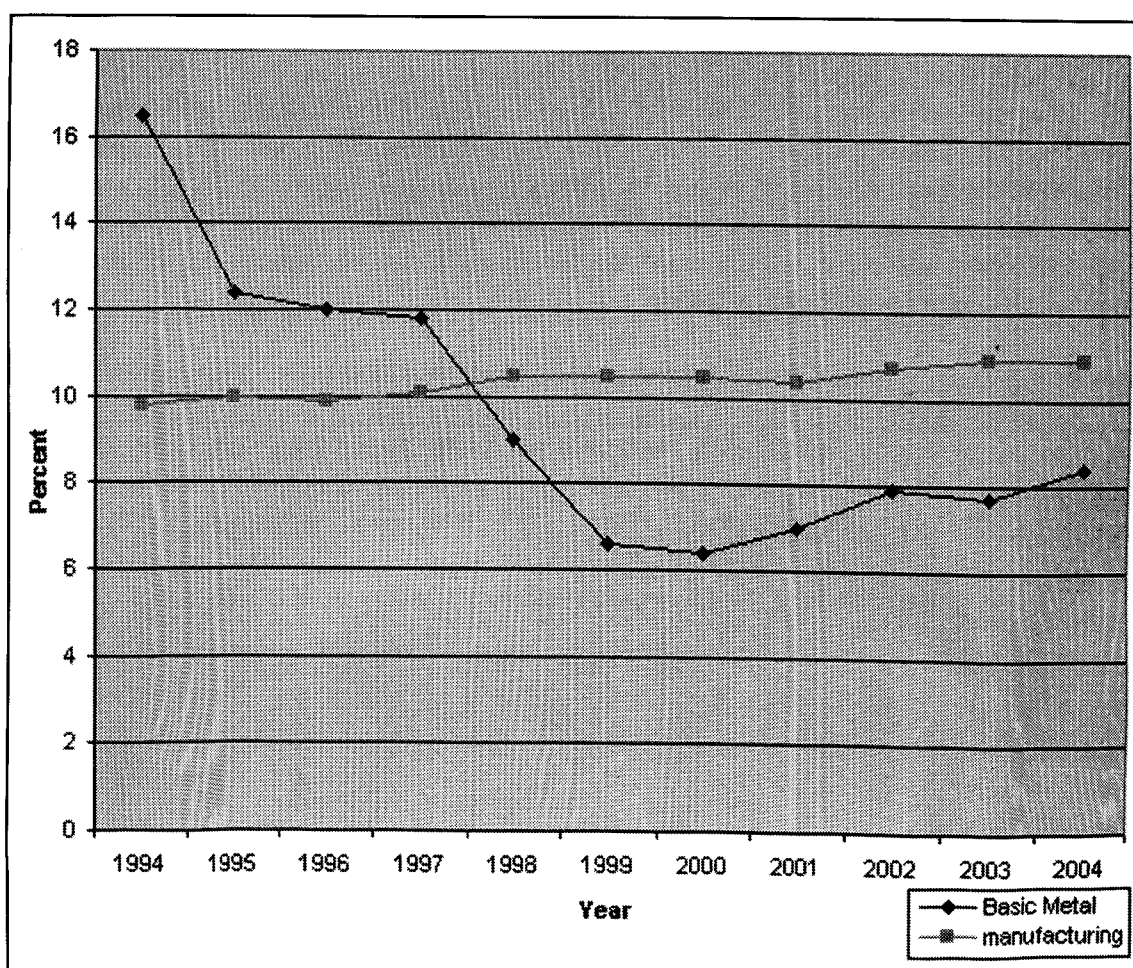
The contribution of the metal and engineering sector to GDP over the last ten years has been declining. Using the metal mining sector, for instance, the contribution of the sector to overall GDP has declined from 16.5 percent in 1994 to 8.4 percent in 2004. On the other hand, the contribution of manufacturing to GDP over the last ten years has fluctuated between 9 and 10 percent but without assuming any upward trend. Table 4 and Chart 2 below show the contribution of the metal mining and manufacturing sectors to GDP.

Table 4: Sector Contribution to GDP (Percentage Distribution), 1994 - 2004

Sector	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Agriculture	13.5	18.5	17.2	15.8	16.3	17.5	17.2	16.0	15.2	15.2	15.0
<b>Mining</b>	<b>16.5</b>	<b>12.4</b>	<b>12.0</b>	<b>11.8</b>	<b>9.0</b>	<b>6.6</b>	<b>6.4</b>	<b>7.0</b>	<b>7.9</b>	<b>7.7</b>	<b>8.4</b>
<b>Manufacturing</b>	<b>9.8</b>	<b>10.0</b>	<b>9.9</b>	<b>10.1</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>	<b>10.4</b>	<b>10.7</b>	<b>10.9</b>	<b>10.9</b>
Services <sup>3</sup>	60.2	59.1	60.9	62.3	64.2	65.4	65.9	66.6	66.2	66.2	65.7
Total	100	100	100	100	100	100	100	100	100	100	100

Source: CSO (2005:2), www.zamstat.gov.zm [18 March, 2006]

Chart 2: Trend in Metal Sector Contribution (%) to GDP, 1994-2004



From chart 2, it is the case that the contribution of the metal sector to GDP took a sharp decline between 1994 and 1999. However, starting from 2000, the percentage share has assumed an upward trend, giving hope that the share of the sub-sector would likely improve in future. The official explanation for the upward trend is that, following privatisation, private sector involvement in the extractive metal industry has acted to re-capitalise existing firms and stimulated industrial activity,

3 Author's computation from available data.

leading to increased output in the last five years. On this basis, the outlook for the metal and engineering industry in Zambia appear favourable, and the sector seems poised for sustained growth.

### **2.3 Metal Sector Contribution to Manufacturing, 1994 - 2004**

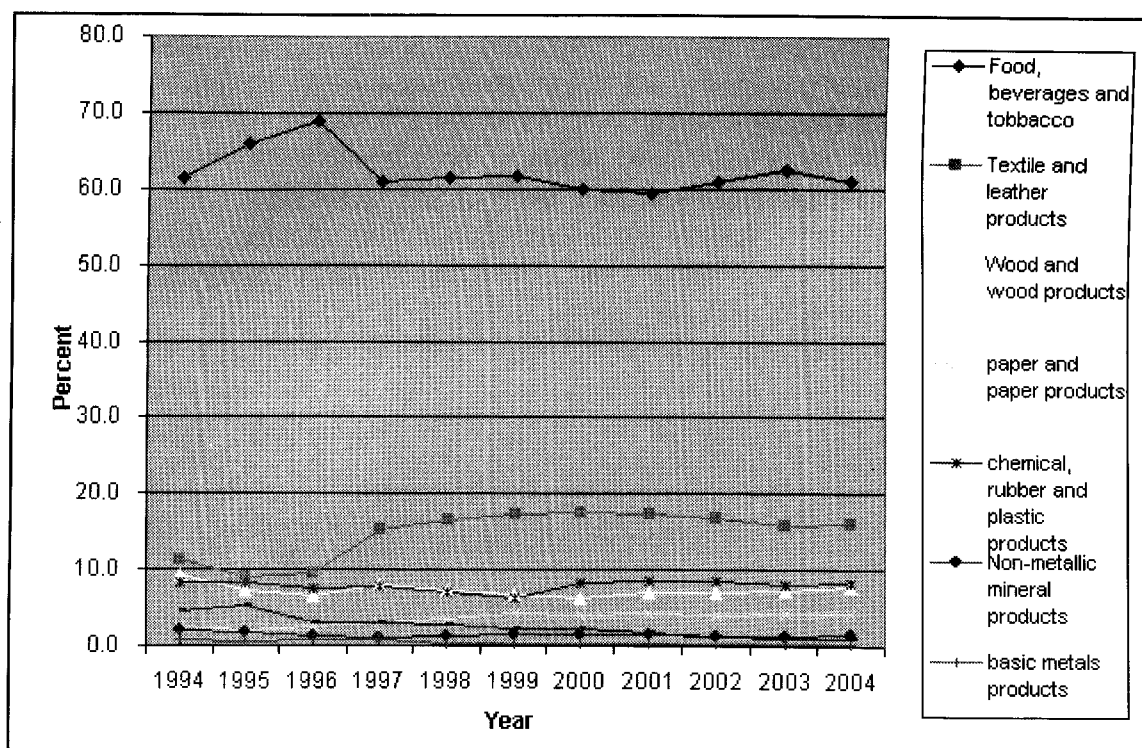
The share of the metal and engineering industry to overall manufacturing has assumed a downward trend over the period 1994 to 2004. For instance, the percentage contribution of basic metal products to overall manufacturing has declined from 0.8 percentage points in 1994 to 0.1 percentage points in 2004. Similarly, the contribution of fabricated metal products to overall manufacturing has declined from 4.4 percentage points in 1994 to 0.9 percentage points in 2004. It is therefore the case that despite renewed industrial activity in the metal and engineering sector, such activity is restricted to production of raw and semi-processed products that have limited value-addition. It is also the case that the nature of the existing liberal trade regime has tended to suffocate domestic manufacturing due to the influx of imported finished products. Consequently, the metal and engineering sub-sector seem to be among the frontline victims of unbridled trade liberalisation in Zambia. Thus, unless the trade regime can act to support local manufacturing, encouraging signs of growth in the metal and engineering sector may not go beyond the production of primary raw materials and semi-processed products, meant for exports in western markets. Table 5 and chart 3 below depict trends in the contribution of the metal and fabrication engineering sub-sectors to manufacturing in the period 1994 to 2004.

**Table 5: Sub-Sector Contribution to Manufacturing, 1994 - 2004**

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Food, beverages and tobacco	61.4	66.0	69.0	61.0	61.4	61.7	59.9	59.4	61.0	62.3	61.1
Textile and leather products	11.3	8.9	9.5	15.3	16.4	17.2	17.6	17.3	16.7	15.7	15.9
Wood and wood products	9.3	7.3	6.4	8.0	7.2	6.6	6.2	6.9	6.9	7.3	7.8
Paper and paper products	2.6	1.9	2.4	2.9	3.4	4.1	3.9	4.2	4.1	4.2	4.3
Chemical, rubber & plastic products	8.2	8.2	7.6	7.7	7.0	6.3	8.3	8.6	8.4	7.9	8.2
Non-metallic mineral products	1.8	1.6	1.2	1.0	1.3	1.4	1.4	1.4	1.2	1.3	1.4
<b>Basic metals products</b>	<b>0.8</b>	<b>0.6</b>	<b>0.8</b>	<b>0.8</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>
<b>Fabricated metal products</b>	<b>4.4</b>	<b>5.2</b>	<b>2.9</b>	<b>3.0</b>	<b>2.8</b>	<b>2.2</b>	<b>2.2</b>	<b>1.7</b>	<b>1.2</b>	<b>0.9</b>	<b>0.9</b>
<b>Total Manufacturing</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: CSO (2005)

Chart 3: Sub-sector Contributions to Manufacturing, 1994-2004 (Percentage Contribution)



#### 2.4 Investment Trends (1994 – 2004)

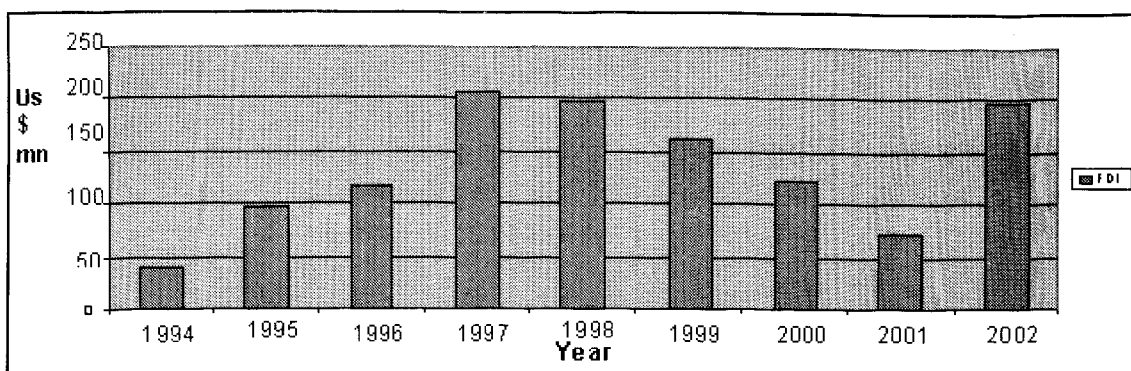
Disaggregated data on Gross Fixed Capital Formation (GFCF) for the metal and engineering sector was not available at the time of writing the report. Otherwise, the overall trend in Foreign Direct Investment into the country for the period 1994 to 2002 is shown in Table 6 and chart 4 below.

Table 6: Foreign Direct Investment Net Inflows Trend, 1994 –2004 (US\$ million)

Years	1994	1995	1996	1997	1998	1999	2000	2001	2002
FDI (US\$ m)	40	97.0	117.1	207.4	198.0	162.0	121.7	71.7	97.0

Source: Zambia Investment Centre, *Data Processing Unit* (2005)

Chart 4: FDI (US\$ m) Net Inflows.



2.5 External Trade and key Trading Partners

Zambia's export trade performance has generally fluctuated during the period 1994 to 2004, without really assuming significant increases. Table 7 and chart 5 below shows the trends in imports, exports and trade balance for the period 1994 to 2004.

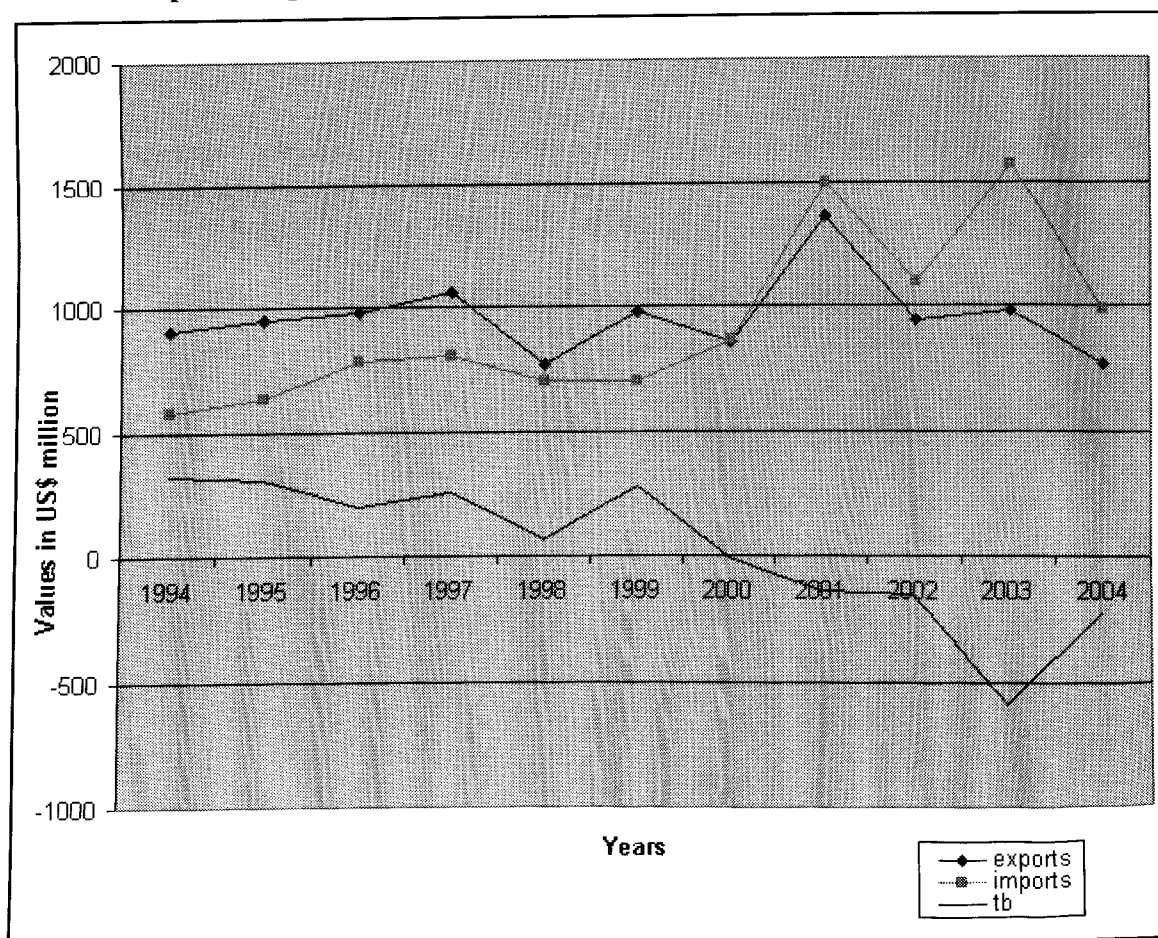
Table7: Summary of External Trade Statistics, 1994 –2004\*\*\* (US\$ million)

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports [E] (fob)	902.3	945.4	976.7	1,056	767	974.8	852.5	1,354.7	944	977	764
Imports [I] (cif)	578.3	636.2	783	803.2	702	700	863.5	1,493.9	1,097.1	1,568.4	987.2
Trade Balance	323.9	309.1	193.7	252.2	64.9	273.9	-10.9	-139.1	-152.1	-591	-223

Source: CSO, *External Trade Statistics Bulletin* (2004:17);

\*\*\*Data for 2004 is preliminary and run up to June only.

Chart 5: Exports, Imports and Trade Balance, 1994-2004, US\$m





The pattern of external trade for the metal and engineering sector does not differ much from the overall pattern since metal products dominate exports. Table 8 below shows exports of metal products in the period 1999 to 2004. The nature of imports, however, is mainly highly valued consumption, intermediate and capital goods. This pattern of import trade could be attributed to the high capital requirement for investment in the industrial, agricultural and transport and communication sectors of the economy. Thus, processed industrial supplies account for the largest proportion of imports annually, followed by capital goods and then fuels in their primary forms. The demand for fuel has continued to remain high mainly because of the increase in vehicle purchases and other equipment that depend on fuel for them to perform.

**Table 8: Metal Exports, 1999-2004\*\*\* (US \$ million)**

	1999	2000	2001	2002	2003	2004
Metal Exports (US \$m)	627.9	597.9	650.2	596.6	527.8	349.6

Source: CSO External Trade Statistics Bulletin 2004 (2004:4)

\*\*\*2004 data runs up to June.

In terms of trade partners, Japan and China are the most important export markets for Zambia's metal exports. Most exports, other than metal products, go to other markets. These are the United States of America, the European Union (EU), Southern Africa Development Community (SADC) and countries in the Common Market for Eastern and Southern Africa (COMESA). Most important is the EU market. As a matter of fact, the trend over time shows that Zambia's exports to the EU and SADC have increased while those to the USA and COMESA have declined. In terms of imports, Zambia's major sources are basically regional with the three most important being SADC, COMESA and EU. The predominant source of imports, however, is SADC with South Africa leading the pack.

### **3.0 Employment, Trade Unions and Labour Regime**

#### **3.1 Employment Growth Pattern (1994 –2004)**

The employment trend in the metals sector for the period 1994 to 2004 shows a decline. In 1994, the formal sector employment in the metals sector was recorded at 51,200. In 2004, this had decreased to 46,078, representing a 10 percent decline from the 1994 employment level. The decline in formal employment levels in the metals sector can be attributed to a number of factors that include; company closures and re-location due to trade liberalisation, industrial restructuring experienced after privatisation and managerial inefficiencies. Table 9 and chart 6 below depict the trend in employment in the metal sector during the period 1994 to 2004. From table 9, notice also that there has been an overall declining trend in the proportion of metal sector employment in total formal sector employment. Evidently, the size of metal sector employment in total formal sector employment declined from about 10 percent in 1994 to about 7 percent in 2000 and 2001 before rising to about 11 percent at the end of 2004.

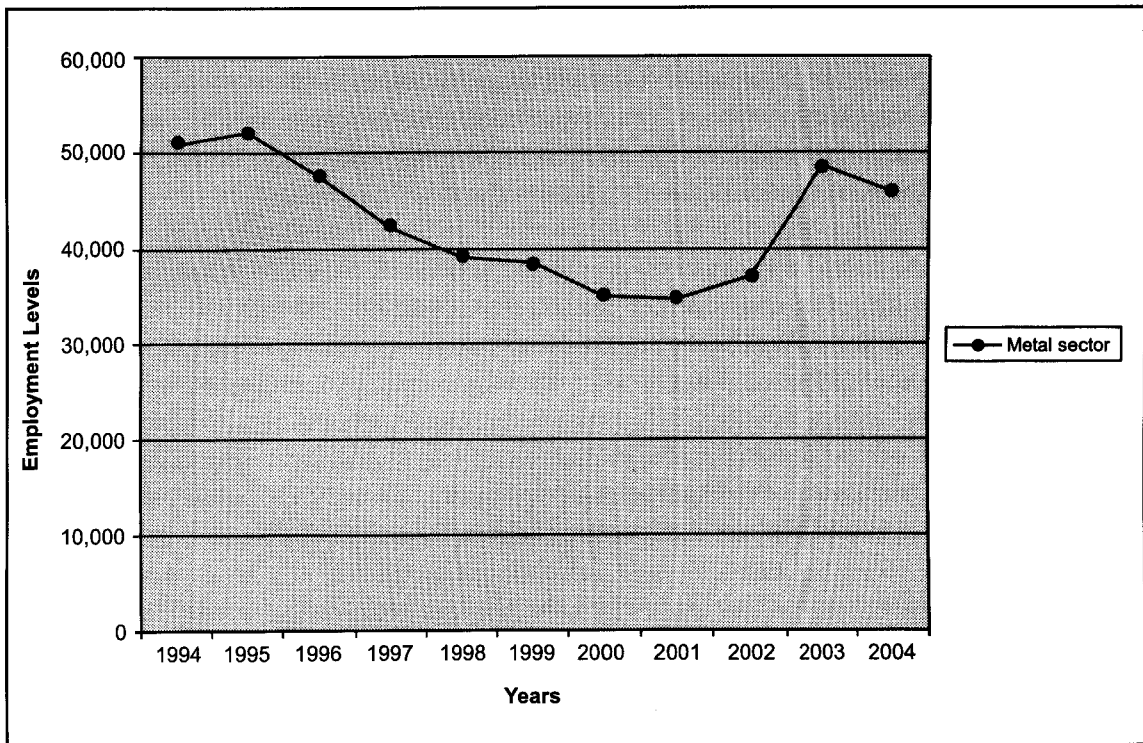
**Table 9: Metal Sector Employment Trend, 1994-2004**

<b>Year</b>	<b>Metal Sector Employment</b>	<b>Size of Metal Sector Employment in Total Formal Sector Employment (%)</b>	<b>Total Formal Sector Employment</b>
1994	51,200	10	496,000
1995	52,215	10.7	484,967
1996	47,700	9.9	479,400
1997	42,498	8.9	473,161
1998	39,160	8.3	466,925
1999	38,521	8.0	477,503
2000	35,042	7.3	476,347
2001	34,966	7.3	475,316
2002	37,245	8.6	429,406
2003	48,597	11.6	416,804
2004	46,078	11.0	416,228

**Source:** Central Statistical Office, Quarterly Employment and Earnings Inquiry and the Monthly Digest of Statistics

The contraction in formal employment in the metal sector has been associated with the expansion in informal employment. While reliable data is unavailable on how many people are employed in the informal sector, it is estimated that 2.8 million people are engaged in the informal economy in Zambia (Muneku 2005:269). Out of these, the majorities are self-employed (56.3 percent) or unpaid family workers (41.7 percent). Other categories make up the rest (2 percent). In regard to the estimated size of informal employment in the metal sector, the *2000 census of population and housing* reports that in 2000, about 1051 people were self-employed in the metal sector in Zambia.

Chart 6: Metal Sector Employment Trend, 1994-2004.



Macro-Data on skills levels for those employed in the metals sector was not readily available. However, micro-data based on a case study of Chibuluma Metals Plc suggest that the proportion of current employees that are highly skilled is 7 percent; skilled artisans and production personnel are 23 percent; while the remaining 70 percent is unskilled (Muneku 2004:265). Most companies in the metals industry also contribute to indirect employment through outsourcing of a number of contracts and services. For instance, over 75 percent of security services in the metals sector are outsourced (Muneku 2004:265). Besides, the proportion of casual workers in the sector is growing, with the case of Chibuluma Metals reporting 48 percent of the workforce on non-permanent contracts (Muneku 2004:265).

### 3.2 *Collective Bargaining, Labour and Trade Unions*

From a discussion with union officials, it is also clear that since the early 1990s, during which time the metal and engineering sector has been restructuring, the coverage of collective bargaining has diminished substantially, the scope of bargaining has narrowed, the depth of union involvement has reduced, and organisational security offered to unions by the employer has deteriorated. Many forces have combined to bring about this change but they all derive from the underlying logic of new management strategies that are pushing towards internalisation of employee relations and its alignments with business unit organisation.

Thus, new owners and their management styles in the metal and engineering sector have posed serious threats and challenges to the institution of collective bargaining. While collective bargaining continues to exist, sector wide-agreements have diminished in importance and in some cases almost

disappeared (Muneku 2001:15). As Muneku writes, “the industrial sector in Zambia has seen what might be called the ‘internalisation’ of employee relations - a decisive move towards decentralisation of bargaining within the sector”(2001:6). Previously, collective bargaining in the sector invariably took place in joint industrial councils, but following the privatisation and liberalisation in the 1990s, much of collective bargaining has been decentralised such that the unions have to negotiate at the enterprise level.<sup>4</sup> However, the role of collective bargaining remains significant in the determination of terms and conditions of service in the metal and engineering sector.

On wages levels, the metal and engineering industry has no sector-specific minimum wage. The minimum wage for unionised employees in the sector is determined through union-management negotiations. At the national level, however, the existing statutory minimum wage is about US\$30 per month.<sup>5</sup> The argument around this national minimum wage is that it is rather on the low side. Zambia Congress of Trade Unions (ZCTU), which is the largest confederation of unions, continues to demand the upward revision of the national minimum wage, on account that it is encouraging exploitation since employers are using it as a benchmark. Currently, proposals for its revision are under discussion in the Tripartite Consultative Labour Council (TCLC).

Otherwise, the existing wages and conditions in the metal and engineering sector were collected from the existing collective agreements provided by the unions in the sector. At present, there are two main unions in the metals and engineering sector in Zambia, the Mine Workers Union of Zambia (MUZ) based in the town of Kitwe with a membership of 24,245 and the National Union of Building Engineering (NUBEGW) also based in Kitwe with a membership of 15,463. From these sources, the average salary for the sector is around US\$230. Evidence from the 2004 collective agreement for MUZ shows that the salary range for unionised employees on permanent contracts is between US\$176 and US\$288 per month. However, Union sources claim that their counterparts in similar occupations employed on contract basis are usually paid more. In regard to training institutions and training regimes in the sector, existing evidence suggests that this is lacking.

### ***3.3 Occupational Health and Safety***

The question of occupation health and safety in the metal and engineering sector in Zambia has recently been brought to light following a spate of industrial accidents on the copper belt, leading to the death of about 20 employees at Chambishi Metals in April 2005 and about 8 deaths at Mufulira Mine later in the same year. However, most companies in the metal and engineering sector could be said to have policy statements on occupational health and safety. Konkola Copper Mines plc, for instance, has argued in one of its policy statements that, “in line with world best practices, KCM plc environment, health and safety policy and management system embody the principles of sustainable development, as defined by the Brundtland Commission”(Mulenga and Lungu, 2005:46). But, the problem would seem to be that occupational health and safety practice is hardly consistent with policy statements. Taking KCM as a reference point, it is unfortunate that

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4 For instance, the Mine Workers Union of Zambia (MUZ) has separate collective agreements for their members in different new mine companies. Previously, all their members were being covered by a single industry-wide collective agreement. In the National Union of Building Engineering and General Workers (NUBEGW), collective bargaining is currently being done at both enterprise and industrial levels.

5 The exchange rate used to convert the minimum wage rate obtaining in Zambia and for salary levels is for December 2005 whereby US\$1 is equivalent to 3,200 Zambian Kwachas.

at least 30 people are reported to have died in industrial accidents over the period of four years (Mulenga and Lungu, 2005:47).

With regard to environmental practices, Mulenga and Lungu (2005) further report that most companies in the metal sector would admit that there are negative environmental practices as they still emit sulphur dioxide in the atmosphere and discharge toxic industrial waste without effective pollution and degradation control. In addition, most admit under-providing for dust capturing systems at their smelter plants (2005:60). There would therefore be a case for improved occupational and health standards in the metal and engineering sector in Zambia.

#### **4.0 Government Programmes supporting the Metals and Engineering Sector**

##### **4.1 Tax Regime**

Zambia has been implementing a package of incentives aimed specifically at establishing a profitable environment for increased domestic industrial output, export promotion, the development of market oriented production management and private sector development (Zambia Investment Centre, 2005). The tariff regimes provides for generous incentives, particularly for industries in the metal mining and agricultural sectors. Box 1 below summarises the existing package of incentives extended to the metals sector.

##### **BOX 1: Tax Incentives for Mining Enterprises, 2004**

- Mineral royalty ranges from 0.6% to 5% of the gross value
- Corporate tax has been reduced from 35% to 25 % and the period of carry forward of mining losses has been extended from 10 to 20 years
- Exemption from payment of customs duty on consumables and mineral royalty up to a cap of US\$16 million in the first year and US\$15 million per year for the next four years thereafter.
- No payment of withholding tax on interest, dividends, royalties and management fees paid to shareholders and affiliates
- Copper and cobalt price participation fees is tax deductible
- No payment of excise duty on electricity consumed
- The restriction of offsetting losses against profits, which is limited to 20 % for mines with a common owner, which are not adjacent, have been removed so that 100 % of the losses can be offset.
- Duty free importation of capital equipment and utility vehicles

##### **4.2 Multi-Facility Economic Zone (MFEZ)**

With regard to industrial development zones, the government is in the process of implementing a new initiative called the Multi-facility Economic Zone (MFEZ). The MFEZ, which will replace the Export Processing (EPZ) concept, will be special industrial zones for both export-oriented and domestic-oriented industries. According to the 2006 National Budget, the zones will have the entire necessary infrastructure for easy commencement and conduct of manufacturing activities. In

addition several concessions will be provided for those companies that will operate in the MFEZ. Currently, the concept of Export Processing Zones has met with resistance from labour on account that EPZ in their conventional form disrespect workers rights. Thus, it may be the case that government's recent approach to industrial development may be taking after the 'Malaysian model.'

### **4.3 Zambia Development Agency**

The government has also commenced efforts towards the establishment of the Zambia Development agency (ZDA) as a "one-stop shop" to bring together the operations of five statutory bodies, namely Zambia Investment Centre (ZIC), Zambia Export Processing Zones Authority (ZEPSA), Export Board of Zambia (EBZ), Zambia Privatisation Agency (ZPA) and Small Enterprise Development Board (SEDB). This is an effort to streamline the institutional structure for industrial development. The weakness of the existing arrangement has been that there has been lack of an effective mechanism for institutional coordination of industrial policies and programmes.

## **5.0 Conclusion**

This paper has analysed the situation of the metal and engineering sector in Zambia in order to inform what would constitute sustainable strategies for trade unions operating in the sector. What has become apparent from the study is that the metal and engineering sector still occupies a strategic role in the development of the economy of Zambia. While the sector has been challenged through restructuring and trade liberalisation measures associated with structural adjustment episodes of the 1990s, there is basis for hope and optimism that the worst for the metal and engineering industry has gone past. On one hand, engineering activities and companies within the sector have significantly reduced. On the other, the basic metal and fabrication sub-sectors have reported heightened industrial activity matching industrial output levels of past boom years. If such recovery signs of the metals sector were to be sustained, it would be accurate to conclude that the size of the metals and engineering sector in Zambia is geared for growth. But perhaps, a fundamental question is whether the revenues from the improved performance of the metals sector would be retained within the national economy in the future. Given the structure of ownership, mainly private and international, of the companies operating in the sector, the answer may be complicated.

However, a related concern around the improved performance of the metals sector arises from the response of the local currency to the rising volume of foreign exchange inflows attributable to, among other factors, the improved performance of the country's traditional export, copper. Admittedly, the local currency has appreciated sharply since the last quarter of 2005 and this has raised some troubling questions about the plight of Non-Traditional Exports (NTEs). If indeed the hypothesis that the local currency (Kwacha) has appreciated because of increased copper earnings, then a direct downside of this development could be seen in terms of the dampening effect this entails for the performance of the Non-Traditional Export sector. The catch is this; the NTEs sector has recently posted growth and thus brightened prospects for a more diversified national economy away from dependence on copper earnings. So, unless the exchange rate regime can be managed judiciously, a threat now looms whereby the national economy may yet again become heavily dependent on copper earnings to the detriment of the NTEs. Given the past pitfalls of over-reliance on copper earnings for national development, it may therefore be wise to act to protect the NTEs. Exactly how best this can be done presents another interesting area for further research.

The lingering question, however, remains to what extent labour will be able to assert itself with a natural presence in the changing industrial set-up. This study leaves no doubt that the afflictions of labour would seem to be on the rise. For instance, it is the case that there is a growing gap between workers employed in the metals and engineering sector and the level of unionisation within the sector. There is also an evident movement from industry wide-agreement to enterprise-based agreement. In addition, the employment practice in the sector is tending toward 'casualisation' and/or contract employees as opposed to permanent contracts. The wage levels are also tending to be on the low side. An added challenge to labour has also been in terms of the growing incidence of industrial accidents. The redeeming note, however, is that collective bargaining remains the prime determinant of wages and collective bargaining in the country as well as the metal and engineering sector. Future strategies for labour may therefore need to include efforts around effective organising and collective bargaining in the new set-up.

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## **The Situation of the Metal and Engineering Sector in Zambia**

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