

Employers concerned about shortage of skilled workers

By Lilian Lawrence

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Dar es Salaam. Shortage of skilled labour is among major constraints facing private businesses in the country, according to a report. The report further suggests that policies must be formulated to find the desired solution – increased supply.

According to the report by Association of Tanzania Employers (ATE) there is a mismatch between the demand side in terms of availability of skilled labour and the supply side in almost all sectors, arguing that if the trend is not put on check it could derail the country's economy and have far-reaching consequences for many years to come.

The report titled 'Improving TVET in Tanzania' asserts that despite a myriad of opportunities for the private sector, low production capacity by the labour force is the source concern that needs to be addressed.

This comes at the time Tanzania has been planning to gear up its economy to attain the middle-income country status, which needs more skilled labour – the key driver to economic growth. As such, developing competent personnel should be a matter of utmost importance during the transition period to the next phase of country growth.

The skills development assessment report, prepared by JE Austin Associates, paints a grim picture about labour competence showing that in some instances, Kenya was doing a lot better. It asserts that the workforce in the country lags behind in adopting technology and investing in innovations that improve output and competitiveness.

While highlighting the overall skill gaps in Tanzania, it also provides recommendations for improvement to the existing skills provision system.

Constraints and what should be done

The report notes that government controlled skills delivery system is fragmented and does not fully provide the skills businesses need. Skills training should be demand driven to ensure that graduates will readily fill the existing gaps in the market. It states that Vocational Education Training Authority (VETA) and National Council Technical Education (NACTE) which are two key institutions in the provision of skills 'fall outside of commonly accepted international good practices which unifies vocational and technical training into a cohesive Technical and Vocational Education and



The ATE executive director, Dr Aggrey Mlimuka PHOTO | FILE

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Training (TVET) framework.'

The report also notes two things, first the Skills and Development levy which is six per cent of the payroll charged to all employers with more than four per cent of employees being too high compared to regional and international practice, where the range is between one and two per cent. Secondly only two per cent of the levy is remitted to Veta. The remaining four per cent is supposed (starting July 2011) to be remitted to Higher Education Students Loans Boards (HESLB). However, this was not the intended purpose as per Veta Act 2001, and as such private sector perceives this as a hidden tax.

Due to problems existing in the delivery system the private sector seems to have given up on it.

The report calls for a significant reduction of the skills development levy and deferring the costs of training to qualified enterprises, through certified skills providers. It also proposes a new policy initiative that

develops and recognises a national Technical and Vocational Education & Training Strategy, which would lead to a unified system of skills delivery.

It notes that countries doing well in skills development such as Kenya, South Africa and Mauritius have a unified TVET strategy based on country specific economic growth strategies.

To change the situation, ATE in its Business Agenda for 2011-2014, advocates for key policy changes that would in the long-term enhance continued development of skilled labour at all levels.

The government seems to be aware of the problem and through The Planning Commission in the President's Office also commissioned a research titled *The Study on National Skills Development to Facilitate Tanzania to Become a Strong and Competitive Economy by 2025*.

The study is meant to 'identify the skills gaps and mechanisms for

TANZANIA'S LABOUR PRODUCTION AT A GLANCE: ISSUES THAT NEED TO BE ADDRESSED

ATE Business Agenda 2011-2015 seeks to have the following issues addressed on skills and competence levels:

Skills and development levy: 6 per cent of wage bill is too high.

Gaps in labour laws: Employers have major concerns about the provisions of current labour laws.

Social security benefits inadequate and expensive: Employers believe that the social security system in Tanzania has failed to promote economic growth

Skills deficit: Private sector in Tanzania is seriously restricted by a shortage of skills in the labour force at all levels.

Minimum wage policy counter-productive: When minimum wage levels are high and are not linked to productivity levels; it leads to retrenchments, loss of employment and ultimately deeper and more widespread income poverty.

Underperformance of National Production Centre: ATE is concerned that the Centre is not as effective as it could be.

"While we have invested heavily in education to develop the local talent, we are keen on working with businesses on innovative ways to develop the local talent that is relevant to the specialised areas of interest. It is important to note also that labour in Tanzania is relatively less expensive compared to many other parts of the world."

PRESIDENT JAKAYA KIKWETE IN HIS ADDRESS TO TANZANIA – OMAN BUSINESS FORUM, 16TH OCTOBER, 2012

enhancement of skills development in Tanzania to make the transition innovative, participative, and knowledge-based and a strong competitive economy by 2025.

The study is ongoing, and there is wide expectation it will capture views from private sector organisations (PSOs) as much as possible.

This study can be found using this route: www.best-ac.org/projects-and-reports/best-ac-funded-reports/

Note from the editor: Tanzania does not have current actual labour data at national level. The last Integrated Labour Force Survey was in 2006. According to National Bureau of Statistics-NBS, the Government plans to conduct the survey in 2013.



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Time to make ways of doing business easy

Making doing business easy is not a simple task and requires concerted efforts, says Mr Ali Mjella, who is the deputy Project manager, Business Environment Strengthening for Tanzania – Advocacy Component (BEST-AC). In the following interview, he talks about the situation of 'ease of business' in Tanzania.

Question: What is 'Ease of doing business'?

This refers to a situation in the economy where regulations to start, operate and close business are not time consuming and/or do not contribute to costs that are burdensome to businesses/enterprises. It is a situation where every legislative piece, introduced to regulate business by government, has a rational basis and is implemented efficiently and fairly.

How would you gauge ease of doing business in Tanzania?

The most respected source of assessing the ease of doing business has been the World Bank reports. We are familiar for example with the Bank's Cost of Doing Business Report, published annually that issues a ranking for countries of the world. This report is an authoritative voice that is respected by policymakers. It is adherence to the reports that had triggered Tanzania's Roadmap framework, a programme that is dedicated toward working on hurdles that constrain the operation of businesses and hence improve Tanzania's ranking, as far as the ease of doing business is concerned. Therefore, if we are to be guided by the World Bank reports, the ease of doing business situation in Tanzania is unattractive as demonstrated by the country's drop in the reports' rankings in recent years. For example, Tanzania has slipped from 126th position in 2008 to 133rd position in 2012. Also, the just issued ranking for 2013 shows that Tanzania has further slipped to 134th position. It is certainly not a good trend for Tanzania....Continues next Thursday.

ILO: Tanzania labour market has significant weaknesses

Tanzania's labour market has significant weaknesses, a statement posted in the ILO Country office for Tanzania, Kenya, Rwanda and Uganda website, states. Accordingly, the economic diversification is limited resulting in inadequate employment opportunities.

"Majority of Tanzanians who enter the labour market each year are employed in the agriculture and informal sectors (estimated to be more than 90 per cent of the economy) where production and remunerations are low owing to inadequate infrastructure investment and lack of access to farm inputs, extension services, credit, modern technology application, trade and marketing support," says the statement.

Gas and oil discoveries but no skilled labour

There are impressive and very potential oil and gas discoveries in Tanzania. There is a huge market for liquefied natural gas (LNG) in Asia and other parts of the world. Here we are talking about exports, where the economy would greatly benefit from revenues generated by exports and investment in oil and gas finds. Unfortunately, "lack of infrastructure – including skilled labour – could slow the development of proposed LNG terminals," riskwatchdog.com asserts.

