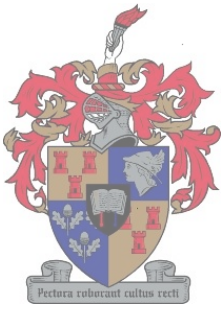
THE DEVELOPMENT OF LABOUR MARKET INSTITUTIONS IN NAMIBIA

ANNE - MARIE BRITS

Thesis presented in partial fulfillment of the requirements for the degree of Master of Arts at the University of Stellenbosch.

NOVEMBER 1999

STUDY LEADER: PROFESSOR S. VAN DER BERG



DECLARATION

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

Anne-Marie Brits

01/11/1999

Date

SUMMARY

Wage levels and employment are influenced by a number of factors, the individual effect of which is difficult to isolate. The influence of institutional factors such as labour market policies and legislation is, however, often disregarded or underestimated. This study highlights the importance of labour market institutions as one of the factors influencing wage levels and employment.

The study starts off with a review of economic theories posited in order to explain wages and employment, and arrives at the conclusion that there is no universally applicable theory. Although the theory of supply and demand could perhaps be regarded as the most relevant, there are a number of theories that explain wage and employment levels by focusing on different aspects of the employment relationship.

Opposing viewpoints regarding the need for government intervention in the economy are then discussed: should the market mechanism be allowed to determine wage levels and levels of employment, as seems to be the popular World Bank perception, or does government have a social and moral obligation towards its citizens to intervene in the labour market, even though such intervention may be regarded as distortionary (the view of the International Labour Organisation?). Some common ground does appear to exist in that there seems to be agreement on the need for some basic form of intervention to ensure "minimum" standards acceptable to society. However, the extent, timing and manner in which governments intervene are of considerable importance.

A review of the modern welfare state then provides the basis for the argument that the labour market institutions of today are not the result of economic impulses only, but rather the combined outcome of economic, political and social considerations.

This is followed by the presentation of country specific evidence regarding collective bargaining, the minimum wage and social security structures in both industrialised and developing countries. Such discussion puts the development of labour market institutions in Namibia into perspective, and serves as basis for comparison.

Following the above, detailed evidence regarding the development of Namibian labour market institutions is presented. By addressing labour relations issues such as worker exploitation, the protection of workers, and income inequality, government has attempted to create an environment it believes is conducive to economic growth and, over the medium to longer term, job creation.

As many of the institutions reviewed in this study were only introduced or adapted some years after Independence in 1990, it is difficult to arrive at anything more than a general impression regarding their effectiveness in achieving government's objectives, and perhaps still too early to judge institutions solely on their economic impact. Although labour market institutions have contributed to increasing wages and non-wage labour costs, it is extremely difficult to isolate their effect on economic growth and employment. Other than addressing historical political and social problems in the country, labour market institutions appear to not yet have had a significant impact in terms of encouraging economic growth and job creation in Namibia.

OPSOMMING

Loonvlakke en indiensneming word beïnvloed deur verskeie faktore waarvan die individuele effek moeilik is om te isoleer. Die invloed van institusionele faktore soos arbeidsmarkbeleid en arbeidswetgewing word dikwels geïgnoreer of onderskat. In hierdie studie word aangevoer dat arbeidsmarkinstellings wel geag moet word as belangrike faktor wat loonvlakke en indiensneming beïnvloed.

Die studie begin met 'n kort oorsig van ekonomiese teorieë ter verduideliking van lone en indiensneming. Dit lei tot die gevolgtrekking dat daar nie 'n teorie bestaan wat werklik universeel toepaslik is nie. Alhoewel vraag- en aanbodsteorie moontlik die relevantste is, is daar reeds verskeie teorieë geformuleer wat op verskillende faktore fokus.

Teenstrydende standpunte rakende die nodigheid vir staatsinmenging in die ekonomie word hierna bespreek: behoort die bepaling van loonvlakke en indiensneming slegs aan die markmeganisme oorgelaat te word (tot 'n groot mate die Wêreldbank se standpunt), of het die staat 'n sosiale verpligting om in te meng met die werking van die markmeganismse, selfs al bring dit ekonomiese verwringings mee? (die standpunt van die Internasionale Arbeidsorganisasie?). Wat die twee sienings wel in gemeen het, is die feit dat daar tog 'n nodigheid bestaan vir inmenging in soverre basiese of "minimum" standaarde neergelê moet word wat vir die gemeenskap aanvaarbaar is. Die omvang, tydsberekening en instrumente waarmee die staat inmeng is wel ook van belang.

'n Oorsig van die moderne welvaartstaat dien hierna as basis vir die argument dat moderne arbeidsmarkinstellings die gevolg is van nie net ekonomiese oorwegings nie, maar onder andere ook politieke en sosiale oorwegings.

Dit word gevolg deur 'n bespreking van die situasie rakende kollektiewe bedinging, minimum lone en sosiale sekuriteit in ontwikkelde en ontwikkelende lande. Die doel van hierdie bespreking is om die ontwikkeling van arbeidsmarkinstellings in Namibië in perspektief te plaas, en om te dien as basis vir latere vergelykings wanneer die

stand van hierdie instellings in Namibië bespreek word. Deur aandag te gee aan kwessies soos arbeidseksploitasie, die beskerming van werkers en inkomste-ongelykheid poog die regering om 'n omgewing te skep wat bevorderlik is vir ekonomiese groei en werkskepping oor die medium tot langer termyn.

Aangesien die meeste van die huidige Namibiese arbeidsmarkinstellings eers na onafhanklikheid in 1990 bekendgestel of aangepas is, is dit uiters moeilik om meer as slegs 'n algemene indruk rakende die mate van doeltreffendheid ten opsigte van die bereiking van staatsdoelwitte te verkry, en moontlik ook te vroeg om instellings uitsluitlik vir hulle ekonomiese impak te probeer beoordeel. Hoewel die instellings bygedra het tot verhoogde loonvlakke asook hoër nie-loon arbeidskostes, is dit uiters moeilik om die effek van instellings op ekonomiese groei en indiensneming te isoleer. Behalwe vir hulle rol in die aanspreek van politieke en sosiale probleme in die land, wil dit voorkom asof arbeidsmarkinstellings nog nie 'n groot impak gehad het wat betref die bevordering van ekonomiese groei en indiensneming in Namibië nie.

Table of Contents

List of Tables

1. Introduction

As a developing country in Africa with low GDP growth and a high population growth rate, unemployment, poverty, high rural-urban migration, and unequal income distribution are common problems in Namibia. Most of these problems have been exacerbated by the apartheid policies introduced during the second half of this century.

Given the turbulent political history of Namibia, it was widely expected at the time of Independence in 1990 that the newly elected government will do much to address the needs of the formerly disadvantaged groups. This has indeed taken place in a number of different ways, but in the field of labour in particular by way of introducing new labour market institutions, and adjusting ones already in existence in 1990. Such action has formed part of government's attempt to protect workers and improve working conditions, to reduce income inequality, and to improve the standard of living of all Namibians, all of which reflects government's perception that improved working conditions and higher wage levels would prove conducive to economic growth. The Namibian government has noted that wages not only form a very important part of income, but that they also '...act as an allocative device..." (Ministry of Labour and Human Resources Development 1995: 5).

The purpose of study is to look at factors affecting the cost of labour and employment. Although market forces normally play an important role in determining wages and employment, it will be argued that the effect of institutional factors, and in particular labour market institutions, can also be significant. It will be shown that Namibia is a good example of a developing country where not only economic considerations, but also political and social considerations have heavily influenced the development of labour standards and labour market institutions. Given the impact of labour market institutions and institutional instruments on the labour market, one could argue that wage levels and employment in general is not determined purely by economic forces, but also to a certain extent reflect the abovementioned political and social considerations.

In view of the purpose of this study, and the focus on the development of labour market institutions in Namibia, changes that have occurred since 1990 with respect to collective bargaining, the minimum wage and social security, will be documented. A rough assessment will then be made in order to obtain an overall impression of whether these institutional instruments have in fact had a significant affect on wage levels and employment. Such review is, however, unlikely to produce more than a general impression, given the relatively short period that has passed since implementation of most of these instruments, and the lack of reliable data. Nevertheless, it is important to identify at an early stage already whether government is on the right track with regard to its approach towards solving the problems targeted with these instruments.

Freeman (1993: 141) has noted that views on intervention in the labour markets of developing countries have for a long time been based not so much on economic models or econometric evidence, but rather on observations of specific country experiences. Given the lack of statistical data with regard to a number of labour related issues in Namibia, and in some cases the particular lack of recent data, the approach followed in this study is one that also focuses heavily on the forces that have led to the development of labour market regulations in other countries, and the economic and social impact of such regulations. This should make it possible to identify general trends in the direction of developments with regard to labour market regulations.

Chapter two will review various theoretical approaches to explaining wage levels and unemployment. The purpose of this chapter is to point out that there is no single theory that provides us with a universally applicable explanation to the above, as different theories cover different aspects affecting wage and unemployment determination. It will also be argued that wages and (un)employment are not purely the result of the workings of the market mechanism, but are also directly and indirectly influenced by, among other factors, political and social institutions. The impact of such institutional influences are often disregarded or underestimated.

In chapter three the concept of the modern welfare state will enjoy attention. Looking at welfare state principles can enrich our understanding of the political level of

society, and how politics relates to the economic system. The latter also forms the most fundamental constraint on the manner in which any welfare state develops.

A review of the modern welfare state will lay the basis for an argument that the labour market institutions of today are not purely the result of economic impulses, but rather a combination of economic, political and social impulses, all interwoven. On the basis of this, it will be argued that Namibia is an excellent example of a country where the labour market institutions have developed precisely as a result of such interaction between different disciplines. Economic and political systems have to a large extent been interwoven not only during the past five decades, but even prior to that.

In the second part of chapter three the main welfare state regimes will be discussed, as well as countries which exemplify the respective regimes. This will be followed by a brief overview of general trends as regards the development of labour market institutions in both industrialised and developing countries.

Country specific evidence regarding the usage of collective bargaining structures, the minimum wage and measures of social security will be presented in chapter four. Evidence from both industrialised and developing countries will be assessed in order to arrive at a conclusion as to how effective these particular labour market institutions/ instruments have been in achieving the initial goals envisaged with their introduction.

The labour market of Namibia in many ways resembles that of a typical developing country: an abundance of unskilled labour, high rural to urban migration, high unemployment in urban areas in particular, as well as a small formal "wage employment" sector and a large informal sector. Given the level of economic development of the country, and in view of Namibia's political history, it could be asked whether government should in fact actively intervene in the labour market by introducing formal institutions which affect labour market outcomes. Are such outcomes very different in terms of wage levels and employment levels than what would be the case if the market mechanism was allowed to function in an unhindered manner, i.e. without any intervention? As the Namibian government is already intervening actively in labour market issues, what are the main mechanisms used and

is it possible to determine how effective these mechanisms are in achieving government's goals regarding employment and wage levels?

In chapters five and six the information presented in the preceding chapters will be compared and applied to the prevailing situation regarding labour market institutions in Namibia. A comprehensive overview of the development of some of the main labour market institutions in Namibia will be given, with an emphasis on political and social issues that have affected the development of such institutions during the past five decades in particular. Current trends with respect to domestic developments will we compared to trends in other developing countries in general.

A discussion of general economic trends and in particular the trends with regard to economic growth in the various sectors of the economy will be discussed in chapter five. The purpose of such discussion is to highlight the fact that, based on current trends, it is not likely that overall economic growth will much exceed the high population rate estimated at 3.1% per annum. This in turn highlights the dire need for creating economic, political and social frameworks assisting with income security, and being conducive to encouraging and facilitating job creation through socially legitimate means.

Given the prevailing economic conditions and projected future trends, should government increase its intervention in the economy? How does government reconcile economic and social interests, and how are these interests expressed? What would be the most efficient ways to achieve its goals? What can we learn from the experiences gained through the implementation of similar institutions in other countries, and has the introduction of labour market standards resulted in high wage and employment levels, or the contrary? These issues will be addressed in chapter six.

Chapter seven will be a presentation of a number of case studies to indicate to what extent the Namibian government has intervened by way of establishing labour market institutions, and how effectively these have been used. Although statistics in Namibia are not comprehensive in terms of coverage, nor recent as regards a number of issues, it should be possible to get at least a general impression as regards the extent of government's involvement in the economy through such a review.

Case studies with regard to the use of collective bargaining, as well as the minimum wage, will be presented in chapter eight.

2. Different Approaches to Wage and Unemployment Determination

2.1 Introduction

The International Labour Organisation (1992: 121) defines wages in pure economic terms as "the reward for labour, which in turn may be defined as human effort of any kind employed to meet an economic demand". Wage income, or lack thereof, is of particular importance as it affects the financial ability of a worker to address the basic needs of his/her family, and also the level of dependence on assistance from family, the market, or the state. However, wages are not only important to workers, but also to employers, as both cash wage and non-cash wage benefits affect the labour costs of employers. This often puts pressure on the profit margins of companies that are normally already under pressure from both local and international competitors. The process of determining and fixing wages at what society deems "appropriate" levels is consequently not only of great importance, but also very complex, and involves not only economic but also social considerations.

Although in many developing countries such as Namibia most rural families derive an income from small scale farming activities, the cash income obtained from "selling" labour is becoming more and more important as a source of income to families. Unemployment and wages are likely to become even greater issues of relevance as financial pressure on government increases: a high incidence of poverty and unemployment has severe repercussions for political stability and the future growth of the economy.

This chapter briefly reviews the various approaches and theories that are used to explain wage differentials and unemployment. The discussion highlights the main differences between the viewpoints of economists and sociologists. The overview will provide some guidelines according to which the Namibian economy and the issues of unemployment and wage disparities can be put into context in the following chapters.

2.2 The Economist's view of unemployment and wage differentials

2.2.1 Brief history

The early classical school of thought on wage theory focused on two main ideas, namely the principle of *population* and population growth, and the idea of the *wages - fund.*

In the early nineteenth century David Ricardo's subsistence theory focused on the idea that wages would automatically move towards their "natural level", and that the normal working of labour market supply and demand, if interfered with, would be unnecessary and may even have harmful results (ILO 1982: 110).

With rising populations, no significant trend in real wages during the nineteenth century, and heavy reliance on the agricultural sector for employment, the main problem became the issue of *distribution.* The theory of rent postulates that land use is not a factor in the pricing process, and consequently the division between capital and labour becomes the focus of the distribution issue. As the assumption is that the amount of capital is proportional to the amount of labour, prices of products are deemed to be in proportion to the amount of labour used to produce them. Capital was no longer considered an independent production factor. Population was seen as being given over the short term, and therefore regarded as the only determinant of labour supply (Dunlop 1957: 4 - 6).

In the middle nineteenth century, John Stuart Mill presented his wages fund theory. In short, this theory supported the idea that, in the short term, every country has a limited or set amount of money (a fund) available for wages. If one group of workers were paid more than another group, there would simply be less money available to pay to the latter group. Thus employers could either employ fewer people or reduce the wages of some workers. Unions in such a setup would secure higher wages for themselves, but at the expense of other workers. Interesting to note is that the theory did recognise that the population adjusted wages to a customary or social standard, which over the long run indicated that social convention rather that the economic system "determined" wage levels (ILO 1982: 111; Jackson 1970: 8).

During the decades leading up to the Great Depression, the issue of distribution remained a problem, albeit that the focus changed from centering on distribution among classes, to distribution of a national product among different production factors. The approach to wage theory changed gradually, with the neoclassical concept to marginal productivity coming to the fore during the late nineteenth and early twentieth century. It was believed that the marginal productivity of labour determined the demand for labour, and that, as marginal productivity declined in correspondence to an increase in workers employed, wage increases would lead to a reduction in employment. Unions could secure higher wages, but the number of people employed would be reduced (Jackson 1970: 10).

Today there are various approaches and theories aimed at explaining unemployment and wage differentials. Although the market forces of supply and demand have remained important, many now also acknowledge the influence of non-market / institutional forces. Economists are increasingly including some of the features of social structures in their theories to explain unemployment and wage differentials.

2.2.2 Methodology and Assumptions: The equilibrium / disequilibrium argument

From a pure economic perspective, there are two opposing views with regard to the functioning of the labour market. The first view contends that competitive markets produce "socially desirable "results, and is based on the neoclassical idea that market efficiency is achieved when a state of **equilibrium** is reached. Classical and neoclassical economists in the 19th and 20th centuries focused on the labour market (and economy as a whole) as being in a state of "competitive equilibrium", albeit under certain specified conditions. Archer (1992: 222) broadly defines these conditions as the following: a major market player (monopolist) does not influence prices, information is freely available, and there are market opportunities for all tradable products. Given these conditions, markets will clear fast by equating supply and demand.

The most basic assumption of the equilibrium view is that of rationality, i.e. that individuals want to maximise or optimise, making decisions which would bring about the greatest possible utility (satisfaction) to them. A second important assumption is that, given the information available to them, individuals can accurately calculate the outcomes of their actions. Information is deemed perfect and costless. Another assumption is that markets are like auctions and will always clear as a result of an ongoing process of instant price (and wage) adjustment. Unemployment is seen as voluntary, and only as a (temporary) function of people being between jobs, workers looking full-time for better jobs, workers being retrained, or workers preferring more leisure time. Economic fluctuations and corresponding fluctuations in unemployment must be reconciled with the idea of the market being in equilibrium (England 1992: 46; Phelps-Brown 1977: 13).

Contrary to the equilibrium argument, the **disequilibrium** argument holds that it is impossible to exchange labour in the same way as other commodities are exchanged. Transactions involving labour are not impersonal in nature, and competition for employment is affected by codes of personal conduct. Labour markets are dualistic and segmented in nature. Furthermore, labour is not standardised, and can be distinguished from other commodities by the fact that there are standards of fairness that should be taken into account when wages and working conditions are determined (Archer 1992: 231).

Disequilibrium theorists contend that workers respond to wage variations by supplying more labour, or withdrawing it, thereby continually substituting labour and leisure time. These theorists emphasise that one cannot assume rational behaviour from economic agents, that cyclical fluctuations cannot be explained by the equilibrium mode, that information is in fact not perfect, and that market consumers in one market only obtain complete information about the prices in another market if they are willing to pay for it (Archer 1992: 226; Granovetter 1981: 22).

Archer (1992: 231) highlights a number of reasons for disequilibrium. Firstly, job competition, and subsequently the "normal" interaction between forces of supply and demand, are affected by certain rules of behaviour / social norms. Furthermore, there is the issue of labour market "*segmentation*" (discussed in detail on page 18) which

refers to workers and their ability to qualify for certain positions being subject to geographical confines, previous work experience, ethnic background, and gender, to name but a few factors inhibiting the natural flow of competition. A fourth reason for disequilibrium which is very closely related to segmentation refers to the division between those workers who are employed (insiders) and those workers who are unemployed (outsiders). Insiders are viewed by many as having some monopoly power over the working environment. A fifth aspect referred to by Archer is the issue of fairness, and of relative wage rates (Archer 1992: 224, 225).

2.2.3 Explanation of Wage Differentials

The pure market view of wages holds that the impersonal working of the market fixes a market wage for every occupation. Wage differentials are considered to be "by-products" of the fixed rates.

Rottenberg (1960: 40) noted that the **classical theory** of economists such as Adam Smith explained the choices of workers in terms of "comparative total net advantage", and not in terms of "comparative wages". Adam Smith in his time already contended that wages would vary in accordance with the ease or hardship, cleanliness or dirtiness, etc of a job. He noted three restrictions on the unfettered working of the market: barring certain people from entering certain trades, encouraging people to take on jobs they would not take under normal circumstances, and obstructing the free movement of workers between different jobs. Many years later, the writings of economists such as Phelps-Brown (1977: 13) reaffirmed the existence and importance of some of these restrictions.

Phelps-Brown attributes wages and wage differentials to a variety of factors that restrict either the number of available positions in an occupation, or the number of persons who are in fact able to "qualify" for such positions. Owing to certain restrictions, the <u>number</u> of jobs which are available in a certain occupation are usually limited. The rationale for placing direct or indirect restrictions on entry is to ensure that the income of individuals in such an occupation does not decline significantly with the entry of too many people to the same occupation, and/or to maintain certain standards. Secondly, "disequilibrating" pay rates also restrict the number of available

jobs. Employers who employ "expensive" workers, normally attempt to change methods of production. Also, higher labour costs are normally transferred onto the price of the final product, and this may result in a reduction in sales. Employers would thus attempt to limit the cost of labour relative to other production factors (Phelps-Brown 1977: 14).

As regards limitations on the number of persons suitable for certain positions, there are five factors of importance which distort the "normal" adjustment of supply and demand towards equal pay in all occupations. Firstly, the nature of certain occupations influences a person's impression of the occupation to such an extent that employers need to take into account the amenities and disamenities associated with the job when they determine pay rates (England 1992: 47). Geographical immobility is another factor which may result in pay differentials, as many people prefer to live in certain areas, and need pecuniary compensation as drawcard to other areas. The third factor refers to the abilities and temperament of a person. People with "exceptional qualities" often receive higher incomes, as the market "reward" them for these abilities through what is called "rent of ability". The cost associated with training is another factor of importance. Most occupations require some prior training, and people differ in their ability to afford time and money for training. The fifth factor which contributes to pay differentials is that of a lack of information regarding jobs and training courses (Phelps-Brown 1977: 14).

Standard **neoclassical theory** of wage formation advocates the view that market forces will automatically equalise wage differentials for workers who have equal skills and similar employment conditions by means of wage (price) adjustments, as soon as wages deviate from the equilibrium level (Phelps-Brown 1977: 9). Neoclassical theorists contend that the explanation for why certain jobs (by persons with similar skills) pay better than others can be found in the intersection of the supply and demand curves for labour:

Demand: An employer's *demand* for labour represents the relationship between the number of work hours and the wage rate that the employer chooses. This price of labour affects the quantity of labour the employer will be willing to employ. The more expensive labour is, the more likely it is that the employer will hire a lesser amount of labour. The demand curve for labour is the same as the *marginal revenue product*

(MRP) curve in a competitive labour market. Here the demand of an employer serves as indication of what the employer is willing to pay per unit or given quantity of labour, or of how many workers will be taken on at a given market wage (Granovetter 1981: 17).

The marginal product of labour depends on the amount of the production factors which are "jointly" used in the production process, as well as the quality of the labour inputs, and the level of technology (Samuelson and Nordhaus 1985: 601). This concept of "marginal productivity" can be related to the law of diminishing returns. Should other factors used in the production process remain unchanged, an increase in the labour force is likely to be associated with a decrease of the marginal productivity of labour, and therefore depress wages. If, for some reason, the supply of labour decreases, wage rates are likely to move upward. Conversely, should the supply of labour increase it is likely that wage rates will decline. (England 1992: 48, 49 ; Samuelson and Nordhaus 1985: 601).

Supply: The market *supply* curve for a job or particular type of skill in turn represents the relationship between the wage rate and the number of working hours that will be offered in the job. The higher the wage, the greater the number of persons normally willing to do the job (England 1992: 48).

A competitive market will instantaneously move towards equilibrating wage differentials. An employer who wants to maximise profits will not feel the need to pay more than the market clearing wage, but at the same time employers will not pay less than the market wage, as they have to compete with other employers for the same workers. Once the market has reached equilibrium, only exogenous forces that affect the supply or demand curves will lead to price changes (Bellmann and Möller 1995: 132; England 1992: 50; Heath and Kaufman 1989: 6).

Human capital theory developed mainly as a response to deficiencies in the neoclassical theory of labour supply, and became popular in explaining wage differentials - economists such as Mazumdar have as recently as 1994 (1994: 198) referred to human capital theory as being the "standard model" for explaining earning differentials.

Human capital theory posits that a direct link exists between the education and productivity of a worker: the assumption is that a higher level of education will be reflected in a higher level of productivity, which will in turn be reflected in higher income for the worker. Individuals thus consider the future rate of return on their investment in skills to be financially worthwhile (present utility is compared to future utility). Investment may be in education, general on-the-job training, or more firm-specific on-the-job training. A firm will invest in a worker's human capital in order to obtain the higher expected marginal value discounted over the expected future period during which the worker will work for the firm. (Granovetter 1981: 18).

Although it is often seen as a supply side theory of labour markets, human capital theory has both a supply and a demand side. On the *demand* side, only certain employers will take on better-trained workers, the reason being that, even though such workers may be more productive, the employer must be convinced that the cost of the higher wage of such a worker is exceeded by the benefits brought on by employing such a person in that particular job (Berry and Sabot 1978: 1208; England 1992: 51, 69, 71).

Human capital theory has been criticised for its strong emphasis on the supply side, with economists such as Sorensen (in Grannovetter 1981: 18) contending that worker characteristics were not sufficient to explain income inequality. Although the theory suggests that wages will continue to rise indefinitely as long as individuals continue to invest more in themselves, this is unrealistic. Sorensen referred to empirical evidence to prove the apparent failure of human capital theory to explain trends in the distribution of incomes since World War 2, which did not correlate to changes in the distribution of education. Granovetter (1981: 18) in turn contends that the demand for the product which one's skills can produce, and whether you will be in a position to meet that demand, will determine whether your investment will pay off. At the same time, productivity should be seen not only as a matter of individual skills – wages are generated not only by skills, but a combination of skills, consumer demand, technology and work position.

Many of the more recent "growth theories" have included human capital as an endogenous variable which drives the process of economic growth. In these new

theories externalities and increasing returns to scale result in the social rate of return on investments and human resources exceeding the private / individual rate of return. This causes market failure, which in turn requires more active public policy. However, human capital serves as only one example of a growth determinant. Although human capital theory and even some of the more recent growth theories ascribe a central role to human capital formation as a source of economic growth, alternative perspectives suggest that it is in fact not a very central determinant of growth (Islam and Chowdhury 1997: 89).

During the 1960's a number of supply-side theories which focused on the job search process were developed by the likes of Stigler. Whereas neoclassical theory regards the job search as a rational process, these new theories were based on the idea that workers act irrationally and that information seldom results from an active search. Rather, it is regarded as a by-product of other activities, such as informal interaction with other people at social gatherings, etc. (Granovetter 1981: 24).

Neoclassical economists view workers as rational individuals attempting to maximise their income during their working lives by way of investing in their own productive capacity. Incomes, or rather the return on their investment, are seen to differ as there are initial differences that simply continue throughout the working lives of such workers. Little attention is, however, given to mechanisms through which investments in oneself could generate an income stream. As neoclassical theory about wages failed to fully explain wage differences, an institutionalist tradition developed during the 1940's and 50's, rooted to a large extent in sociological theory and law.

The institutionalist view can be incorporated into the **disequilibrium** approach. It is broadly based on the idea that the labour market does not automatically clear, and that the presence of rigidities/constraints result in wages and employment levels adjusting to economic changes at a very slow pace. Labour market "failures" as a result of these rigidities /constraints may be generated by a variety of factors, among which are monopoly power, inadequate communication and non market influences on the process of wage determination. Institutionalised employment relationships are thus in part the result of inherent problems of information and uncertainty in contemporary

economies. As a result of the abovementioned rigidities the labour market remains in a state of disequilibrium (Archer 1992: 225, 231; Berry and Sabot 1978: 1206).

It could also be mentioned that the institutional economists of the 1940's and 1950's were of the opinion that the wage paid to a person in a certain job depended on where that job fit into the greater job structure. They emphasized the idea of a wage structure, i.e. a wage rate system within a firm which differentiated by occupation and by employee. Some jobs are "key positions", which, should they change, will trigger a chain reaction of wage changes in other jobs. Hence they arrived at the concept of a job cluster. The idea of a job cluster in turn in 1971 formed the basis of Doeringer and Piore's concept of an "internal labour market", being an administrative unit (for example a manufacturing plant), within which the pricing and allocation of labour is governed by a set of administrative rules and procedures. This was in contrast to the conventional idea that pricing and allocation of labour and training are directly controlled by economic variables. Their argument was that, in a closed and controlled system, wages would be based mainly on job characteristics with careful attention being given to consistency in the hierarchy. They could not, however, explain how certain individuals got linked up with high or low paying jobs. Attempts to develop a theory that would explain this led firstly to the dual, and later to **segmented labour market theories** (Granovetter 1981: 19).

Segmentation, the phenomenon which describes the different extent of wage rigidities across various segments of the economy, i.e. the reason why there is a difference in remuneration for workers with similar skills in various segments of the economy, has become a popular explanation for unemployment during recent years, particularly for urban unemployment (Agénor 1996: 302).

The segmentation theories have to a large extent been based on the idea that internal labour markets only represent one kind of work setting, and that it offers to their incumbents advantages such as opportunities for upward mobilities. Markets such as these are viewed as primary, whereas labour markets composed of women, teenagers, the urban poor and other groups who are generally viewed as being marginalised, are regarded as representing the secondary labour market. Thus an economy is regarded as being divided into a small number of separate markets that are semi-impermeable.

However, Granovetter (1981: 21) notes that, even if the idea of different segments are accepted as being sufficient to explain income inequality, you still get large income variations within occupational groups. He goes further by stating that Dunlop's original idea, namely that wage structures were interdependent in very complex ways, and related to economic complementary networks and social relations within and between firms, has been lost track of as this approach focuses mainly on market sectors. Also, this approach has assumed wage uniformity within sectors. Thurow, as cited in Granovetter (1981: 22), in 1975 also attempted to explain how certain people end up in certain positions with predetermined incomes, by stating that the wage is determined mainly by the job itself, and not the worker. He ascribes this to the fact that marginal products are inherent to jobs and not to individuals. The basic premise of his work is that there is a labour queue based on the trainability of workers. Should the number of workers at a certain level exceed the demand, some would have little choice but to settle for worse jobs with lower wages. One can question, however, how trainability should be determined, and, according to Granovetter (1981: 22), the idea of a queue does not take the complexity of the matching processes seriously.

As they narrow the boundaries of who can compete, institutions contribute to the segmentation of the labour market and thereby also affect wage rates. In a segmented labour market, it is likely that nominal wages in the protected (i.e. formal) sector will be less responsive to price changes. Possible outcomes differ: unemployment may persist, income of the poorest segment of the labour market may drop even further, and employment in protected sectors may actually decline (Mazumdar 1994:198).

On the demand side, the 1970's saw the development of the so-called signaling and screening theories which focused on the uncertainty of employers when it comes to taking on new workers. As employers are not aware beforehand of a person's actual productivity, a worker will invest in education / training which will signal to a prospective employer what the likely level of productivity would in fact be. (Granovetter 1981: 24, 27).

Since the mid-1970's new "sector-specific" models of unemployment have developed, all of which are based on the premise that workers in a segmented labour market prefer to wait for a limited number of higher paying jobs, rather than take up

lower paying jobs. This resulted in the idea that unemployment is the result of a misallocation of labour owing to the decisions of the workers themselves. Workers have been found to make bad choices/decisions irrespective of being educated or not (Berry and Sabbot 1984: 109).

2.2.4 Explanations of unemployment

The neoclassical **equilibrium** approach states that markets clear instantaneously. Efficiency is achieved when markets function like auctions, thereby adjusting wages instantly. Unemployment is seen as voluntary, and in order to explain economic changes the assumption of full information is relaxed (Archer 1992: 223).

Disequilibrium explanations for unemployment, based on price and wage rigidities, fall into three broad categories: models based on the idea of an efficiency wage, models focusing on the idea of so-called "insiders" and "outsiders" in the labour market, and thirdly models based on the existence of "implicit contracts".

2.2.4.1 Efficiency wage models

The efficiency wage models are based on the view that the higher wages are, the more workers will be encouraged to raise their efforts, hence raising productivity which will in turn raise profits. The productivity of a worker is thus seen as being directly related to the wage of the worker, with wages determining not only labour quantity, but also effort (Archer 1992: 228; Bellmann and Möller 1995: 132; England 1992: 86).

Efficiency wage theory also explains the presence of workers who are willing to work for less than the wage of employed workers, but are unable to find employment. Orthodox neoclassical theory predicts that during a recession wages will fall to a level that would allow the market to clear. However, efficiency wage theory states that the same wage cannot clear the market for new workers while at the same time changing the behaviour of applicants or working employees in such a way as the employer would like. The inability of wages to fall and allow the market to absorb unemployed persons is thus attributed to this dual characteristic of the wage (England 1992: 86).

The difference between the efficiency wage models and the orthodox neoclassical models are that efficiency wage models assert that worker behaviour is endogenous rather than exogenous to the wage. In this view, the employer may maximise profits by actually paying wages that are higher than the market clearing wage level of the supply-demand model. As long as the revenue increase to the firm (brought on by higher wages that serve to encourage workers) exceed the cost of the wage increases, employers will continue to raise wages (England 1992: 83, 84).

2.2.4.2 Rent-sharing / Bargaining models

Complementary to the efficiency wage models in the context of monopolistic competition are the rent-sharing or bargaining models which explain the wage structure by means of differences in the ability of firms to pay wages, as well as differences in the power of workers to extract rents from their employers (Bellmann and Möller 1995: 132). The main focus in these theories is on the fact that employers and employees bargain to determine the distribution of economic rent between them. Workers have a measure of power in that their employer would have to incur costs to replace them. By using their power to negotiate outcomes that do not take into account the interest of so-called "outsiders" (i.e. unemployed persons wanting to work), workers have a definite advantage over those trying to become employees of the firm. By pressing for wages above market-clearing level, firms are mostly hesitant to employ additional workers, and subsequently "outsiders" remain involuntarily unemployed.

While covering the topic of workers (insiders) and those wanting to work (outsiders), it is perhaps of interest also to refer to the insider–outsider issue in a somewhat different context, namely that there are also persons "inside" and "outside" of the modern/formal labour market. It should be noted that analysis of the process of wage determination in the informal sector has not been developed extensively. Agénor (1996: 302) mentions that many recent models based on segmented labour markets lack "a fully articulated theory of the channels through which wages in the formal and informal sectors interact". In his paper on labour market adjustment (Agénor 1996: 302) reference is not only made to the recent emphasis of economists on the role of efficiency considerations in wage structures in the formal sector, but also to papers which focus on wages in the formal segment of the economy in which wages exceed

market clearing levels, with the aim of eliciting high levels of worker productivity and to discourage shirking (Archer 1992: 224, 228; Lachaud 1989: 334, 335, 341).

2.2.4.3 Implicit contracts

Implicit contracts represent the third general category of theories explaining wage rigidity. Models of implicit contract, firm-specific human capital, agency and transaction costs are associated with a situation in which there is not a legal and formally binding contract between worker and employer, yet the relationship is structured in such a way as to create incentives for both workers and employers to act in a way which will interest the other party (Archer 1992: 230; England 1992: 76, 77, 81).

2.2.5 The endogenous/ exogenous nature of labour

Labour supply has been treated as both endogenous and exogenous in research aimed at finding an explanation for unemployment. The *endogenity* of labour supply has been treated as a function of conditions that prevail between and within labour markets. Urban unemployment in this context is attributed to labour market distortions that result from segmentation. This leads to different wage levels for economically homogenous labour. Other explanations of the urban unemployment phenomenon in particular, based on the *exogenous* determination of labour supply, have taken imperfect information into account, and have focused on unemployment as forming part of a job-search process independent of migration (Lachaud 1989: 334).

2.2.6 Practical implications of the market approach and related theories

There is little question that the combined working of the forces of supply and demand in the labour market plays a central role in the determination of unemployment and wage differentials. However, a fair and realistic picture can only be presented if the policies and institutions which in particular shape the supply side of the labour market are acknowledged and incorporated (Archer 1992: 230, 231).

Phelps-Brown (1960: 19) notes that "market forces...work in a social setting ... and the supplies of labour to different occupations are therefore variously constituted and

conditioned". Conventions, customs and ideas regarding equity all play an important part in the market. He also contends that social aspects have kept differentials as high as they are – during the 20th century wage differentials changed remarkably as a result of changes in supply and in demand. The most notable change has, however, been in supply, namely through the extension of social services and education, which have given children a better chance of getting jobs they are suited for. Combined with certain institutional factors, changes in demand and particularly in supply can account for the large wage differentials we see today.

Archer (1992: 233) notes that notwithstanding the fact that they will be changed by new regulations, the market mechanism and labour market institutions will continue to play important roles in determining employment and wages in South Africa. The same can be said for Namibia. Given the political background of labour in Namibia and the extent of social inequality, it is virtually impossible for the Namibian government not to intervene in the normal working of the market mechanism. At the same time it is virtually impossible for government to have absolute control over the labour market, and highly unadvisable as, by alienating the private sector (supposedly the most important generator of new jobs), government would severely hamper future economic growth and employment.

Of particular importance in the Namibian context are the issues of the development of human capital and segmentation. Evidence suggests that the high number of informal sector workers is not the result of voluntary employment, but rather result from involuntary unemployment. Informal economic activities are the only options available to persons who are unable to find employment in the formal sector. (The great difference between high private sector and public sector formal wages, and the extremely low wages obtained though informal sector activities serve as major incentive for people to seek formal employment). Unemployment appears to result from a lack of education and skills, combined with an economic structure in which the private sector is creating virtually no new jobs, rather than from workers exercising their right to leisure time, or being temporarily unemployed as a result of undergoing training.

2.3 The Sociologist's view of the causes of unemployment and wage differentials

Sociologists generally assert that economists underestimate the importance of social forces when they look at factors determining unemployment and wage rates: individuals do not always behave rationally, but often make decisions or act in a way which has been strongly influenced by their social background / circumstances.

Esping-Anderson (1990: 145) distinguishes between two focus points in sociological research. On the one hand, there is a focus on socially inherited traits that affect one's chances in the labour market, i.e. upbringing and education. These are regarded as "*sociologically dividing*" factors in the labour market. Economists have criticised this for the reason that this does not acknowledge that labour market participants can act independently or compete on an equal basis for jobs and rewards. On the other hand there are the "*structurally dividing*" factors in the labour market. This refers mainly to the organisational features within and between different industries and companies. This approach is a parallel to the economist's segmented theory of labour markets (Esping-Anderson 1990: 145).

2.3.1 Methodology and Assumptions

In contrast to economists who focus on formalised institutions affecting the labour market, sociologists focus on "informal" social structures. Sociologists have in particular devoted their attention to the social phenomena of *status, class and power*, and it is these three phenomena to which they ascribe social inequality. The social standing of a person is considered to be the number one factor determining his access to education, and thereby also his ability to obtain a job, as well as the wage he will be paid.

It is a popular perception that economics focuses on pecuniary gains generated by certain behaviour, whereas sociology is thought to focus solely upon the non-pecuniary aspects of behaviour. This is not entirely true, as workers often trade monetary compensation for non-monetary advantages such as that of being able to do interesting work, or work allowing them to take more time for leisure. This is

included among the explanations for the presence of compensating differentials in labour markets (England 1992: 47).

Another important difference is that economists focus on the notion of Pareto-optimality with regard to the outcome of the process of exchange. This term is used when an exchange results in at least one party increasing his utility while the other does not lose any utility, i.e. at least one party is better off, without any of the two being worse off than before the actual exchange. Whereas the sociologist will be concerned with the issue of who gained most from the exchange and the effect of this on equity or equality, Pareto-optimality is sufficient for economists as they assume that interpersonal utility comparisons are not possible (England 1992: 47).

Sociologists such as Rees (in 1973) have attempted to explain the determinants of supply by pointing out that economists, in focussing mostly on labour force participation and skills or training levels, and neglecting aspects such as the number of hours that people are willing to work, and the amount of effort they are willing to put into such work, have in fact neglected causal sociological factors. For example, to achieve a certain output from workers, it is important not to focus only on the economic and technical situation contributing to that output, but also to take into account aspects such as informal agreements within groups on what the proper output should be. Therefore, decisions of workers are seen by sociologists to be deeply imbedded in non-economic aspects of social reality, or rather, individuals are not divorced from the social milieu in which they live, and therefore are influenced by people around them. Granovetter (1981: 32) contends that, on the demand side, economists are content with the marginal productivity argument. As value added can be determined by multiplying the number of physical units of the product with the market price for each unit, the marginal productivity of labour is not only the result of the efficiency of labour but also the demand for the product the labour produces. A higher demand will raise the marginal productivity and wages for those who produce it. Hence product demand patterns are important determinants of wage differentials. Economists, however, seldom study the factors leading to shifts in product demand, or the impact of such shifts on other aspects such as inequality. Patterns of product demand should be understood in terms of social structure, mobility etc. as it is the result of taste influenced by surroundings. For example, Phelps-Brown (1977: 17)

notes that people act in a particular way because it is customary, obligatory or because they have been taught that it is "right and proper" . With regard to supply and demand, not only economic factors but also sociological considerations such as the comparative attractiveness of industries and occupations, the ease with which workers can move between these, and the extent to which the commodity being produced can be substituted, are crucial.

Granovetter (1981: 34) expresses the opinion that, contrary to the viewpoint of economists, who generally consider sociological factors such as information gaps, resistance to migration, power differentials, and shifts in the preferences of consumers as "frictional drags", these factors are actual important determinants of disequilibrium.

2.3.2 Sociological explanations of Wage Differentials

Contrary to the economic view that the normal pay rate of an occupation is the result of the interaction between the market forces of supply and demand, the sociologist believes that non-market ("social") forces are dominant in determining the value of labour. Sociologists consider social structures and in particular the inequality resulting from this as being inextricably linked to the inequality of pay (Furniss 1925: 12).

Sociologists claim that **status** is an important determinant of a person's pay. Although the economist would contend that a (market determined) high income would increase the status of a person, the sociological view is that people in general feel that occupations of a "higher social standing" (e.g. medicine and law) should be paid more (Phelps-Brown 1977: 19).

In addition to status, sociologists also consider **class** to be a factor that ensures certain people a higher income than others. Whereas class used to be defined in terms of somebody's relationship to ownership of capital, access to education and technology has recently become more important as an indicator of class, as it provides a person with a better chance to gain entry into a certain occupation (Phelps-Brown 1977: 21).

The conflict of interest between the capitalist and working classes is the most basic assumption in the Marxist view of capitalist societies. The relationship to the means of production defines the class, for example those who own capital have power over others and also get the profits generated by means of the capital. In contrast to capitalists who earn an income even without working, workers only earn an income if they sell their labour. Capitalists are seen as exploiters by Marxists as they take profits generated by work of others. It is important to note that while neoclassical economic theorists contend that each capitalist attempts to maximise individual self-interest, sociologists assume collective self-interest by a class (England 1992: 92-96, 97).

Sociologists also attribute inequality to the phenomenon of **power**. This refers to the ability to control and/or possess valued and scarce resources, and consequently the ability to create inequality (Phelps-Brown 1977: 21).

Marx explained wage differentials by using the example of labour market discrimination and the unequal division of power: The Marxist view of labour market discrimination is that it forms part of a capitalist divide-and-conquer strategy, aiming at weakening working class solidarity. By discriminating on the grounds of race or sex, divisions and hostility is induced, which will in turn lessen the likelihood of cohesive action which could threaten the profit levels of the capitalists (England 1992: 96, 97).

2.3.3 The sociological view of unemployment

With respect to a sociological approach to explaining unemployment (and to a certain extent also wage differentials), one can distinguish between the ideas of orthodox and revisionist Marxists, as well as other sociological theories: functionalism, institutionalism, structuralism, and conflict theories (England 1992: 100).

Functionalists contend that societies are forced to give better rewards to occupational positions which are functionally important, in order to help the society survive. In other words, reward is based on the relative value of the job to the organisation. The incentive of such higher rewards is considered necessary to attract the best qualified persons to such jobs. Consensus over internal values of a society is the main

mechanism in functionalism, whereas the invisible hand of competition that creates efficient outcomes is the mechanism supported by neoclassical theorists. In functionalist theory, the issue of a job being "functionally important" differs from the neoclassical idea of contributing more to the marginal product, as the functionality is towards the entire society, whereas marginal productivity only refers to the contribution to the revenue of an individual firm. At the same time, there is some similarity in that some functionalists contend that the functionalism of each institution in a society contributes to the overall level of functionalism as a whole, while neoclassical economists are of the opinion that, by means of the invisible hand, individual profit maximisers will contribute to growth for all members of society (England 1992: 100).

There are also some similarities between the schools of thought of the institutionalist economists, and that of functionalist sociologists. Both place emphasis on cultural values, and distinguish between instrumental and expressive/ceremonial behaviour. Institutionalists, however, attach greater value to the instrumental (skills, technology and knowledge) than the ceremonial aspects of behaviour and institutions (England 1992: 102).

Whereas neoclassical economic theory only accounts for rational response and skills, sociological views with a *structural* focus also acknowledge that tastes, habits and cognitions affect the responses of an individual. "New" Structuralism has become more popular during recent years owing to the inability of other sociological theories to explain how structural positions in labour markets affect rewards. Initially these theories were to a large extent based on the economic theories of labour market segmentation, which focus on the idea of a dual-sector economy where there is a core containing large unionised oligopolistic firms with high profits and high wages, and a periphery with smaller firms, lower profit rates, low wages, etc. The larger firms were considered to have internal labour markets in which wages were likely to rise with seniority. Though it became apparent that uni-dimensional dualism does not sufficiently represent segmentation, research by the new structuralists has indicated that large, profitable, capital intensive firms, even unionised ones, in general pay higher wages than other firms (England 1992: 102, 106, 107).

2.3.4 Practical implications of analysis

Institutional analysis of the employment relationship has to a large extent been taken over by behavioral sciences. Economists focus on the idea that the behaviour of individuals and organisations is clearest when you assume that the most important motive is to secure the highest possible wage or profit. Behavioral scientists in turn add assumptions such as the desire by individuals to satisfy personal needs, and the desire for status. Behavioral scientists furthermore are concerned mainly with the impact of labour market institutions on other community issues and institutions, and not how they affect wages, prices and profits (Galenson and Lipset 1960: introduction).

Sociological factors have been particularly relevant in the context of Namibia. For many decades, politics affected both society in general and the labour market in particular to a much greater extent than what would have been the case in an economy where state intervention was kept to a minimum. As a result of the active state intervention in society and the labour market, sociological forces such as the three phenomena of status, class and power were not allowed to sort themselves out "naturally" but came to be largely determined along ethnic lines.

The strong white middle-class became the leading force in determining society's values. The power over productive resources made it easy to access, among other things, education and jobs, and also allowed direct influence over the economy and the labour market. By way of controlling entry to the labour market, as well as wages, it was possible to establish a very skewed structure in society, divided along ethnic lines.

The high levels of social inequality both in Namibia and in South Africa are one of the most important issues of concern today, as it threatens the future political, social and even economic future of these two countries.

2.4 Summary / Conclusion

> "Economists and sociologists have devoted much thought and research to attempting to discover an acceptable general theory of wages that would explain in all circumstances how levels of wages and changes in wages are determined. No such theory has been generally accepted because the factors affecting wages are so complex and are so closely linked with the whole economic and industrial system and with social considerations."
>
> (ILO 1982: 110)

During recent decades there has been a marked improvement and expansion of statistical and quantitative data to measure behaviour on labour markets in both advanced and developing economies, and a great number of theories have flowed from the improved data. However, although many of these have helped to clarify some aspects of unemployment and wage differentials, there is no single theory which can in itself fully explain the presence of unemployment and differences on wage levels, especially in developing countries where the need for higher levels of employment and in some cases a more equal distribution of resources are particularly challenging (Dunlop 1957: 11).

A remarkable number of theories have been posited in order to not only explain wage levels, but also differences in wage levels. These include the theory of the subsistence wage, that of the wages fund, marginal productivity theory, bargaining theories, and the important role played by the forces of supply and demand. None of these theories have however proven themselves universally applicable, although, from a practical point of view, supply and demand forces may arguably be most relevant in influencing wage levels. At the same time it should be noted that these forces in turn are influenced and often restricted by social forces, for example when wages are artificially regulated by way of fixing a minimum. One cannot ignore the presence of certain institutionalised relationships which interfere in the unfettered working of supply and demand forces, and, for example, result in significant wage differences for people with similar qualifications and/or skills.

This chapter has briefly reviewed the economic and sociological approaches to unemployment and wage determination, as well as some of the relevant theories. From the discussion it has become evident that a combination of economic and sociological forces is acknowledged to influence employment and wage differentials (Heath and Kaufman 1989: 6, 8). As these economic and social forces have historically been combined in different ways in different countries, the labour market institutions that have developed also differ considerably. In the next chapter the focus will be on these institutions and the way they have been and still are being shaped in both industrialised and developing countries.

3. Non-market Institutions in the Labour Market : Outline and Comparisons

3.1 Introduction

In order to review non-market institutions affecting modern labour markets it is imperative to base the discussion on what is today considered to be the key institution in the structuring of class and social order: the modern welfare state. Not only does the structure of modern welfare state models and employment regimes coincide, but the former also have an important and direct impact on the latter: Esping-Anderson (1990: 143) argues that the modern welfare state "directly and systematically" shapes the labour market. Even the welfare state in itself is considered by many as a machine of employment and an agent of labour market clearing (the modern welfare state to a certain extent controls both the entry into and exit from employment), and not only a system of social provision. Macro-economic issues such as employment and wages have become integral components of the welfare state (Esping-Anderson 1990: 145, 160, 221).

This chapter will give an extensive cover of the concept of the welfare state, various welfare state regimes and the way in which they affect the organisation of labour. In defining and describing the modern welfare state and the labour market institutions associated with it, it is important to note the role of governments and the extent to which they intervene in economic and social life. Government involvement in the labour market as an agent influencing labour costs, especially by way of establishing a framework for collective bargaining, setting minimum standards and wages, and ensuring some form of social insurance, will be highlighted throughout the ensuing discussion.

As a result of the limited background information available with regard to the development of labour market institutions prior to independence, a discussion of the past and present developments of labour market institutions in Namibia in chapter six will draw on the experience of countries with similar (historical) political-, social and economic circumstances. Given that the initial aim with the introduction of the

welfare state was to enable European countries to achieve equality, efficiency and full employment after World War II, the welfare state framework is particularly relevant in the context of Namibia. The country has also been striving to achieve these three ideals since independence in 1990.

The aim with this chapter is therefore to look at trends in both developed and developing countries with regard to the establishment and development of labour market institutions. This should provide a useful background for the discussion about the Namibian situation, and could help to place the development of domestic institutions into perspective.

Section 3.3 of this chapter covers the institutional frameworks affecting the labour markets in the following industrialised economies: Sweden, Germany and the United States. For a reflection of developments regarding non-market institutions in developing countries, Chile and Malaysia will be reviewed in Section 3.4.

Following the overview of developments in both industrialised and developing countries, the globalisation of the world economy will be discussed in section 3.5. Globalisation is of particular relevance as it will increasingly force countries to adjust their labour market regulations in such a way that they become more flexible and therefore more capable of adjusting to sudden changes in economic conditions and a more competitive international environment.

3.2 Labour market institutions

3.2.1 Why do governments intervene in the labour market?

Government intervention is normally justified when markets do not achieve economic efficiency on their own, i.e. when markets fail, and when there is a very obvious need for achieving a fair and equitable wage distribution throughout society. Market failures may result from non-competitive (power) situations such as the case when monopolies are present, from public goods effects such as the public goods aspects of working conditions, and from external effects such as strikes which could affect third

parties. The equity argument in turn focuses on compensating "unfortunate" individuals, normally through the social insurance system (Flanagan *et al* 1993: 418).

3.2.2 How does intervention in the labour market take place?

There are mainly three ways in which societies respond to market failures and equity problems: informal arrangements are established, labour movements are given the power to present workers at the bargaining table, or government intervenes directly in the labour market. Although informal arrangements are popular in less-developed countries, informal structures normally break down as companies become larger and the communal and social relationships between employer and employee are diminished.

Formal arrangements such as collective bargaining, individual working contracts and legislation on which collective and individual contracts are based, all fulfil an important role in facilitating the efficient functioning of the labour market. Even when informal and formal arrangements such as unions already exist, government's role is in setting a framework in which transactions relating to labour may be carried out. For example, government may define which rights employers and workers have, under which conditions collective bargaining has to take place, and determine the boundaries of how disputes should be resolved. Direct interventions such as setting workplace health and safety standards, banning child labour and protecting women and children workers normally form part of government attempts to address certain social issues (World Bank 1995: 70).

3.2.3 Criteria for judging labour market institutions

Pareto efficiency is the main criterion by which neoclassical economists evaluate efficiency: a Pareto efficient situation is achieved when there is a competitive equilibrium, when it would be impossible to improve the welfare situation of one individual without reducing the welfare of another. This criterion has been criticised for a number of reasons that will not be discussed in detail here: suffice to say that one of the main criticisms against this method is that it does not consider institutions undergoing change. Alternative criteria that have been used include directly

measurable indicators such as wage levels and growth rates, income productivity of labour, unemployment, etc. However, no optimum level of these indicators is defined by economic theory, and consequently a practical evaluation is difficult. Hartog *et al* (1993: 23) states that in such a case the best possible way to make an evaluation is by using and comparing data over a period of time or across different countries. Also noteworthy is that preferences need to be taken into account with a number of indicators, i.e. voluntary vs. involuntary unemployment. The authors reach the conclusion that both Pareto efficiency and performance indicators can be used to measure labour market institutions, as they serve different purposes. Whereas the former may be more useful in evaluating structures such as regulations and institutions, performance indicators are arguably more relevant if one wants to measure the actual performance of an economy (Hartog *et al* 1993: 9, 22, 24).

3.3 The Welfare State and Labour Market Institutions in Industrialised Countries

3.3.1 The concept of the modern welfare state

3.3.1.1 Background

Up to the nineteenth century many of the industrialised nations of today were still mainly concerned with establishing the general framework within which free competition could flourish. Economic power rested with the owners of means of production, and governments restricted themselves to exercising civil and military control. For as long as the economy appeared to flourish the economic and political spheres remained separate. Since the turn of the century, however, a combination of political, social and economic considerations resulted in governments to a larger extent integrating themselves into society. From the mid-1940's onwards, today's industrialised countries debated what national social security should entail, rather than the issue of whether it should exist.

Initially, the main aim with welfare state policies was to provide support for the poor majority and to raise their standard of living. With the change in the economic conditions industrialised nations, however, also became increasingly concerned about

labour issues, and in particular education and training as it was believed that this could contribute to bringing about a turnaround in economic growth. The process of the state integrating itself into all spheres of society eventually climaxed in the establishment of welfare states as we know them today (Taylor-Gooby and Dale 1981: 190; Van de Vall 1970: 2).

The establishment of welfare states in many of the democratic industrialised nations resulted in similar forms of welfare assistance in the different countries, namely a steady income for the aged, relief from unemployment, and the improvement of social services in general. What differed between the democracies however was that the decision to build a welfare state was made under very different political circumstances and also had diverse institutional forms, albeit that all had the intention to achieve social equality and social protection (Ashford 1986: 297). Esping-Anderson (1990: 80) reaffirms this view, stating that different historical forces have shaped the institutional frameworks differently, and consequently the policies, reforms and decisionmaking of today take place within different policy regimes. The rights and claims associated with "social citizenship" today are an extension of the institutional parameters that have been fairly stable throughout history.

3.3.1.2 What is the welfare state?

Esping-Anderson (1990: 80) defines the concept of a welfare state as something which "denotes the institutional arrangements, rules and understandings that guide and shape... social policy decisions...". In Flanagan *et al* (1993: 415) labour market institutions are referred to as being "humanly devised constraints" that affect virtually all aspects of society, and which can be informal (customs, traditions) and formal rules (constitutions, laws). Taylor-Gooby and Dale (1981: 163) quote Miliband as describing the state as a "set of interrelated institutions", and themselves define the welfare state simply as "one in which the state intervenes in the market". The latter definition, however, leaves open the question of the manner in which the state intervenes, something which has important economic, social and political implications. Ashford (1986: 295) in turn explains the welfare state as being the outcome of a process of institutionalising social rights and social assistance. Sullivan (1987: 13) also contends that the welfare state is one in which the foundation exists of

an extensive social security system and income maintenance. Taylor-Gooby and Dale (1981: 155) also refer to Gough, who, albeit from a Marxist perspective, in 1979 defined the welfare state as "the use of state power to modify the reproduction of labour power together with the maintenance of the non-working population". The modification of the reproduction of labour power is considered by Gough to be a form of social investment, while maintaining the non-working population is a social expense. Although reproduction is still carried out in the family, it is increasingly supplemented and modified by the state.

The criteria according to which welfare states are defined concern the quality of social rights, social stratification, the distribution of resources, the nature and extent of the relationship between the market, the state and the nuclear family, and working life in general. Welfare state regimes are, however, mostly measured on the basis of expenditure on social services. This in turn roughly reflects the social wage, or rather the share of resources that is channeled on the basis of social rather than market criteria. This way of measurement has, however, been criticised, as social expenditure does not necessarily reflect worker and group aspirations (Esping-Anderson 1990: 113).

Evidence suggests that advanced capitalistic democracies have failed in their attempts to ensure full employment and economic growth during recent decades, something which has been attributed to limited means with which to transform zero-sum conflicts into workable solutions. As a result of this, social policy has become the most important arena for finding solutions regarding the distribution problem (Esping-Anderson 1990: 163). The core idea of social policy evolves around the process in which labour has become a commodity, and highly dependent on a regular cash income. The commodification of labour thus entails that it can easily be replaced or made redundant if a contingency such as illness arise. Esping-Anderson (1990: 104) identifies two important principles concerning social policy: the need to de-commodify labour from the market place, and the need to use social policy to define the boundaries of collective identity. Whereas social rights have often been viewed as being the essence of social policy, Esping-Anderson (1990: 3) prefers to view it in terms of its capacity for de-commodification, with the principal criterion for such

rights being the degree to which it allows people to achieve a certain standard of living independently of pure market forces (Esping-Anderson 1990: 35, 37).

Although the modern welfare state was designed mainly to take care of persons incapable of working, the "modern" phenomenon of jobless economic growth has resulted in the traditional responsibilities of the welfare state being extended and adjusted. This has led to the respective institutions representing the labour market and social policy becoming increasingly interwoven. The initial idea behind the establishment of a welfare state was simply to provide a safety net for people who were unfit to work. However, the "modern" welfare states of today place considerable emphasis on optimising the capacity of people to work, as well as the working environment (Flanagan *et al* 1993: 422).

During past decades it has become evident that the structure of existing society in industrialised countries such as Sweden and the USA has been influenced by the welfare policies of these countries. Welfare state "principles" have now been applied for several decades and appear to have directly contributed to the creation of new social classes (such as state bureaucracies and trade unions) in many industrialised nations. With time these classes have developed vested interests in the continuation of existing welfare policies. When the welfare state expanded government control from the political arena to economic policies, and from economic policies to welfare administrations, it came to employ large hierarchical structures of civil servants. These structures are not only effectively organised, but have also become very powerful (Rose and Shivatari 1986: 204).

Another important aspect as regards the welfare state is that the effect of welfare state policies, combined with sustained economic growth since the end of the second World War up to 1973, had contributed to the significant increase in the number of middle class people in the industrialised countries. The structure of society has effectively been changed from resembling a pyramid structure, representing poor masses and a comparatively small number of rich people, to a diamond shape form, representing smaller numbers of both the very poor and the very rich, and a large middle class (Rose and Shivatari 1986: 204).

With the economic changes brought on by the oil crisis in particular during the 1970's, many people came to experience a sense of job insecurity. These economic changes in particular threatened the "new" middle class, the members of which stood to lose much. This concern regarding their economic future resulted in a change in attitude towards welfare by the middle class in countries such as Japan and Germany. In order not to lose the economic power they had gained, many members of the middle class abandoned welfare causes. In countries such as the United States and the United Kingdom the general attitude became one of first helping yourself, before assisting others by way of supporting welfare causes. Nevertheless, it can be argued that the large middle classes that have developed during the past two decades represent an increase in the number of people who are now in a position to contribute to the cost of welfare state expenses (Rose and Shivatari 1986: 204).

It should also be noted that, although it is nowadays widely recognised that the state can play a major role in providing welfare goods such as health, education, and income security, the term welfare state is often misleading. The reason for this is that welfare activities are not solely the responsibility of the state, but also of the rest of society. It is in fact a combination of the state, households and the market which contribute in a welfare mix as individually all of them have certain limitations (Rose and Shivatari 1986: 13).

Although the state can play a useful role in providing some measure of income security for non-working members of society, often in the form of retirement pensions and unemployment insurance, social assistance by government does not present the full extent of redistribution that occurs in society. Arguably just as important as the state is the family, as it also provides a mechanism for distributing income, for caring for dependants and for the reproduction of labour power (Taylor-Gooby and Dale 1981: 160). In practice, all social services provided by the state are also complemented by a private sector. During the post World War II decades the idea that the state was the main party responsible for the provision of housing, social security, etc., and that it had an obligation to adhere to the needs of society, took precedence. Since the 1950's there has, however, been a trend in industrialised nations such as the United Kingdom for only certain forms of social assistance to remain largely in state hands. The role of the state in other areas such as housing and social security has

declined mainly as a result of the development of thriving private sectors (Taylor-Gooby and Dale 1981: 163).

Taylor-Gooby and Dale (1981: 156) contend that the needs of people can be satisfied in four different ways in contemporary welfare states. These are the following: employers organise welfare schemes for their employees; needs can be met within the family / by family members; they may directly purchase goods and services on the market; or the state may provide goods and services. As regards the state provision of goods and services, O'Connor (as cited in Taylor-Gooby and Dale 1981: 155) in 1973 noted that a distinction can be drawn between social investment (such as training), social consumption (health care, housing and social insurance against economic insecurity), and general social expenditures, which he defines as being the costs of maintaining social harmony, but which, even though it is necessary for social stability, does not contribute to profitability.

The extent of social insurance provided by governments differs vastly among industrialised countries. However, as regards privately financed forms of social insurance, occupational pension schemes are arguably the main form of financial support today, and are recognised as an alternative to the earnings related pensions provided by the state. Such schemes, however, often only benefit certain sectors of the labour force. For example, approximately 80% of non-manual workers were enrolled in occupational pension schemes in the USA by 1970. Of the total number of manual workers, only about 50% were, however, covered. Taylor-Gooby and Dale (1981:160) also identified two reasons why employers offer welfare schemes to their workers: to attract labour, and to use as a measure of control over the workforce. As example they quote from a 1978 study of Hay which focused on social insurance for foremen in the engineering industry. This study had concluded that employers' control of means of production was their primary means of social control, and that welfare schemes at most only served to reinforce incentive schemes and the hierarchy in factories.

Not all agree on the need for and usefulness of a welfare state and state intervention by way of welfare state policies advocating free or even subsidised social services. Taylor-Gooby and Dale (1981: 172) note that those who consider the welfare state a burden generally focus on distinguishing between productive and unproductive

labour. State expenditure is considered as being unproductive and making no contribution to the creation of surplus value in the economy, resulting in the full cost of creating the latter falling on capital and not on labour. The authors, Taylor-Gooby and Dale, also refer to a 1973 study by Yaffe in which he argued that state expenditure is required to maintain employment and ease the sale of commodities. State expenditure is in turn financed through taxes, which means surplus value is taken away from private capital by the state, leaving less surplus value available for private accumulation. Hence, although they contribute to the realisation of surplus value, it is done at the expense of the production of additional surplus value. Yaffe thus builds his argument around the distinction between productive and unproductive workers: productive workers labour for capitalists, producing commodities for sale. In this way surplus value is created, which eventually leads to the expansion of productive forces. In contrast, unproductive workers do not produce surplus value as they are paid out of the mass surplus value produced by other workers. In 1978 Bacon and Eltis produced a study with a similar viewpoint to that of Yaffe on the issue of the welfare state being an unproductive burden. They argued for a similar distinction, namely between a marketed and non-marketed sector, with marketed goods and services being sold, and non-marketed goods and services (such as social services) that are free. The growth of non-marketed sector is seen as directly stunting the growth of the marketed sector. Neither the study of Bacon and Eltis, nor that of Yaffe, however, focused on the wider issue of whether economic growth should be seen as enhancing welfare. Glennerster in 1976 addressed this issue but failed to arrive at a clear answer. His argument was based on the social democratic standpoint that the United Kingdom should focus less on GNP growth and to a larger extent on whether in fact they are producing the goods and services that people actually need (Taylor-Gooby and Dale 1981: 172).

3.3.2 National models/ types

It is possible to discern three dominant models of welfare capitalism: the conservative (corporate) type, the liberal type and the social democratic type. The principal issues which have led to the development of these different welfare state regimes are a combination of the nature of class-mobilisation (and in particular the working class),

the structure of class-political coalitions, and the history of regime institutionalism (Esping-Anderson 1990: 3, 29, 221).

Each of the three regime types involves a different approach regarding government intervention. These different approaches involve very distinctive institutional linkages among policy actors. Whereas the pure market and regulated market approaches are associated with decentralised decisionmaking processes, the social market approach employs different degrees of tripartite policy consultations involving government and employer and workers representatives. It is important to note that the choice of approach to be followed normally reflects ideological and other differences regarding socio-economic priorities (Hancock *et al* 1991: 6).

Good examples of the three welfare state/labour market regimes which have been identified in Esping-Anderson are Germany (conservative-corporate), Sweden (social democratic) and the United States (liberal), although none of these countries have welfare state systems which are purely of one type. Although the Scandinavian countries are mostly social democratic, they also have some liberal elements. The USA, formerly more social democratic, has become a regime known for its liberal redistributive policies, whereas many of the conservative European countries of today have become less corporatist, and now contain both social democratic and liberal elements (Esping-Anderson 1990: 28, 192).

3.3.2.1 The Liberal Regime

This "pure market" approach advocates minimal government intervention in the economy. Private decisions should be taken concerning land use, productive enterprises and services, and government is considered to be only a "night-watchman" in charge of maintaining both internal and external security, in addition to overseeing the enforcement of private contracts (Hancock *et al* 1991: 5).

Social policy should be laissez-faire "minimalist" policy, and be based on the idea that traditional systems are to be replaced by the market mechanism. Liberals harbour the belief that markets provide emancipation, and force people to be productive and self-reliant in a competitive environment. It is important to mention, though, that they

in principle do acknowledge that there is a rationale for social intervention (Esping-Anderson 1990: 42; 61).

Stratification is seen as something created by the competitive individualism cultivated by the market. In the absence of a state and monopolies, there would be no classes and all would be equal before the law (Esping-Anderson 1990: 61).

The liberal welfare state regime is known for the relative modesty of its state social insurance plans. The general view is that social protection would encourage laziness and the corruption of morals. A guaranteed social minimum is seen as contributing to unemployment (Esping-Anderson 1990: 26).

Liberals were the first to extend individual insurance to social benefits that were determined by way of collective bargaining. Benefits are fairly modest though, and mostly provided only to low-income, working class people (Esping-Anderson 1990: 26).

3.3.2.2 The Social Democratic Regime

This so-called regulated market approach refers to a situation where government plays an active, although sporadic role in micro and macro economic processes, i.e. government only intervenes when it is deemed necessary. Private ownership is supreme, hence decisions concerning production, sales, investment, labour and services are made privately. Government intervenes in the private sector by way of administration and legislation aimed at promoting competition, ensuring fair standards and protecting the interests of individuals (Hancock *et al* 1991: 5).

In this second type of welfare state regime, social reform is driven by social democracy. Equality on all grounds is of extreme importance, and has to be extended to people at all levels. Socialist social policy has become particularly popular among the urban working class. By promoting collectivism, they attempted to counter the market's tendency to individualise. All social strata were incorporated into one universal social system in which there was no difference between the rights of manual workers and those of white-collar workers (Esping-Anderson 1990: 27).

Notwithstanding the drive for equality, social benefits accrued only according to earnings contribution. The main idea was to preemptively address the family's ability to provide aid to members in need. The burden on the state in social terms is substantial in this model (Esping-Anderson 1990: 27).

3.3.2.3 The Conservative regime

The approach represents a strongly systematic form of government intervention. Although this approach affirms private ownership of the means of production and distribution, it at the same time grants national, regional and local government institutions the right and responsibility to provide assistance to those persons who would otherwise be severely disadvantaged in a system where unregulated capitalism prevails. Conservative governments have been willing to replace the market as the main provider of welfare (Esping-Anderson 1990: 26; Hancock *et al* 1991: 5).

In conservative welfare states it has been important to preserve status differentials, hence rights remained attached to class and status. Social rights are granted conditionally. Morals, loyalty and convention are the most important factors determining the social rights accorded to individuals (Esping –Andersen 1990: 38).

3.3.2.3.1 Corporatism

Before commencing with a discussion of the three countries which best exemplify the three different types of welfare states, some attention should be devoted to a variant of the conservative regime: corporatism. Corporatism, with its strong focus on centralised wage bargaining, has come to the fore during the eighties following the 1988 publication of the Calmfors and Driffill paper (in Soskice 1990) which presented evidence that not only decentralised wage bargaining institutions, but also highly centralised institutions can in fact contribute to reducing unemployment.

Corporate economies are distinguished by the nature of their labour market institutions. Pekkarinen *et al* (1992: introduction) claims that there are three features which corporatist economies have in common: Central wage bargaining, which normally takes place once a year, and which involves well-organised and powerful

employee and employer associations; unemployment benefits that run out after a year or so; and thirdly, training and retraining programs for the unemployed. (Nelson 1994: 349).

Centralised wage bargaining, i.e. wage bargaining which is dominated by a small number of powerful agents, is arguably the most important characteristic of a corporatist economic system. Bargaining normally takes place between centralised labour and centralised capital, and government is always involved, although its role may vary. Through this involvement, governments in corporatist economies therefore play a significant role in the determination of wages (Rowthorn 1992: 82; Schmitter 1993: 331).

Corporatist systems may or may not include economic and social government policies, and are non-exclusive and egalitarian in nature: all social groups are included and benefits and economic burdens are shared by all alike. Pohjola (1992: 44) notes that the success of efficient wage bargaining institutions in channeling self-interested individual behaviour into productive social (group) behaviour is an important determinant of, among other things, employment and social welfare. (Rowthorn 1992: 82, 87; Pekkarinen *et al* 1992:3).

Historical roots of corporatism

Corporatism was initially developed by occupational groupings that sought to uphold status distinctions and use these distinctions as the basis for organising the economy and society. Corporatism gained a strong foothold in many European countries because the forces of hierarchy and status remained particularly strong there, the culture of "guilds" was preserved for a long time and the Catholic Church continued to play an important role in social reform. Historically, the church has always played an important role in shaping corporatist regimes. This has contributed to the fact that regimes have remained committed to preserving traditional family values, which in turn explains the lack of and underdevelopment of many services (e.g. day care centres for working women). The principal idea is that government should only become involved once the family's capacity/ or resources have been depleted (Esping-Anderson 1990: 26, 59; Schmitter 1993: 332).

Centralised or decentralised wage bargaining?

One of the distinct features of decentralised labour markets is the large dispersion of earnings: whereas some workers earn high wages and have a high degree of job security, others experience exactly the opposite. This is particularly evident in the United States and Japan, and is a phenomenon increasingly being identified in countries with highly segmented labour markets: high paying formal sectors and poorly paid informal sectors (Pekkarinen *et al* 1992: 3).

Traditionally, it was believed that decentralised wage fixing and price setting enhances efficiency by promoting competition. Liberals contend that economies perform poorly as a result of a lack of competition and that high wages and strong unions bring about unemployment.

Contrary to this, evidence suggests that full employment with wages that are nearly equal has best been achieved in social corporatist (i.e. highly centralised) countries. Centralised bargaining has, however, been criticised by a number of Scandinavian economists who view it as "eroding economic efficiency and competitiveness" and who highlight the fact that it contributes to very large public sectors (Pohjola 1992: 53)

Pohjola (in Pekkarinen *et al* 1992: 3), Calmfors and Driffill (in Soskice 1990: 36) and Rowthorn (1992: 94) all refer to the U-shaped relation between the degree of centralisation and the employment rate: whereas highly centralised and highly decentralised economies appear to have high employment rates, this is significantly worse for countries with intermediate systems. Assuming a casual link, it therefore appears that the easiest way to achieve full employment is to opt for either a fully centralised or fully decentralised bargaining structure (Pohjola 1992: 44).

The 1988 study by Calmfors and Driffill (in Soskice 1990) is but one of several empirical studies attributing a large part of the success of the "corporatist" economies to centralised wage bargaining. Many of these studies set out from the basis that competition in real economies is imperfect, as many organisations are purely rent-seekers who waste resources and distorts allocations so as to bring about outcomes

which favour themselves. Furthermore, in a real economy the number of small interest groups is too great, and this results in uncoordinated behaviour. To solve this problems there are two options: either centralise more in order to better present macro economic interests in the process of bargaining, or decentralise more in order to reduce the power of larger interest groups (Pohjola 1992: 45).

Have corporatist / centralised systems in fact proved advantageous to economic growth? Quantitative studies seem to suggest that the higher the level of corporatism, the lower the rate of labour conflict. It is, however, not that clear how growth, inflation and productivity are influenced by corporatist structures, as results from econometric studies based on OECD countries were not conclusive. As there is no specific evidence that corporatism is either particularly good or bad for economic growth, it is difficult to determine how it affects inequality. It does appear, though, that a high degree of corporatism makes a country more governable, though not necessarily more democratic (Schmitter 1993: 336). Pohjola (1992: 46) notes that a trend towards a higher degree of decentralisation is evident even in countries that have strong corporatist structures.

The future of corporatism

Since the early 1980's corporatism has declined somewhat in the OECD countries. This decline has been attributed to efforts to attain economic integration and the introduction of new and more flexible technology affecting production. Another important factor has been the increase in the importance of public sector employees. These features have contributed to the weakening of the relationship between capital and labour (Pekkarinen *et al* 1992: 7, 16).

It is unlikely that corporatism will become more popular in future. As international competition increases, it is unlikely that the long term capital-labour working relationship (which had been a strong feature of corporatism) will endure. Worker organisations are also slowly losing their power in many OECD countries, and it is already evident that bargaining is increasingly being performed at plant level.

Pekkarinen *et al* (1992: 7, 16) is of the opinion that it is very likely that the responsibility for keeping all parties together will move away from employers and employees, towards government. The result of this could be the replacement or supplementation of centralised wage bargaining with other kinds of official intervention.

3.3.3 Examples of the three types of welfare state regimes

3.3.3.1 A conservative regime: Germany

Germany is a good example of a country with extensive labour market regulation, a highly institutionalised industrial relations system and highly centralised collective bargaining agreements (Streek 1992: 31).

In Germany collective bargaining at industry and at enterprise levels is legally and institutionally separated. Collective bargaining is entirely free of government intervention as its autonomy is legally guaranteed. The co-determination system of decisionmaking is based on two important institutions, both of which represent employees at the enterprise level: works councils, as well as the representation of employees on supervisory boards. Both the division of labour and employee representation have undergone change; while the role of unions has shifted to the negotiation of industry wide "framework agreements", works councils have begun to play a more important role in that they are now responsible for defining and specifying such agreements. This forms part of the increasing emphasis placed on flexibility in the labour market. Labour market flexibility in Germany, however, continues to be hampered by a variety of regulations, one of which is the elaborate labour market regulations protecting workers again dismissal (Esping-Anderson 1990: 169; Helm 1991: 191; Karlhofer and Ladurner 1993: 204; Paque 1993: 231; Streek 1992: 64).

Union power in Germany has remained weak, although labour movements have continued to increase their institutional presence since the 1970's. During recent years there has been a continuous decline in private sector union membership in Germany as in most other industrialised countries. An event of particular significance that

markedly reduced union power was government's removal during the 1980's of the right of workers to claim unemployment insurance while on strike (Flanagen *et al* 1993: 429; Schiller 1991: 117).

Germany has an extensive state social security system that comprises various formal institutions. The system is largely based on the assumption that a person works full time during his entire adult life, without experiencing periods of voluntary unemployment (Gustafsson and Klevmarken 1989: 12).

3.3.3.2 A social-democratic regime: Sweden

Sweden is considered a prime example of a country where a co-ordinated market approach has been successful. The aim has been to promote both economic growth and better provision of welfare by means of co-ordinating public and private sector initiatives. Distinctive features have been active labour market and employment policies as well as a collective influence over the processes of production. Today labour market policy in Sweden has four main features: an extensive counselling and placement service; provision for the retraining of workers; recruitment subsidies to employers for recruiting workers who have been unemployed for at least six months, and provision for temporary public employment. (Hancock *et al* 1991: 6; Martin 1995: 266; Pekkarinen 1992: introduction).

Labour has recognised the rights of private industrial ownership, thereby implying that neither labour nor the state would mobilise its power in order to interfere with the decision-making process of private firms. Distributional differences have been managed through sophisticated processes of interchange between firms and labour (Esping-Anderson 1990: 165; Martin 1995: 263).

The Swedish model has been based on the presence of powerful and centralised unions, which liased closely with the state labour party: the two most important role players in the Swedish labour market are the LO, a workers' union, and the SAF, an employer's organisation. While unions in weakly unionised countries such as the USA weakened during the 1980's as a result of industrial restructuring, unions in

highly unionised countries such as Sweden handled adjustment in such a way that union membership and density actually increased (Sengenberger 1991: 238).

As in other Scandinavian countries, wage bargaining in Sweden is a highly institutionalised and centralised wage process. The central bargaining structure is believed to have contributed significantly to the good employment performance during post war decades. (Norway and Sweden were the only countries that were able to actually achieve full employment during the decades immediately after World War II). However, during recent years the policy influence of organised labour in Sweden has been diminishing. This has been attributed mainly to the increasing fragmentation of the labour movement in Sweden: unions in the public sector have become much more active than private sector unions. Another important factor has been that the line that has always divided workers and management has been blurring. Another very important change has also taken place as regards wage negotiating: in 1990 the SAF declared that wage negotiations would in future only take place at industry and firm levels (Hancock *et al* 1991: 342; Martin 1995: 284; Rowthorn 1992: 99; Pohjola 1992: 49).

When the country started to experience economic problems, the Swedish state turned to incomes policy in order to stall wages. However, the trade unions promoted an active labour market policy through which the country could continue to pursue full employment and reasonable wages. These active labour market programmes, coupled with across the board wage pressure, proved successful. Redundant workers were retrained and again absorbed in the economy. During recent years there has been a trend towards more flexibility in the Swedish labour market, as well as a trend of increasing privatisation. There appears to be a feeling that instead of emphasising job security, attention should be shifted to achieving employment security by means of mobility subsidies and active labour market policy. Employment security is thus seen as ensuring alternative employment, rather than ensuring that one will be employed by a specific firm indefinitely (Esping-Anderson 1990: 168; Martin 1995: 286; Nilsson 1993: 263).

Social security offered by the Swedish government covers old age pensioners and disabled persons. There are various components which make up a person's pension: a

basic, universal flat rate pension, a general supplementary pension which is related to the earnings of the person, a special pension supplement, e.g. if the person is disabled, as well as sickness cash benefits. The Swedish social insurance schemes are in principle "pay-as-you-go" schemes (Stahlberg 1989: 53).

3.3.3.3 A liberal regime: The United States of America

Traditionally the USA has attached greater importance to achieving economic than socio-political goals, and subsequently support for socialist principles has been limited. Important characteristics of the USA economy are market regulation and political business cycle management, and it is by way of this that they tried to encourage post war employment. A large number of businesses in the USA have used mass production as a competitive strategy (Bendix 1996: 54, Esping-Anderson 1990: 180).

Collective bargaining has been the key post-war labour market institution in the USA. However, collectively bargained agreements are not extended by legal rules to reach beyond union membership. Collective bargaining and statutory regulation only to a limited extent influence the labour market in the USA today, as many aspects of employment contracts are determined by the market and not by statute or bargaining (Flanagan *et al* 1993: 32, 72). Whereas workers in many European countries who prefer collective presentation have various alternatives or supplements to union membership, this is not common in the USA. For instance, while some European countries have legal forms of plant-level presentation such as the works councils in Germany, such institutions do not exist in the USA (Flanagan *et al* 1993: 424, 426).

There appears to be an inherent inequality in bargaining power in the US labour market, mainly the result of the clearly demarcated division between the powers of management and that of workers. Strong emphasis is placed on control in the workplace. In industries with union presentation, wages and profits are normally determined at shop floor level. Both the union and non-union sector in the USA are characterised by the fact that employment contracts are determined in a decentralised way (Flanagan *et al.* 1993: 427; Schiller 1991:117).

Contrary to the dismal European experience of employment during the 1990's, the United States experienced superior job-performance, attributed by many to the greater labour market flexibility in this country. Following the economic problems that surfaced during the 1970's, labour relations models were changed to allow for more flexible work arrangements, and a greater involvement of the workforce in production decisions. Since the 1980's, government has weakened its enforcement of labour and employment laws. For example: by allowing companies to markedly increase their use of temporary labour and by signing people up on short term contracts, flexibility has increased but job security has deteriorated. The compensation system has also been detached from a specific job and linked to individual characteristics such as work performance (Archer 1992: 218, Weinstein and Kochan 1995: 13, 27).

3.4 Labour market institutions in Developing Countries

3.4.1. Overview of general trends with regard to labour market institutions in developing countries

Social, economic, and political circumstances in developing countries at the turn of the century, and in particular after World War II, were vastly different to that prevailing in Europe, the USA and the Scandinavian countries. Whereas the USA, the UK, continental Europe and the Scandinavian countries turned to rebuilding their economies and creating employment after World War II, most third world countries were focusing on achieving political independence. Given these different circumstances and the historical differences that shaped the development of institutions in these countries, labour market institutions did not take shape at the same pace and along similar lines as was the case in the industrialised countries (van Rooyen 1996: 41).

Given the above, categorising developing countries is difficult. Few countries in sub-Saharan countries lean towards the liberal regime type: most appear to follow regulated market or socialist market approaches, although regime types in virtually all developing countries portray a mix of characteristics which makes it fall somewhere between these two types.

3.4.1.1 Labour movements

In many of the former colonies it did not take long for unionism to emerge as the leading institution affecting labour market outcomes. Unions also became symbols of political solidarity and protest: in Africa in particular many of the trade unions became closely involved in the anti-colonial struggle for independence. In African countries, unions, in spite of generally not being very strong, have contributed to the fact that the difference between the highest and lowest paid public sector workers has shrunk during recent decades (Nelson 1994: 361; van Rooyen 1996: 41).

It should be noted, however, that unlike in industrialised countries where an average of two thirds of the workforce (or even more) are union members, only about one third or less of the workforce in developing countries belongs to unions (Nelson 1994: 354). Furthermore, unions in developing countries have many weaknesses. Owing to the small average size of businesses, their power is limited. There are also many rival unions and associations, and this division contributes to limiting the power of the individual unions. The co-ordination of labour action is particularly difficult under such circumstances. As unions are weak and fragmented, strikes do not have a significant effect on wage levels (Nelson 1994: 356).

3.4.1.2 Wage bargaining

There are virtually no developing countries that follow the highly centralised way of labour organisation and wage negotiation. This apparent "failure" to build centralised structures has been attributed to the fact that economic structures of the developed and developing worlds differ significantly, that labour market structures between these countries also differ, and that the countries have distinctly different historical features. Another important aspect is that most developing countries are simply unable to afford the social and employment benefits that are pivotal to highly centralised systems. Attempts at implementing systems modeled on the industrialised world, such as providing organised workers in developing countries with benefits associated with a corporatist system, have only managed to increase social tensions (Nelson 1994: 353).

3.4.1.3 Minimum wages

Statutory minimum wage fixing has proven to be particularly popular in developing countries. However, as minimum wages do not affect the informal sector, and as a great number of urban dwellers in developing countries who are unable to find formal jobs become involved in informal economic activities, it only (directly) improves the incomes of a very limited portion of the population (Benie 1989: 12; Mazumdar 1989: 42).

The main objective behind statutory minimum wage legislation has been to ensure certain income levels for wage groups, and for specific industries, regions or even age groups. In most countries, the minimum wage has been related to workers' needs (Mazumdar 1989: 42). However, it has been problematic to distinguish between the social needs of various groups, as this differs, among other things, according to region and circumstances. Furthermore, problems arose as to how to determine who is eligible for minimum wages: individuals or families? In addition to this, questions regarding the capacity of the economy to absorb the shock of implementing minimum wages, and the different capacities of enterprises to pay, also arose. Benie (1989: 12), in his review of wage policy instruments in the Ivory Coast, also refers to the problem of non-compliance with minimum wage legislation. It has been difficult to solve this, as trade unions, the most appropriate instrument for "monitoring" this, are weak and have little bargaining power.

3.4.1.4 Social Security

Contrary to what is the case in most industrialised countries, few developing countries have developed social security "safety nets". In addition to this, those countries that have, have only been able to provide social security benefits to the small "formally organised" sectors of the economy, and not in the large, un-organised rural and urban sectors (Guhan 1994: 35). In most developing countries, and in particular those in Africa, coverage of social security schemes has been limited to workers in the small formal sectors of the economies. The emphasis has been mainly on the provision of medical care. Plant (1994: 89) notes that the proportion of the economically active population protected by non-contributory (government-financed) social security

schemes is generally less than 10%, and has tended to decline even in spite of governments expressing their commitment to extend coverage to the entire workforce.

Social policy in most developing countries rests solely on the shoulders of government. Social support programmes are mostly operated by government, who provides all or most pensions, unemployment benefits, family income support, education, health facilities and assistance for the disabled. Unfortunately pensions and unemployment benefits only cover a small portion of the population, while health care and education are of inferior quality owing to resource constraints. Hence the huge difference between the levels and effectiveness of the provision of government services in industrialised and developing countries (Burgess and Stern 1991: 41).

The development of social insurance systems in developing countries has been impeded by various shortcomings. Firstly, many countries have government schemes covering, for example, work injuries, old age and disabilities, while schemes covering sickness or maternity are limited. Private social insurance schemes to which workers individually contribute on a regular basis appear to be only available to persons working in stable, organised sectors of the economy. Informal workers, as well as those in agricultural sectors, are excluded in most countries. Other factors which have contributed to the failure of many such schemes have been the tendency of employers to evade liabilities, the difficulties pertaining to regular collection of contributions, high administrative costs, and delayed disbursements (Guhan 1994: 36).

3.4.1.5 Public sector employment

In most developing countries the largest part of the labour force finds themselves in public sector jobs. The industrialisation strategies and nationalisation programs of the 1960's, popular among most African countries, were considered to have been the main driving forces behind the expansion of employment in public sectors during the 1970's. (ILO 1995b: 56). As the bloated public sectors in most Sub-Saharan countries have been singled out as one of the main factors contributing to the poor economic performance of these countries, many of the international agencies which provide financial assistance have made their assistance subject to the reform of the public sectors of the respective countries. This formed part of the process of "structural

adjustment". Notwithstanding these attempts, privatisation in Sub-Saharan Africa has been limited. In most of Africa some 60-80% of non-agricultural workers are employed in the public sector (Nelson 1994: 357).

Privatisation, together with retrenchment, have been of considerable importance in sensitising donors and African governments to adjustment's social consequences. Public sector employment has been adjusted in stages: many countries have, for example, followed the sequence of freezing wages, enforcing the legal retirement age more strictly, laying off "ghost" workers and temporary workers, freezing recruitment, and, lastly, dismissing workers (Standing 1991: 103).

In many developing countries labour market deregulation and privatisation have led to the loss of many public sector jobs that had formerly been well protected. Hale (1996: 8), although focusing on this issue from a gender perspective, notes that globally there has been a trend towards the employment of female labour. This has been accompanied by a shift towards lower paid, insecure and less skilled jobs such as casual, temporary and part-time jobs. Hale associates this with the desire of companies to create cheaper and more flexible work forces. Standing (1991: 37) also confirms the growth in "precarious" forms of employment, with contract and temporary labour becoming increasingly popular. He also refers to the fact that enterprises will be tempted to bypass protective legislation should they feel a need to do so.

In spite of structural adjustment programs requiring a downsizing of the public sector, in most of Sub-Saharan Africa, changes in the size of the public sector have been negligible and public enterprises continue to provide a considerable percentage of formal wage employment. Although the share of public sector output in the GDP of developing countries does not differ markedly from the output in industrialised countries, the average for the former is significantly higher when measured as a share of capital formation. This serves as a reflection of the capital-intensive nature of public enterprises in developing countries (ILO 1995b: 56, 57, 58).

3.4.2 Country specific evidence on labour market institutions in developing countries

In the following paragraphs, the development of labour market institutions in **Chile** and **Malaysia** are reviewed to reflect trends in non-market institutions in developing countries on two different continents. The background on developments in these two countries will make it possible to put the current trends regarding the development of labour market institutions in Namibia, to be discussed in detail in Section B, into perspective.

3.4.2.1 Chile

3.4.2.1.1 General political, economic and social environment

Chile is today considered as one of the best examples of a stable and liberalised economy in South America. The country has a market based economic system in which the private sector is the main growth sector, with the public sector playing only a guiding and supportive role. Privatisation in particular has been encouraged, and this has contributed to the development of, among other services, private pension funds (World Bank 1996: 102).

3.4.2.1.2 Labour market institutions

During the past two decades Chile has undergone major political and economic changes as a result of the different political regimes that came to power.

During the early 1970's, when a socialist regime held power, serious macroeconomic imbalances resulted from misguided attempts towards, among other things, the nationalisation of private firms. The new government which took over from the socialists brought the country onto the road to a more "liberal" regime, with government limiting the extent of its intervention in the labour market, and allowing employers and market forces more power. Although not outlawing them, government discouraged union activity, and encouraged the decentralisation of the bargaining system (Riveros 1994: 173).

Union activity in Chile peaked during the socialist regime of 1970-1973. A centralised wage fixing system prevailed and the national union federation played a key role in the labour market.

During the mid-1970's a need for a more open and deregulated economy was realised. There was a call for higher labour mobility and changes in the composition of the demand for labour. Increases in market competition led to increased productivity and to dismissals on the labour front. After the socialist regime lost power in 1973, collective bargaining and union activity were eliminated. Job security regulations, which made dismissals expensive, were also relaxed, thus making it easier for employers to cut their work force. Few unions were left, and of these, government selected the leaders. Government allowed private business to implement its own employment and wage strategies. Minimum wages and non-wage regulations were upheld but were not enforced (Riveros 1994: 176).

During the latter part of the seventies confusion regarding labour law increased. A new labour law was implemented in 1979 with new guidelines both for union activity and collective bargaining. This law allowed for more than one union per enterprise, and determined that bargaining would only be allowed at firm level. The right to strike was curtailed by allowing firms to take on temporary help when desired. The labour court system of the pre-1973 regime was not restored. During the early eighties government changed the labour law so as to make it more difficult for employers to dismiss workers, a move which reduced the level of market flexibility. Severance compensation was also established. The implementation of the new labour law in the early eighties again reduced the level of market flexibility, as it made it more difficult to dismiss workers (Riveros 1994: 173, 177).

Riveros (1994: 169) contends that the (ongoing) decline in real wages since the 1970's and the fact that unemployment remained high, have been the result of labour market rigidities that hindered the mobility of labour. He associates these rigidities with the lack of sufficient formal labour market institutional structures in the economy.

In 1981 the state social security system was changed from a pay-as-you-go system to a fully funded one in which benefits depended on contributions. Health care and education were also decentralised (Riveros 1994: 177, 178).

During the late 1980's the Chilean state reduced its supervisory activities and its pressure to decentralise bargaining structures, but at the same time took away from workers their right to strike. Since the late 1980's Chile has, however, re-established a number of protective instruments against dismissals and collective labour relationships, and this has again had negative repercussions on the flexibility of the Chilean labour market (Plant 194: 88).

Today the Chilean labour market supports a model of labour market segmentation, with a certain degree of protection given (only) to formal sector workers. Various expenditure-switching policies have contributed to falling real informal wages relative to the formal sector wages. Relative wage rigidity in the formal sector has hindered labour market mobility, and unemployment has been exacerbated by the fact that workers queue for formal sector jobs, as the unskilled wages in the formal sector remained high (Riveros 1994: 207).

3.4.2.2 Malaysia

3.4.2.2.1 General political, social and economic environment

Malaysia has an open and highly diversified economy. Although the public sector continues to play a very important role in the economy, there has been a strategic shift in the economy from the public to the private sector during recent years. This forms part of the pursuit of the economic liberalisation agenda that involves a drive to implement privatisation programs and reform the capital market (World Bank 1996: 318).

Following the 1969 riots against the ethnic Chinese who were seen as the group favoured by the laissez faire system, a New Economic Policy (NEP) was drawn up. This allowed government to intervene more actively in economic matters. The main idea behind this plan was to restructure society and to address the economic

imbalances along ethnic lines by redistributing wealth in favour of ethnic Malaysian people. Prior to the introduction of redistribution policies, income levels differed along ethnic lines: the highest income levels were those of the Chinese and Indian populations. The plan presented specific guidelines regarding various measures aimed at achieving the above aim: subsidies for small scale farmers, land development and resettlement for which government footed the bill, massive expenditure on education and the application of racial quotas on employment. These redistribution policies have contributed to maintaining social stability in this multi-ethnic society (Islam and Chowdhury 1997: 233; World Bank 1996: 319).

In 1991 the New Development Policy was announced to succeed the NEP. This emphasised human resource development, particularly in technical and vocational training, and also targeted the development of the small and medium enterprise sector. Close cooperation between government and the private sector was encouraged. (Islam and Chowdhury 1997: 235).

3.4.2.2.2 Labour market institutions

As in Chile, the country also has a complex and segmented labour market. Prominent features of the Asian Pacific labour markets, which can also be identified in Malaysia, are the tough labour legislation and the rapid growth of human capital. Of all the countries in the Pacific Asia region, Malaysia has shown the highest rate of return on higher education.

The fifth long-term development plan for the country (covering 1986 to 1990) represented a shift in strategy towards the promotion of the private sector as the principal economic growth engine and contained strong guidelines on encouraging deregulation (World Bank 1996: 317).

During the 1970s Malaysia experienced good economic growth, but in the early 1980's commodity prices (especially oil) fell substantially. Following a recessionary phase during the mid-1980's, growth again picked up during the late 1980s. The recession of the mid-1980's was in part the result of a combination of fiscal, monetary, exchange rate and labour market policies. However, it proved to be of short

duration, because factor markets were flexible downwards (Mazumdar 1994: 459; Riveros 1994: 529).

In general, the Asian labour markets appear much less regulated than those of South America. In East Asia a fair amount of success had been achieved by allowing the market to determine wages and by discouraging the formation of labour groupings. Although trade unions were allowed in Malaysia in 1988, the government continues to discourage union activity, albeit not formally. Wage bargaining takes place mostly at enterprise level in Malaysia. There is no legislated minimum wage (Islam and Chowdhury 1997: 86, 222).

There are two characteristics of wage setting in Malaysia that are of importance in the context of this study as both affect the flexible nature of wages. The first is that flexibility is reduced by the fact that collective agreements are set for two to three year periods, which makes it difficult for employers to adjust wages downward during difficult times. Although entry level salaries are adjusted and therefore reduced with ease, the wages of senior workers are rigid as they are increased according to automatically set increments. Other labour market institutions (most of which are also common in East Asia) such as steep wage seniority scales and the strong attachment of workers to firms in which they have worked for long periods also reduce flexibility (Riveros 1994: 475, 525).

Education is a very strong determinant of the unemployment rate in Malaysia. Government has lent much financial support to upgrading the existing labour force in the country; higher education and industrial training have been two aspects singled out for financial support. An important aspect of the support for higher education has concerned restructuring it to improve the quality of graduates (Riveros 1994: 529).

It has been found that unemployment is mostly made up of first time job seekers between the ages of 15 and 24. Unemployment among those with no or only primary education has declined during recent years, while it has risen among those with middle and higher secondary education. However, this type of unemployment has to a large extent been attributed to a combination of rigidity in occupational preference and the low level of wage flexibility. Real formal sector wages have risen during the

last two decades: the tight market for skilled workers has boosted wages in the formal sector significantly. It should also be noted that one of the results of the economic and social restructuring was a widening of the gap between formal and informal sector earnings (Islam and Chowdhury 1997: 231; Riveros 1994: 487).

It appears that although the NEP has appeased the ethnic Malaysians and thus contributed to social stability, it has in fact contributed to government enterprises posting huge losses, and to major macro-economic problems such as higher budget deficits and higher external debt. The educational policy has also been criticised for contributing to the increase in the unemployment of graduates. However, following years of strong economic growth, many of the Asian economies have overheated by the second half of the 1990's. This has in part been attributed to the fact that growth has been based on labour and capital mobilisation rather than on productivity (World Bank 1996: 317).

3.5 Globalisation and labour market regulation

From the preceding discussion it should be clear that the development of labour market institutions in both industrialised and developing countries has been shaped by a great number of different forces, ranging from changes in political regimes to both internal and external economic shocks. Arguably one of the most significant influences bound to affect the future development of labour market institutions is the globalisation of the world economy.

Globalisation and the drive to become more competitive internationally will have certain repercussions for the production of the goods and services and in particular for labour markets as they would need to adapt to new economic conditions by, for example, becoming increasingly flexible. The global changes have led to industrial restructuring which has affected both production and consumption patterns (Rodgers 1991: 19; Koedijk and Kremers 1996: 445).

3.5.1 The effect of globalisation on labour market institutions

During recent years much attention has been devoted to the idea of globalising trade and building a so-called "global economy". Globalisation has had, and continues to have, an important impact on both the form and contents of national economic policy and decisionmaking. It has put a considerable amount of pressure on virtually all countries with open economies to adjust their product and labour markets in ways that are likely to improve their competitive position in the world economy.

One of the most important aspects of the General Agreement on Tariffs and Trade (GATT) is that it has paved the way for the removal of import barriers and, in doing so, has increased the "openness" of economies all over the world. As restrictions on the flow of capital (e.g. exchange control) have diminished significantly during recent years, capital has become increasingly mobile internationally. This means that investors cannot be "forced" to invest or reinvest in a particular country anymore; but are free to move their capital to countries that they perceive as having encouraging economic conditions (including labour conditions) for production. As producers normally attempt to keep production costs as low as possible, this means that one of the factors which they look for is cheap labour (Hancock *et al* 1991: 342).

With the intensification of international competition, the containment of labour costs and increased productivity have become key considerations which, to a certain extent, are overshadowing the protection of workers and the maintenance of fair incomes for workers. This has put pressure on labour relations, and has made it considerably more difficult to marry the interests of the workers to that of the employers. Governments are increasingly requested to intervene, either by workers who demand compensation or better working conditions, or by employers who need more flexibility in respect to labour conditions (ILO 1995b: 69).

With respect to the need to improve their competitive position in the world economy, developing countries find themselves in a similar position to industrialised countries. Deregulation is cited as being important for any country which needs to adjust to changing global conditions in order to improve its competitive position (ILO 1995a: 82). Therefore, in order to increase their international competitiveness, some African

countries have attempted to reduce labour market rigidities during the past decade (Lachaud 1989: 333).

In addition to those changes brought on by the need for deregulation and "flexibilisation', distinct changes have also occurred with respect to unions and the way in which bargaining takes place. Globalisation has not only "encouraged" workplace reform, but has also allegedly contributed to a relative loss in power for organised labour in most industrialised countries. (Hancock *et al* 1991: 342).

Deregulation of the product and labour markets as well as privatisation have in many cases been the result of structural adjustment programmes imposed on these countries by donors such as the IMF and World Bank. Structural adjustment has been the driving force behind many of the more recent economic reforms in some African economies. In most African countries there has been a trend during the 1980's for structural adjustment programmes to challenge state intervention. The objective behind this has been the achievement of a new social order through the market (Lachaud 1989: 341).

3.5.2 Labour market regulation

Government intervention by means of regulation is an important institutional feature that affects the performance of markets. Rules and regulations can differ in terms of the objectives behind them: it may serve to force labour costs down by keeping the work force fragmented, may aim to protect workers in certain industrial sectors, or may reflect the state's social goals. Regulation can thus have either negative or positive consequences, depending on whether it disrupts markets or contribute to making the market more dynamic. Excessive regulation in particular is considered an important impediment to flexibility in both product markets and labour markets.

The neoclassical supply-side followers hold that "fewer labour market regulations would promote labour market flexibility and higher employment" in developing countries. Furthermore, they contend that "rules on job security ... distort the labour market in ways that reduce employment..." (Standing 1991: 37). This is the same argument that is made for the OECD countries. It should, however, be kept in mind

that Standing writes from an ILO perspective, and that that there are different opinions with regard to the role and usefulness of labour market regulations. This issue will be discussed in more detail in the next chapter of this study.

The cost of labour influences the competitive position of a country, as a highly regulated labour market makes it difficult for an open economy to adjust to external shocks. What many thus consider as "rigidities" in the labour market can slow overall economic growth, contribute to price instability, and exacerbate unemployment. Flexibility in turn can positively influence the speed at which recovery from economic shocks takes place, and is therefore an essential pre-condition for economic reform. By changing the way in which workers is organised and mobilised, and the way in which wages are adjusted, the degree of flexibility in the labour market can be improved (Archer 1992 : 110, 218; Hale 1996: 9; World Bank 1995: 110).

3.5.2.1 Advantages and disadvantages of regulation

It is difficult to quantify the benefits of regulation in a market economy. It would appear that one of the most important benefits of regulation is the improvement of the overall functioning of the market (Koedijk and Kremers 1996: 446). Regulations that restrict the free variation of wages in different occupations and industries serve as disincentives for labour to move to more productive jobs. However, many unions consider an increase in labour market flexibility as being tantamount to lower wages and less job security for workers, and are therefore opposed to it.

Sweetman (1996: 2, 3) also contends that research has indicated that flexibilisation brings about downward pay adjustments and substandard working conditions, and adds that it can also be associated with decreased job security for workers. For example, evidence suggests that the economic difficulties of the past two decades have compelled parties in industrialised labour markets to trade social protection for economic flexibility (ILO 1995a: 144).

Buchtemann (1991: 252) also notes that owing to the increase in "non-standardised" types of work such as self-employment, part-time work, and casual labour, the

number of persons who are being excluded from protective regulation and social security measures is growing.

Deregulation, however, can increase competition which will lead to lower prices, and also lead to increased efficiency which in turn is likely to result in cost cuts and rising productivity. Although it is widely expected that deregulation will contribute to lower wages and lead to a reduction in employment, it is possible that new market opportunities will generate new jobs and wages (Koedijk and Kremers 1996: 446; ILO 1995a: 144).

There is, however, evidence that seems to suggest some of the recent industrial deregulation adjustments have undermined labour market institutions. Trade unions in particular, but also employers' organisations, have to a certain extent lost power. In addition to this, Sengenberger (1991: 235), from an ILO perspective (i.e. that labour market intervention by way of regulations are very necessary), claims that wage regulation and terms of employment have been "diluted". Hale (1996: 9) and Standing (1991: 36 -38), the latter also from an ILO perspective, confirm that there has been a discernible trend of eroding workers' rights and labour legislation internationally. This erosion has in many cases been exacerbated by government attempts to deregulate protective trade measures, and attempts to restructure employment relations in order to achieve "external" labour flexibility. Other factors that have contributed to the erosion of labour regulations include the trend by larger enterprises to cut costs by sub-contracting, the trend towards privatisation, and the conditions attached to structural adjustment programs.

Although many countries have attempted to improve their competitive positions by reducing labour costs through lower wages, greater differentiation in payment, or exempting certain categories of enterprises or workers from regulation, there is evidence that adjustment has actually strengthened labour institutions in some countries. Also, Sengenberger (1991: 235, 248) argues, some countries have in fact managed to address the issue of competition without relaxing their labour standards.

3.5.2.2 European experience with regulation

The industrialised countries in Europe experienced serious labour related problems during the 1980's, with unions and labour market rigidities imposing high labour costs in the service sector in particular. Institutional arrangements such as those of job security and wage setting came to be considered as rigidities by many, in spite of others being of the opinion that this actually had the exact opposite effect, namely having increased flexibility in many cases. However, the fact remains that this to a large extent contributed to popularising a combination of institutional deregulation and regulation via market mechanisms. As regards standards such as those pertaining to employment security, a process of selective suspension or abolition was followed. Also, collective bargaining moved towards decentralisation from industry level to the enterprise level (Buchtemann 1991: 252).

It has been shown that regulation in continental Europe has been and remain more restrictive than in countries such as the USA, the UK and New Zealand. In Europe, there appears to be a negative link between the degree of regulation and the economic performance of the countries. Although sufficient empirical evidence is still lacking, some economists feels that deregulation can revitalise the European economy and improve Europe's position in terms of unemployment and competitiveness (Koedijk and Kremers 1996: 447, 459).

Koedijk and Kremers (1996: 448, 449) found that the impact of product market regulation on economic growth is twice as strong as the impact of labour market regulation on growth. Countries such as Germany, France, Netherlands, and Belgium have limited regulation of their labour markets, but considerably more regulation of their product markets.

It would appear as if labour market performance in most industrialised countries has deteriorated since the 1970's, and that this has in fact taken place "irrespective of differences in labour market regulation" (ILO 1995a: 156).

The ILO argues that it is not possible to measure the performance of a labour market by considering only the rate of unemployment. Although some evidence confirms

that labour market regulation can adversely affect employment, it cannot be stated that it does this in a major way. In addition to this, the ILO (ILO 1995a: 157) contends that there is sufficient evidence that wage levels are problematic when it comes to labour market adjustment, and that reducing wages will necessarily result in increases in employment levels. Some countries where labour markets are relatively institutionalised, and where wages are determined at higher levels than firm level, have experienced good economic growth. Moreover, some of the modern labour market theories point to reasons other than mechanisms of rigidity in order to explain why wages are unable to clear the labour market. Changes in international trade and technology, for instance, have also been cited as having a negative impact on employment. The World Employment Report (ILO 1995a: 158) also cites a recent study which arrived at the conclusion that although employment creation is impeded by anti-competitive regulation in the product markets of Europe, it is in fact mainly *product market regulation*, and not labour market regulation, which inhibits the creation of jobs.

In support of the contention that a negative link exists between deregulation and economic growth in Europe, Koedijk and Kremers asserts that the UK, Denmark and Ireland, where regulation is limited, have experienced growth twice as high as in the more regulated countries of Italy and Greece. However, a study by Davids concluded that it is not necessarily deregulation which leads to improved growth performance, but the other way round (cited in Koedijk and Kremers 1996: 449, 460 - 462).

3.5.2.3 Future trends: more regulation or deregulation?

Labour market institutions and labour standards are generally considered as making a positive contribution to reducing the occurrence of exploitation and oppression, and, by means of setting minimum standards, leading to an improvement of living standards (Standing 1991: 37). Both Standing and Sengenberger, whose written work has been used extensively as sources of information for the purpose of this study, support the ILO's general point of view that labour market intervention by way of labour regulations does not distort the economy. (The opposing viewpoints as regards the role of labour market intervention will be discussed in detail in the next chapter of this study). Although many World Bank papers and followers of the "Eurosclerosis"

school of thought have contended that labour regulations have negative economic consequences, Standing (1991: 36) refers to the debate pertaining to the effect of labour regulations as being "unresolved". Sengenberger (1991: 236) does however acknowledge that, in order to increase the ability of the labour market (and the economy in general) to respond to economic or political shocks, and to improve their competitive positions, many countries are opting for the removal or revision of "regulatory rigidities".

The relationship between labour market regulation and performance is one involving trade-offs. Complete deregulation in the modern economies of today is unlikely. It would appear that deregulation brings certain economic advantages, while creating new problems. As it has not been confirmed that labour market rigidities are the most important cause of unemployment, deregulation will not necessarily bring about full employment (ILO 1995a: 168).

Regard for the dignity and the fundamental rights of workers necessitates some form of regulation of the conditions under which people work. In spite of a number of theoretical arguments stating that the free working of the labour market should not be interfered with, interferences such as minimum wages, family allowances, national insurance schemes or supplementary pensions are interferences in the market mechanism which may be necessary to fulfill the policy objectives which society sets for itself (Jackson 1970: 3).

3.6 Conclusion

During the second half of the twentieth century the welfare state emerged as a leading force influencing the organisation of labour in industrialised countries. In response to changing economic circumstances, in particular after World War II, governments in these countries stepped up their involvement in their economies. This was mainly to ensure adherence to the social rights of individuals and to oversee an equitable distribution of the proceeds of economic growth.

As a result of vast differences between the historical, political, economic and social impulses in the various countries, the welfare states developed along different lines,

although they all had in common the institutionalisation of social rights. The different extent of state involvement and the resulting influence on the structures that have since developed are obvious when one looks at the differences between the liberal, social democratic and conservative regimes.

The "official" attitude towards the extent to which governments should intervene in aspects such as collective bargaining and wage determination, as well as the extent to which the state should shoulder the responsibility for social insurance, differs markedly and is a reflection of each nation's individual political and socio-economic priorities. These very different labour market institutions which have developed are now undergoing transformation in order to adapt to internal political and social changes, as well as changing international economic factors such as the globalisation and the formation of a "world economy".

It is also important to keep in mind that welfare state policies have not only contributed to shaping the labour market institutions of today, but that the welfare state structure has also in itself become a machine of employment. Moreover, it has contributed to the establishment of a large middle class with vested interests in the perpetuation of welfare state policies.

Wants are met not only by governments who, through their annual budgets make provision for state-funded welfare activities in support of solving the distribution problem, but also to a large extent by households / family members themselves, as well as the market / private sector.

In addition to welfare state governments allocating increasing amounts of their annual budgets to social expenditure during recent decades, economic growth has also resulted in the establishment of private schemes often offering similar benefits. Under such private schemes benefits normally accrue on the basis of member contributions, contrary to many government schemes which do not require contributions from individuals. Whereas the welfare responsibilities of the state were initially limited, the jobless economic growth that occurred since the 1960's and 1970's in particular necessitated extending welfare services to also incorporate aspects such as unemployment insurance.

It is very difficult to argue that the presence, or for that matter, absence, of certain regulatory labour market institutions is the reason for some countries being successful in reaching goals such as high economic growth and high levels of employment, while others are not, as the evidence is conflicting. It is, however, possible to discern some trends in general with regard to labour market institutions that appear to have had an effect on economic growth and employment.

Evidence from the above case studies of industrialised countries suggests a global trend towards reducing state intervention in labour market regulation. There also appears to be a trend away from centralised wage fixing towards more decentralised collective bargaining, notwithstanding evidence on industrialised countries which indicates that both centralised and decentralised bargaining can in fact work well and contribute to reducing unemployment.

In the industrialised countries reviewed in this chapter, union membership has declined during recent decades. This has in part been attributed to the work force becoming more diverse and the average size of enterprises being reduced. Secondly, flexibility in labour markets in industrialised countries has generally increased as a result of the deregulation of, among other things, the labour market. More importance is now being attached to the view that a flexible work force actually represents a comparative advantage for a country, and that this is important given the challenges brought on by globalisation. One of the most noticeable areas deregulated concerns the employment of temporary staff: short-term work contracts are becoming increasingly popular among employers.

Also evident is an increase in the polarisation between those persons with jobs and those persons without jobs. Locke and Kochan (1995: 378) contends that this polarisation may have contributed to the fact that, in spite of attempts at reducing inequalities, inequality has in fact been increasing in some industrialised countries.

It is much more difficult to discern clear trends regarding the development of labour market institutions in the two developing countries reviewed here.

In developing countries political independence has for decades remained the leading force influencing all other aspects of society. Even today politics remain more volatile than in industrialised countries, and new regimes that come to power often have very different ideas regarding the economic system to be followed than their predecessors had. Both Chile and Malaysia are good examples of this, especially Malaysia, with its history of ethnic division and separate development for different ethnic groups. Since a new political regime with a support base among the disadvantaged groups came to power, it has focused on bringing about social and economic equality, contrary to the previous political regime. It goes without saying, however, that this is not the case in all developing countries.

In Chile, as in Malaysia, there has been a tendency during recent decades for the state to encourage a market based economy with a strong private sector. This has formed part of an increasingly liberal stance of reducing state involvement in the economy, and is in stark contrast to the drive for nationalisation of the economy, which had been popular with previous political regimes.

Given the history of colonialism and the exploitation of labour, many developing countries have tried to "compensate" by developing highly regulated labour markets. The removal of privileges accorded to persons under existing systems could therefor have serious political repercussions in terms of voter support, hence the hesitation in doing so. Be it as it may, the highly regulation labour markets could prove a drawback as it considered by many to contribute to rising labour costs. Countries already struggling to cope with large pools of unemployed persons are also said to lose their competitive advantage.

Unions in the developing countries reviewed here are not particularly strong, and have seen their influence / negotiating power reduced once the political parties they supported gained power. In Chile, for example, the state has discouraged union activity, although it has not been forbidden completely, and encouraged decentralised bargaining. Today neither Chile nor Malaysia has a strong and centralised collective bargaining systems, and bargaining seems to take place mostly at enterprise or industry level.

Although the need for making the labour market more flexible in order to improve competitiveness is acknowledged, many developing countries are experiencing difficulties in achieving this. There is some evidence that developing countries are striving to make their labour markets more flexible, but there is also evidence to the contrary. For example, in Malaysia labour market flexibility is seriously restrained by the fact that collective bargaining agreements are set for 2-3 year periods. Whereas labour market regulations in Chile were relaxed during the 1970's, thereby enhancing flexibility, exactly the opposite happened during the 1980's when new job security measures were re-introduced by the state.

It appears that the welfare policies in the developing countries reviewed tend to be liberal and social democratic in nature, rather than conservative. What has also become clear is the fact that social insurance remains mainly the burden of the state in most developing countries. Ironically, such countries are not in a position to afford sizeable social and employment benefits. In industrialised countries there are well developed private sectors that supplement state social expenditure and social insurance schemes, and large numbers of economically active people who are in the financial position to contribute to such schemes. Governments of countries with developing economies can simply not afford carrying the bulk of the heavy burden of social expenditure by themselves, and often the private sector is also not in a position to supplement state schemes.

It should also be mentioned that a great number of persons in developing countries are excluded from the advantages provided by formal labour market institutions as they are not formally employed. Labour market segmentation is particularly relevant given the dualistic nature of developing economies. In both Chile and Malaysia problems are still experienced with regard to unemployment.

4. Economic Perspectives on Labour Market Interventions

4.1 Introduction

Views on how labour market interventions affect social well-being differ considerably, with some seeing labour market institutions and policies as facilitating economic growth, and other seeing it as a hindrance to economic development. In this chapter the opposing views regarding labour market intervention will be discussed.

The different views regarding labour market intervention can roughly be divided into two camps: that of the World Bank and that of the International Labour Organisation. The general arguments of these two principal viewpoints regarding labour market intervention will be covered in section 4.2. This will be followed by evidence in section 4.3 regarding intervention in both industrialised and developing countries. Union activity and collective bargaining, social security and the minimum wage have been identified as the three focus points for the discussion. An assessment of existing evidence should make it possible to arrive at a conclusion as to whether labour market intervention can in fact be justified in a developing country, what type of intervention, if any, is justifiable, and to what extent such intervention should take place.

4.2 Opposing views on labour market interventions – broad perspectives

There is disagreement regarding the need for institutional intervention in labour markets. Freeman, in his 1993 paper on the value of institutional interventions in the labour markets of developing countries, refers to the World Bank and the International Labour Organisation (ILO) as being representative of the two main schools of thought on the subject of institutional intervention (Freeman 1993: 117).

The "institutionalist" school of thought supported by the **ILO** is based on the idea that intervention can prove beneficial to workers as it is efficiency enhancing. The implication is that there is not a trade-off between efficiency and equity.

Institutionalists contend that labour market intervention is in the interest of social justice, and that the principles of justness and fairness apply. As (for example) health and safety standards in a workplace are generally regarded as basic human rights, and have been formally declared such by the International Labour Organisation, governments are expected to introduce legislation to "protect" workers (Freeman 1993: 117, Islam and Chowdhury 1997: 82).

The general view of economists presenting the **World Bank** is that the regulation of the labour market only creates unwelcome "distortions". Labour market interventions such as minimum wages, social security contributions, unions, etc. are said to impair economic growth as they raise both the wage and non-wage costs of labour: "...it seems likely that labour market interventions and imperfections push actual labour cost well above opportunity cost in some settings, and thereby lead to lower employment than would otherwise occur..." (Berry 1987: 223).

Advocates of this view against intervention have based their arguments on the following claims (Freeman 193: 119):

1. Intervention leads to the *misallocation of labour*: "distortionists" claim that, in the absence of interventions, wages would be set at opportunity cost levels, and that employment, work rules and so forth would be based on Pareto-efficient levels. Without intervention, the market meets optimal conditions.
2. Intervention results in *wasting resources through rent-seeking*: as intervention makes it possible to transfer income between different groups, it is possible that resources will be directed towards rent-seeking, rather than to activities which will raise national output.
3. Intervention makes it more difficult for an economy to *respond to economic changes*, such as that brought on by an economic shock: it is believed that interventions reduce the flexibility of wages and employment, and that it is subsequently difficult for the economy to adjust to shocks. For example, should a shock occur in an economy where minimum wages have been implemented, it would be extremely difficult to adjust wages in order to encourage labour to enter other sectors that could help to meet trade balance problems.
4. As a result of (3), interventions *reduce return on investments*: if government sets wages, the profitability of investments are reduced. Also, should public

employment be funded through taxes and fiscal deficits, funds for private investment are crowded out.

In his 1993 paper on the value of institutional interventions in the labour markets of developing countries, Freeman notes that, notwithstanding apparently opposing views regarding intervention, some World Bank economists do concede that the ILO is correct in assuming that a basic need for state intervention does exist. In spite of the disagreement with regard to the general perception of the value of labour market interventions, there is some common ground between the two opposing viewpoints: *"The market system is a powerful tool for economic management [but]...there may be some side effects on economic security and equity that...give rise to a need for state intervention...[to] moderate income inequality and provide some minimum economic security"* (World Bank 1991: 41-42, as quoted in Freeman 1993: 121).

Although there is agreement about the outcome that is desired, disagreement regarding the way in which this outcome should be achieved (i.e. the type of labour standards and labour market policy which would ideally bring about the best results) still persists (Plant 1994: 10).

As a result of the different economic viewpoints on intervention, it is necessary to look in more detail at specific types of intervention and the empirical evidence that supports these.

4.3 Economic analysis of specific interventions:

4.3.1 Collective Bargaining

Collective bargaining is one of the most popular ways in which labour market intervention occurs in industrialised countries, and even to a lesser extent in developing countries. In the former group of countries collective bargaining is regarded as one of the core labour standards. The ILO strongly supports the practice of collective bargaining as it is regarded as being based on a moral imperative:

> "...free collective bargaining...is the best method of determining terms and conditions of employment. Access to such mechanisms is regarded as a basic human right." (ILO 1990: 39 as quoted in Freeman 1993: 122).

Collective bargaining is a union-initiated process. Unions act as agents for labour, organising large numbers of workers into a single entity or group. The collective bargaining power of such a group is stronger than it would have been for individuals, and therefore more commensurate to that of the employer. Unions mostly participate in collective bargaining with the purpose of negotiating improved conditions of employment for their members. This may range from obtaining greater employment security, or achieving income equality for workers doing similar work, to simply cash wage increases for its members. It should be kept in mind, however, that collective bargaining is a two-way process between unions and employers, and consequently there is pressure from both parties. As a result of this, the process of collective bargaining can be considered a dynamic, ongoing process of negotiation in which both sides pursue their own interests. The main aim is to reach a compromise that would suit both parties (Bendix 1996: 175, 249; Flanagan 1994: 416; World Bank 1995: 80).

Collective bargaining normally varies according to the bargaining relationship and the type of bargaining system (e.g. centralised, intermediate, or decentralised). Bargaining structure is important as it affects the process of bargaining, bargaining outcomes and the roles of unions and management. With respect to the type of bargaining system, there are different views that describe the effect of the collective bargaining on wages. These views will be discussed in the following paragraphs.

Archer (1992: 213) refers to the hypothesis that the relationship between the level of bargaining and wage levels is linear. The idea is that a centralised system of collective bargaining results in lower inflation and lower levels of unemployment. This is ascribed to three reasons:

- rivalries within unions which are normally present in decentralised systems are eliminated in centralised systems;

- negotiators involved in centralised bargaining often take the unemployment effect of high wages into account, owing to the fact that they have a broader perspective of general economic matters;
- it is less likely that, at centralised level, workers will insist on wages which exceed productivity, as it is more difficult to convert wage gains into real wage increases at this level.

Notwithstanding the advantages of centralised bargaining, Erikson, while testing the effect of bargaining structures on wage outcomes, in 1990 found that the positive returns from formal centralised bargaining declined after about 20 years (Katz 1993: 11).

Decentralised and in particular company level bargaining is believed to hold a number of advantages. For example, it is easier to lead negotiations at company or plant levels; bargaining at company level can help to mobilise workers to pursue company goals and increase worker involvement. Also, at company level bargaining enables a company to restructure and tailor systems according to the situations prevailing in the particular company (Hartog and Theeuwes 1993: 279).

Another hypothesis put forward holds that the relationship between bargaining and wages is hump-shaped: Calmfors and Driffill identified a hump-shaped relation between the degree of centralisation and levels of unemployment. Evidence put forward by them suggests that both countries with highly *centralised* and highly *decentralised* institutions perform better economically than "in-between" systems. In countries such as Japan and Switzerland, where there is a high degree of decentralisation, and countries such as Austria and Sweden, where there is a high degree of centralisation, unemployment is fairly low. In contrast to this, Calmfors and Driffill refer to the examples of Germany, the UK, France and Italy, which have so-called "in-between" systems, and where unemployment is rife (Archer 1992: 214; Soskice 1990: 36).

Economic changes that serve to promote decentralisation are normally the result of the following processes, all of which have resulted in many unions losing their power to withstand decentralised collective bargaining (Archer 1992: 214) :

- technological change
- increased competition resulting from the lowering of trade barriers
- the fact that the de-industrialisation process has moved away from manufacturing, and towards service industries
- in many of the major industrial countries there have been political shifts to the right.

A third possibility is that it is in fact the *degree of coordination* and not the level of bargaining which determines the outcome with respect to inflation and unemployment. Coordination on both sides of the labour market is regarded as important, i.e. intra- and inter-union and employer federations. The problem with coordination is that collective action is still necessary to establish the appropriate institutions. In an ideal situation, effective coordination would present the best possible outcome, namely that "every group settles low, and so avoids a prisoner's dilemma among wage bargainers". In countries such as Japan, Switzerland and Germany, bargaining remains highly coordinated in spite of that fact that it has become more decentralised: there are strong employer's organisations that act as restraining factor (Archer 1992: 218).

Owing to the fact that both the bargaining power of skilled workers in companies and company power (relative to the power of employer's organisations) have increased, it has become more difficult to effectively co-ordinate wage setting in many economies. Soskice (1990: 48, 52, 58), in a study of the changing role of labour market institutions in industrialised countries, also points out that coordination has become more informal since the 1980's. Economic changes, combined with market-orientated policies of government, have contributed to the move towards decentralisation in many countries. Unions and governments in industrialised countries have to a greater extent fallen back into supporting roles, while employee networks and employer organisations have become leading actors.

4.3.1.1 Country-specific evidence regarding unions and collective bargaining:

Freeman contends that union activity and the level of collective bargaining has an important influence over labour market outcomes, particular during periods of economic adjustment. Unions not only represent the interests of their members, but also help to lower the costs of obtaining information, as this can be divided among a large number of employees. Although unions may impede macro economic adjustment in some developing countries, studies have shown that, in general, unions do not impede the economic growth or performance of developing economies. With the move toward globalisation and international competition, it is likely that union power will diminish in time (Freeman 1993: 134; Tokman 1993: 146).

In **Germany**, most economic issues involving labour are governed by collective bargaining. The country has strong unions and employers associations, all of which have a fair amount of autonomy in concluding collective agreements. Although government does not intervene excessively, elaborate labour legislation and detailed bargaining regulations are common. Collective bargaining takes place mostly at plant and industry levels, although it is also common practice to draw up master labour agreements that are negotiated regionally (Hartog 1993: 219, 221; Katz 1993: 8; Paque 1993: 209).

Sweden's relatively centralised bargaining system has resulted in moderate pay settlements and relatively low strike frequency. However, national wage bargaining was replaced by industry-level bargaining in 1988. There is also evidence suggesting that the intensity and depth of firm-level bargaining has been on the increase. During recent years a number of firm-level agreements have started to include pay mechanisms such as profit sharing that linked worker pay increases to a form of worker performance. During the 1980's it was found that large employers favoured a move to decentralised collective bargaining mainly as a result of international competitive pressures and the need for lower labour costs (Katz 1993: 4).

In **Japan**, wage negotiations normally take place at company level. With respect to the formulation of wage demands, national confederations and individual federations play a particularly important role. If most workers in a certain region are covered by

the same collective agreements, the agreement is extended to the same type of workers throughout the region. Labour disputes are solved with the help of labour commissions. Two laws, both of which contain the procedures for conciliation, arbitration and mediation, govern national and local level negotiations. In Japan, as in Germany, the perception is that labour market institutions such as the above have contributed to better economic growth than what may have otherwise been the case (Hartog 1993: 160, 165).

In **Mexico** it was found that real wages declined during a period in which union strength remained unchanged. In contrast, real wages in **Uruguay** remained fairly stable in spite of an increase in union strength. Evidence on the **Bolivian** economy and labour market suggests that the weakening of union power does not ensure economic recovery (Tokman 1993: 146).

There is general consensus that unions and collective bargaining structures have historically been weak in **Asian** countries. The right to form unions has been strictly controlled by governments. Some have even expressly forbidden the formation of unions in certain sectors. During times of strong export growth collective bargaining grew but this took place under strict government control.

Plant (1994: 80) argues that because unions have historically been weak, and this has also been the case at the time that colonial powers withdrew from Asia, post colonial governments in a number of Asian countries were successful in retaining control of the labour movement through corporatist institutions and laws. Plant (1994: 79) also notes that the neoclassical view of Asian labour markets holds that export led industrialisation prospered because it avoided government regulation of labour standards. By keeping wages relatively low, labour intensive exports became more competitive.

In an extreme view of labour standards, or rather the lack of this in **Korea, Singapore, Taiwan** and **China**, Gary Fields (as cited in Plant 1994: 79) contends that the abuse of labour standards is in the eye of the beholder. Those who judge standards by the process through which it is implemented, i.e. the lack of collective bargaining and protective legislation, would see it as abuse. However, people who are concerned

with the outcome of this, and who prefer to focus on the objectives such as the achievement of full employment and the creation of new jobs, will view the lack or limited coverage of labour standards in a positive light.

Country-specific evidence on union activity and collective bargaining in the East Asian countries of Korea, Singapore, Malaysia, China and Taiwan in the 1980's is limited. However, a study conducted on the **Korean** labour market in 1991 found that the suppression of organised labour could be associated with high accident rates and produced a disgruntled work force in spite of rising wages (Freeman 1993: 133). In Korea, where the power of organised labour is limited and the right to strike was banned in 1971, unions need prior permission from government to participate in collective bargaining. As a result of these restrictions on organised labour it comes as no surprise that various studies conducted during the early 1980's found that unions had no significant effect on relative wage levels in the country (Mazumdar 1993: 551).

As is the case in Korea, labour unions in **Malaysia** also have limited power. In some sectors of the economy collective action had even been forbidden until recently. In Malaysia the overall effect of unionisation is perceived as having been positive, in spite of higher wages and slightly lower employment. Mazumdar (1993: 478) found that the behaviour of real wages in Malaysia bears very little relation to both cyclical upswings and downswings in the economy.

Plant (1994: 89) contends that many **Latin American** governments have effectively formulated their own development policies, and then created labour relations systems which they considered to be most appropriate for their particular development policies. This is thought to have contributed to the highly paternalistic and protectionist policies still found in many of these countries until recently. For many decades unions and workers in Latin American countries therefore accepted and even expected state intervention, and subsequently the role of collective bargaining was limited. In many of these countries, however, the legal framework for collective bargaining has generally remained inadequate as it either provides for bargaining only at enterprise level, or for no obligation to negotiate. During more recent decades, however, there appears to have been a reduction in the regulatory control exercised by

government. This is believed to have been in response to changing economic and market conditions, and the fact that new economic conditions demand a more flexible approach to regulating labour relations as low as enterprise level. The presence of unions and collective bargaining has already had a significant effect on management in enterprises, as these institutions act as measures of self-regulation. In a number of countries governments have gone as far as to largely withdraw from the process of conflict resolution between unions and employers. This should, however, not be viewed as an actual withdrawal of the state, but rather as a change in the way it which the state exercises its regulatory powers and meets its responsibilities (Plant 1994: 89).

In **Argentina** there are strong labour unions but also strong oligopolistic companies producing for the domestic market. One main union per area of activity is normally chosen to bargain on behalf of the rest. Wages and working conditions are determined centrally through a process of negotiation between national unions and employers, although government involvement in this process is considerable. Riveros and Sanchez (1994: 80) are of the opinion that it is necessary to decentralise bargaining and to drastically reduce the extent of government intervention if the country wants to be successful in adjusting its economy by way of reducing public expenditure, deregulating, privatising and liberalising trade.

Brazil is an example of a developing country of which the institutional structures appear to be very similar to the corporatist type of welfare state regime identified in some of the industrialised countries. During the late 1980's Brazil liberalised its collective bargaining relations by decentralising it to enterprise level, following political liberalisation brought on by a series of violent strikes. Formal wage agreements are bargained once per year and the high inflation rate has a particularly strong impact on negotiations. However, as all negotiated settlements remain subject to the national wage policy, the process of collective bargaining has had only limited value. The fact that bargaining is carried out at a local level, but enforced nationally, is believed to have been a major factor contributing to very disappointing macroeconomic results during the past decade or so. Fox, Amandeo and Camargo (1994: 156) contend that the national enforcement of "decentralised" agreements did

not take into account national macroeconomic concerns, thereby increasing the rigidity of the labour market.

During the past 20 years there has also been a trend towards the decentralisation of collective bargaining in other South American countries such as **Colombia, Ecuador, Peru** and **Panama** (Plant 1994: 88).

Evidence from **Chile** and **Uruguay** suggests that tripartite collective bargaining agreements were important instruments during times of economic and political transition, as such agreements helped to legitimise the rules of the game for the collective actors involved. This enhanced certainty in the economy and encouraged investment and consequently employment (Tokman 1993: 146).

It appears that the labour standards in place in many of the **African** countries have been heavily influenced by former colonial models. Contrary to what is the case in many of the Francophone countries, the greater flexibility in the approach to collective bargaining of the former British colonies can be traced back to the colonial influence of the United Kingdom.

In countries where opposition parties have been outlawed by ruling regimes, unions for many years were often the only organisations that cut across tribal lines. In general, unions in African countries represent less than 10% of the economically active population (Plant 1994: 91).

In Africa in general the role and impact of unions and collective bargaining appears to be changing. With democratisation becoming popular in a number of countries, the level of government involvement in labour issues has declined in a number of countries. Although unions have generally become more active as result of the somewhat reduced level of government intervention, coupled with the fact that the idea of tripartism is becoming more popular, union membership in Africa has fallen since the late 1980's. This has been ascribed mainly to the fact that unions have not had enough bargaining power to protect the living standards of their members, even though retrenchments in the civil service (in many countries the result of structural

adjustment programs) and a fall in real incomes as result of inflationary pressures were beyond union control (Plant 1994: 91).

Country-specific evidence on **Kenya** suggests that collective bargaining forms the basis of the industrial relations system in this country. Although the wages of small-scale agricultural workers are determined by the market forces of supply and demand, wages in the public and commercial sectors are determined by Industrial Court wage guidelines. Collective agreements cover all workers employed in unionised establishments, irrespective of whether they are union members or not. The average wage rate increases determined through bargained agreements have been found to be below the actual targets stipulated in government policy guidelines (i.e. that wage adjustments be attached to the cost of living index, and that wage agreements cover a minimum period of two years). In spite of negotiated settlements real wages have been declining since 1982 (Milne and Neitzert 1994: 405).

Tanzania is an example of where government stepped in to stem the growth of union bargaining power. The main aim was to stop the high wage trend during the 1960's which resulted from the introduction of an income policy after independence. Since the 1980's however there have been a dramatic decline in formal sector wage levels in Tanzania, and vast numbers of civil servants have lost their jobs through retrenchment advised under structural adjustment programs (Plant 1994: 93)

In **Zimbabwe,** direct government intervention in wage fixing was replaced by collective bargaining for all sectors except farm workers and domestic workers (Plant 1994: 94).

Closer to home, Archer (1992: 215) looked at the situation regarding bargaining structures and coordination in **South Africa**. He found that the level of coordination varied between industries, with an apparently fairly high level of coordination in the motor industry. He also found that one of the major obstacles in the way of synchronised bargaining in the country is the politicised nature of the trade unions that could be considered a threat to synchronised bargaining. The position of capital, however, is also very politicised. Industry level bargaining has become more popular among many of the major sectors in the economy. It appears as if South African

employers prefer small bargaining units which only include individual employers and plant / company-level representation from the side of the workers. Decentralisation, and not coordination, seems to be the ideal.

4.3.1.2 Summary of evidence on union activity and collective bargaining:

Evidence on collective bargaining in **industrialised countries** indicates that there has been a discernible trend towards decentralisation, although this has taken place to different degrees in different countries. The frequency and importance of plant level bargaining in particular has risen considerably. (Hartog and Theeuwes 1993: 427; Katz 1993: 4) One of the main forces behind this move towards decentralisation has been the pressure of increasing international competition and the resulting need to keep labour costs as low as possible. Countries such as Sweden, where centralised bargaining had actually resulted in moderate pay increases and few strikes, have followed the examples of Germany and Japan, where decentralisation of bargaining is believed to have contributed to the increase in general economic growth. The latter two countries have extensive collective bargaining procedures that include laws on dispute procedures.

Collective bargaining procedures have also been used extensively in **developing countries**. The introduction of well-defined bargaining channels in countries such as Chile and Uruguay appear to have enhanced labour relations by means of increasing certainty, stability and synchronisation in the economies with regard to the activities of organised labour. This has been one of the factors which have contributed to drawing foreign investors.

In spite of collective bargaining delivering mostly positive results, Kenya is an example of a country where negotiated settlements have resulted in wage increases lower than formally advocated by government. This might, however, have resulted from the fact that worker representatives had not done their homework, that government policy guidelines were not in line with actual wage movements in the economy and / or that the cost of living index was not a fair reflection of actual economic circumstances.

Similar to Kenya, collective bargaining in Brazil has had disappointing macroeconomic results as it had been subject to a national wage policy and locally bargained agreements had been enforced nationally.

It is difficult to comment on the degree of bargaining coordination in developing countries generally due to a lack of evidence. In all likelihood, coordination in most of these countries will differ from industry to industry, as it does in South Africa. Given the lack of strong employer organisations and in some cases also the lack of strong organised labour forces, it seems unlikely that the level of coordination can be high in many of these countries.

Evidence reviewed in this section indicates that union activity does not have such a significant influence on wages and economic growth as many think. In Far Eastern countries such as Korea, where union activity had been restricted, labour problems have arisen in spite of rising wages. In Mexico real wages declined in spite of union strength remaining unchanged, while an increase in union strength in Uruguay did not result in an increase in wages.

In spite of the above evidence pointing out that union activity does not necessarily have significant negative effects on an economy, it is likely that union power will inevitably diminish as the need for companies to become internationally more competitive intensifies.

In summary then, it would appear that collective bargaining in industrialised countries has been successful because it has provided workers with an extensive set of rules through which they could bargain for better wages and working conditions. It has become popular in developing countries for the same reasons, albeit not yet as widely nor as successfully implemented as in industrialised countries. In many developing countries organised labour is not very strong and therefore perhaps politically unable to exert sufficient pressure on government to provide collective bargaining procedures. Also, in some countries where it had been implemented the effect had been weakened as a result of other non-complementary policies.

Based on the above, **developing countries** could opt for putting in place and developing collective bargaining legislation, including legislation on dispute procedures. This is arguably the best possible way to ensure that workers and employers follow established channels and a coordinised route for negotiations, instead of resorting to informal measures which could contribute to economic uncertainty. Established procedures will prove advantageous both during periods of "normal" economic activity and periods of adjustment. In line with the international trend, decentralised bargaining may be preferable to centralised bargaining.

4.3.2 Minimum Wages

Minimum wages have not been used extensively in industrialised countries. The reasons for this differ, but arguably of most importance is the fact that such countries in general appear to have well developed alternative means for ensuring that workers receive fair wages, the fact that income inequality in society is much less of a problem than in many developing countries, and the fact that most industrialised countries have extensive social security nets supplementing income of people in marginalised groups.

Many authors who have focused on the "negative" side of introducing a minimum wage, consider it as the "textbook" case of how government intervention misallocates resources, as it is widely perceived to reduce employment (Freeman 1993: 126).

Efficiency wage theory states that employment could initially decline as a result of the introduction of a minimum wage. It may however also imply that an increase in an existing minimum wage will not necessarily result in further employment reductions, if productivity is related to wage levels. If very low wages are increased, productivity may also rise as the willingness and capacity of workers to work may improve in correspondence to a decline in industrial disputes and an improvement in the morale of workers. Therefore, if wages rise but labour productivity also rises concurrently, labour costs in relation to output may decline and employment would not fall (ILO 1981: 157).

Minimum wages can also affect regional inequality, as certain regions in which the economy performs well normally generate higher wage levels and higher productivity than others. This result in industries relocating to regions that are less developed, and where wage costs are lower. However, should wage levels in these less developed regions be institutionally set at levels which are the same as that in more developed regions, there would not be an incentive for employers to relocate, as it would not be profitable to do so. It has also been noted that minimum wage legislation which raise production costs and thereby exacerbate high unemployment could force more workers to take up activities in the informal sector and increase competition in that sector. This could result in the wages of the working poor being lowered even further (Mazumdar 1989: 99; World Bank 1995: 74).

Following independence in many former **African** colonies, governments increasingly intervened in the labour market because they felt that the private sector was unable to develop stable labour systems and address inequality. The main objective behind the minimum wage was "... to correct the imbalance in the compensation of supervisors and workers" that was typical prior to independence from former "colonial" rulers, and to "help stabilise work forces and hence make them more productive..." (Mazumdar 1989: 48, 99). As many African governments were of the opinion that raising wages was the only way to achieve economic stability, minimum wages were implemented in a number of countries. In many developing countries governments have also implemented minimum wages in the formal wage sector in the hope that such a move would improve the way in which the urban labour market operates. One could however argue that it is not clear exactly how the introduction of this could improve the functioning of urban labour markets.

In any discussion concerning minimum wages in developing countries it is important to take into account that most of the poorest workers in developing countries operate in informal and rural markets and that they are consequently not covered by minimum wage legislation. The earnings of urban formal sector workers, the only ones protected by the set wages, already exceed that of the majority. As the formal sectors of virtually all the developing countries are comparatively small and the capacity to enforce formal labour standards is weak, labour standards only protect the small number of formal sector workers. Those outside of the formal labour force usually

benefit more from public attempts to improve the working environment in the "excluded" sectors. Such attempts normally encompass the improvement of sanitary conditions, and the provision of drinking water (World Bank 1995: 75-77).

Freeman (1993: 129) asserts that minimum wage rates are used for worker protection when the cost in terms of loss of employment is fairly low, but that the enforcement of such wage regulation is relaxed during periods when this cost in terms of loss of employment is high.

Enforcement of legislation pertaining to minimum labour standards remains a particularly serious problem with regard to smaller enterprises. Owing to weak enforcement, few enterprises are motivated to comply with the legislated minimum wage rate. Enforcement is weak owing to the lack of personnel, the lack of equipment, and the high occurrence of bribery. Given the constraints upon the resources and capacity of governments in developing countries to enforce labour standards, unions and civic organisations can act as watchdogs and thereby fulfil an important role in the enforcement of regulations. It has been shown that unions in industrialised countries fulfil an important role in ensuring that employers comply with set standards However, in many developing countries unions are too weak to fulfill a monitoring function, nor are there sufficient government workers to police the implementation. Also, it should be noted that adherence to protection of wages to a large extent also depends on the goodwill of employers (ILO 1982: 106; World Bank 1995: 77).

Possible ways to increase the level of compliance entails allocating more manpower and financial resources in order to allow for more regular labour inspections and reforming the legal administration of the enforcement (ILO 1981:140).

Guhan (1994: 45) suggests that, in spite of the disadvantages associated with the minimum wage, the following measures that could boost the effective implementation of minimum wages could be considered:

- the wide dissemination of information regarding minimum wages, as well as penalties for employers who do not comply

- emphasis on minimum wage enforcement for time-bound activities, e.g. harvesting
- the improvement of enforcement measures
- the establishment of committees (including both male and female workers) which can monitor wages
- encouragement of NGO's who work on this field
- public works programs

Although the criteria for fixing a minimum wage vary enormously among countries, the following aspects should be taken into account: the needs of workers and their families, the wages and incomes of other groups in the country, the capacity of companies to pay a minimum wage, as well as the general requirements of economic development (ILO 1981: 95).

4.3.2.1 Country-specific evidence regarding minimum wages:

Countries such as **Austria, Denmark, Sweden, Germany** and **Switzerland** all have well-developed systems of collective bargaining and in some cases also collective agreement extension procedures which cover a high percentage of all wage and salary earners. Given that most workers therefore have had access to an instrument that could be used to their advantage in the process of wage determination, there has been little need for introducing extensive minimum wages (ILO 1981: 4).

Even though the minimum wage has been implemented in some industrialised countries, evidence suggests that its application is limited to a fairly small number of workers and therefore its influence has been minimal. Empirical studies in the OECD countries, for example, indicate that minimum wages have had only a modest effect on overall employment. Instead of using minimum wages to address a problem such as poverty, the OECD Ministerial Council suggested the use of wage subsidies for low-income families (Sohlman and Turnham 1994: 50).

In the **USA**, where extensive evaluations have been made of the impact of minimum wages, the evidence has been contradictory. Special surveys have concluded that the

minimum wage does not significantly reduce employment, but other reports with a stronger focus on econometric analysis have concluded that the minimum wage does in fact reduce employment (ILO 1981:160). Neumark and Wascher (1992: 55, 80), in a reassessment of evidence on the effects of the minimum wage on employment in the **USA**, found that, for example, an increase of 10% in the minimum wage result in a 1% to 2% fall in teenage employment, and one of 1.5% to 2% in the employment of young adults. The article supported the conventional view of the effects of a minimum wage. Neumark and Wascher presented evidence suggesting that the effect of minimum wages on employment is particularly clear after approximately two years, but already discernible within one year. They also noted that many teenagers are paid sub-minimum wages in states where it is legally allowed, and that such sub-minimum wages moderate the minimum wage dis-employment effect on working teenagers. In response to the findings of Neumark and Wascher, Card, Katz and Krueger (1994: 487, 496) claim that minimum wages did not have a significant effect on teenage employment during the 1970's and 1980's. The authors suggest that aspects such as mobility costs, the "match-quality" of firms and workers, and efficiency wages, all of which are being researched for "skilled" employees, should also be considered when research is carried out on "less-skilled" employees.

It was found during a household survey in **Mexico** in 1988 that 16% of male informal sector employees and 66% of female employees in various sectors were paid less than required by the minimum wage. This was also the case in **Morocco**, where half of the firms approached in a survey during 1986 were paying their workers less than the minimum wage (Freeman 1993: 126).

During the 1940's most **Latin American** countries introduced minimum wages. In most of these countries this move was preceded by the adoption of constitutional provisions that recognised the right of workers to earn wages which would ensure them of a decent standard of living (ILO 1981: 7).

Research on minimum wages in 14 **Latin American** and **African** countries indicated that the relationship between the change in the real minimum wage and the change in the real average wage (during the 1970's and the 1980's) were statistically insignificant. The authors concluded that the minimum wage appeared to have little to

no impact, although it has to be noted that they only had limited time-series data to deal with. Also, when economic problems arose during the 1980's, minimum wages fell significantly in a large number of the countries reviewed. As wages declined substantially, it was also found that institutions did not impair the structural adjustment programs that were implemented in many **Latin American** countries during the debt crisis and the world wide economic recession of the 1980's. This indicates that even if a minimum wage is considered to be a distortionary regulation, it had in fact proved to be flexible enough to adjust to economic change. At the same time the fact that the minimum wage does not distort the labour market seriously could be interpreted as that it has only a limited effect (Freeman 1993: 128, 132; Tokman 1993: 146).

Tokman (1993: 145, 146) also refers to the example of **Latin American** countries where the average hourly labour cost in the manufacturing sector is some 10 times lower than in the **USA**, and also lower than in countries such as **Hong Kong** and **Singapore.** As minimum wages in many developing countries are at such low levels at present it is unlikely that they will negatively affect the international competitiveness of the product. The reasons he cites for the deterioration in the minimum wage levels are inflation trends, the fact that the bargaining power of unions has become weaker, and the implementation of policies specifically directed at stabilisation and adjustment, which at the same time required the abandonment of minimum wages.

Another study on minimum wages in twelve **Latin American** countries (covering the period 1966 to 1977) found that minimum wages in general have become less effective than in the past: in real terms minimum wages either remained unchanged or even declined (ILO 1981:7).

In developing countries such as **Puerto Rico,** where the minimum wage was adjusted upwards on a fairly regular basis, it was found that, relative to output, employment was reduced significantly. Minimum wages compelled employers to shift their focus to production methods that would save labour. With each minimum wage increase there is likely to be new attempts directed at finding labour-saving production methods. Thus minimum wage increases, and the consequent move towards labour-

saving production methods, reduce employment (Freeman 1993: 126; Mazumdar 1989: 49).

Latin American countries are good examples of how minimum wages had been implemented in economies with high inflation rates. In many of these countries governments have started to turn to wage indexation schemes, as nominal wages had to be adjusted regularly to avoid real wages from eroding. Mazumdar (1989: 51, 52) also contends that, as wages do not immediately adjust to price changes, real wages will not necessarily be kept constant by a full indexation. Average real wages will decline when inflation accelerates, as there is a time lag between price increases and the corresponding adjustment of labour contracts. The opposite of this also holds true, namely that a deceleration of inflation will contribute to increases in the average real wage.

It can be gathered from the previous two paragraphs that inflation is arguably one of the most important factors influencing the frequency of adjustments in **Latin American** countries. In countries such as **Argentina, Brazil, Chile** and **Uruguay** adjustments are made once to twice per annum. However, in most other **Latin American** countries adjustments are very irregular. Evidence on countries such as **Chile** suggests no connection between an upward adjustment of the minimum wage and the aggregate level of employment (ILO 1981: 119).

Minimum wages today still form an important part of the national system of wage determination in many Latin American countries, in spite of the fact that their implementation appears to have produced mixed results. The disappointing results have to a large extent been attributed to the fact that legislation and administration had not been in step and that in many cases the machinery which had been formally established has not been applied in practice (ILO 1981: 7).

Minimum wages are not used extensively in **Asian** countries. In countries such as **Malaysia** and **Burma**, minimum wages have been introduced but have limited coverage. Similarly, only a small portion of the non-agricultural labour force is covered by a minimum wage in countries such as **India, Fiji, Pakistan** and **Bangladesh** (ILO 1981: 11).

In **Sri Lanka** the minimum wage has become the "maximum" wage, although higher wages are being paid in companies where strong unions are present, or where labour skills are in short supply. In this country the minimum wage is considered an "inferior" form of collective bargaining (ILO 1981: 30).

In **Africa** the minimum wage has been implemented since the 1950's. Former **British** colonies in particular have followed the example of the United Kingdom's 1945 Wages Council Act and the 1918 Trade Boards Act. These acts entailed that in cases where the relevant Minister was convinced that no adequate machinery existed for determining remuneration, wage councils and wage boards were established. This system still prevails in countries such as **Zimbabwe** and **Kenya** (ILO 1981: 9).

Zimbabwe and **Botswana** are two countries in the Southern African region which have implemented minimum wages. In **Zimbabwe**, minimum wages and wage ceilings (maximum wages) were some of the ways in which the government attempted to address inequalities in the labour market in the early 1980's. There were three broad objectives behind the implementation of the minimum wage: "to reverse the colonial income disparities, improve the living standards of the working poor and finally, narrow wage differentials". It was hoped that the introduction of a minimum wage in Zimbabwe would increase the wages of the lowest paid workers in the economy, compared to the poverty datum line. In addition to the social advantages of a minimum wage, higher wages were also considered as an incentive to raise productivity (Fallon 1987: 23).

The large minimum wage increases implemented in Zimbabwe after independence initially had a significant upward impact on wage structures. The minimum wage was revised annually during the first ten years following independence, but proved unsuccessful in alleviating poverty. This was attributed to the fact that the initial link between minimum wages and the poverty datum line was abandoned shortly after its implementation, which resulted in the minimum wages lagging behind the poverty datum line (Ncube 1993: 6).

The negative affect of minimum wages on employment of young people in particular caused considerable concern in Zimbabwe, as unemployment was already

concentrated among the young, particularly those with little education. Since minimum wages were introduced, there has been a conspicuous decline in the number of apprenticeship positions offered by the private sector in Zimbabwe. In addition to this, a minimum wage reduces the incentive for many employers to provide or pay for training to an employee (Fallon 1987: 24).

Minimum wages were set in **Botswana** in 1974. One important aim was that it would not be much higher than the average income of farmers in the rural areas, thereby reducing the incentive for rural-urban migration, a particularly acute problem in Botswana.

Scoville and Nyamadzabo (1988: introduction) tried to assess the impact of minimum wages in Botswana, but noted that, since the appropriate wage and employment series data were not available, they were unable to estimate the loss of employment opportunities associated with every increase in the minimum wage. Furthermore they advised that instead of basing the minimum wage level on the income levels of rural farmers, the Poverty Datum Line should be emphasised. The problem with using rural incomes was that real and nominal incomes in agriculture were falling. This, and the presence of price inflation, made it extremely difficult to adjust formal/urban wages. They also concluded that a gap had arisen between the minimum wage level and the target value for those wages, and that this, in turn, partly eroded the Incomes Policy's foundation.

Owners of larger enterprises in Botswana gave the following reasons for not reducing employment as a result of the introduction of a minimum wage (Scoville and Nyamadzabo 1988: 41, 42):

- government increased the money available for construction projects, hence profit margins of construction companies were not reduced by the introduction of the minimum wage;
- the labour costs of many of the larger firms were subsidised by way of receiving "Financial Assistance Policy" payments from government, which to a significant extent offset wage costs;

- as most employees in the larger firms were skilled people, virtually all of them were already being paid wages well above the newly introduced minimum levels;
- notwithstanding the costly impact of minimum wages, many employers felt they had a social responsibility to help create employment.

Scoville and Nyamadzabo also found that employers considered other problems such as that pertaining to transport, regulations and supply problems to be greater obstacles to increasing employment in the country, than the minimum wage.

It was also found that smaller enterprises seldom complied with the minimum wage as they were financially simply unable to do so. Botswana also has a problem with enforcement of minimum wage regulation, as is evident from the fall in the number of inspections being carried out (Scoville and Nyamadzabo 1988: 41).

In 1996 a controversial ILO country review of the **South African** labour market was published. Herein the authors, Standing and Sender, among other things strongly advocate a drastic reduction of wage and consequently income differentials in South Africa. In a discussion of the minimum and social wage, they list a number of arguments which had previously been made in favour of a national minimum wage. These include the following: economic growth will not be encouraged if a large percentage of workers earn "poverty" wages, nor will it be encouraged by a segmented labour force. Huge wage differentials will stand in the way of restructuring production; and a national minimum wage could raise the labour productivity of the lowest wage earners by way of discouraging absenteeism, illness and labour turnover. The authors further refer to an earlier report on the desirability of a national minimum wage done by Levy and Associates, and confirm the latter's argument that "international evidence on the impact of minimum wages on employment, unemployment and poverty was inconclusive". They go further by expressing their expectation that, notwithstanding certain criticism against the introduction of minimum wages, sectoral minimum wages were likely to be introduced in more sectors of the economy, and suggested that vulnerable groups "excluded" from these sectors be incorporated in unions and non-governmental organisations that have active roles in both national and regional bargaining institutions. Furthermore they agree

with the conclusion of the Levy study that the monitoring and enforcement of a minimum wage would in fact result in the ineffective spending of public money. Also, although the minimum wage does have standard setting potential, it is unlikely that it will have a significant effect on real wages. Rather than focusing too much on the minimum wage, Standing and Sender suggest focusing on the issue of a **social wage**, which entails ensuring a minimum income that will satisfy the "socially determined subsistence level of living". They argue that the concept of a social wage will become increasingly relevant as labour relations adjust to the globalisation of the world economy (Standing and Sender 1996: 211).

In many former French colonies in **West Africa**, the minimum wage has either been abandoned or applied irregularly during recent decades. In **Nigeria** (where the minimum wage was formally abolished) and **Ghana** the lowest wage set for government employees has served as a *de facto* minimum wage. The private sector has based its wages on this wage (ILO 1981: 9).

In **Tanzania** a national minimum wage was implemented in 1963. However, in order to avoid a decline in employment, it was not adjusted until 1969, and then only modestly. Since the onset of inflationary pressures in the 1970's it has been adjusted more or less every two years, but this does not appear to have been adequate to maintain the real value of the wage (ILO 1981: 52).

Other countries such as **Zaire**, the **Sudan** and **Kenya** have also introduced minimum wages, even though the levels and the coverage have differed vastly. For example, in **Zaire** (now the Democratic Republic of the Congo) a general minimum wage is fixed for each of the different geographical zones in the country, where the wage level has been in line with the average cost of living in the respective zones. In the **Sudan** the minimum wage is enforced only on companies in major urban areas that employ ten or more workers, while in **Kenya** there are minimum wages in thirteen different industries (ILO 1981: 10, 30).

In **Mauritius** the experience with minimum wages for male workers in the Export Processing Zone has indicated that the enforcement of the minimum wage led to a distinct fall in male employment, and a corresponding rise in the employment of

females. Once the government eliminated the male minimum wage, the recruitment of males increased sharply, and some 95% of the "newly" employed males were paid less than the former minimum wage level (World Bank 1995: 75).

As is evident from the earlier discussion, one of the important issues that have contributed to the failure of minimum wages in many developing countries concerns the enforcement of such legislation. In spite of having been formally established in many countries, minimum wages have not been enforced successfully in a great number of these countries - as most developing nations lack the financial and administrative capacity to enforce minimum wage regulation. When the set wage level is particularly high, the incentive for non-compliance is very strong (World Bank 1995: 75; Kouadio Benie 1989: 13). In the World Development Report (World Bank 1995: 74, 75) it is also suggested that a rise in the minimum wage in developing countries only serves as increased incentive to employers and employees to avoid it. Consequently it does not have a significant effect on employment or on wages.

A study of **Latin American** countries in general concluded that about 25% or more of urban workers earned less than the legislated minimum wage. However, about 80% of workers who receive less than the minimum wage belong to the informal sector (ILO 1981: 138-140).

In **Colombia** a study using data from 1970-1974 indicated that about 10% of the workforce in urban areas earned less than the minimum wage. Another study in 1983 found that 4.7% of large manufacturing companies did not comply with minimum wage legislation.

In **Sub-Saharan African** countries non-compliance is also a problem. For example, in **Niger** a study conducted among 300 informal sector enterprises found that 293 did not comply with a minimum wage, while a similar study in Swaziland concluded that 242 out of 290 enterprises were non-compliant (Squire and Suthiwart-Narueput 1997: 119).

4.3.2.2. Summary of evidence on minimum wages:

Although minimum wages may under some circumstances be useful in **industrialised countries**, they are not popular in these countries as extensive collective bargaining procedures already exist for use in wage negotiations.

The minimum wage debate in **transitional economies** has focused on restructuring the economy, and reallocating labour from sectors which are not performing well to more dynamic sectors. It has been found that minimum wages can in fact slow relative wage adjustments during transitional periods (World Bank 1995: 76).

In **developing countries** in both Africa and Latin America collective bargaining procedures are still lacking or have not yet been fully developed. Collective bargaining structures and unions are sometimes too weak to provide a satisfactory system for fixing wages, hence the reliance on the minimum wage. If one assumes that collective bargaining is normally practiced by strong unions with well informed members, a minimum wage could serve to protect lower skilled workers with limited knowledge. This could contribute to avoiding worker exploitation and to ensuring fair wages.

It is very difficult to isolate the effect of the minimum wages as other economic factors do not remain constant. The effect of a minimum wage depends on the structure of the market, the actual level of the minimum wage and the enforcement of the wage level (World Bank 1995: 74).

In developing countries the basic role and purpose of minimum wage differ markedly, as does the level of the minimum wage rates fixed, the frequency of adjustments and the way in which the minimum wage is administered.

Studies on a number of Latin American and African countries have suggested that real minimum wage changes in general have had little or no impact on real average wage levels. Even during times of economic adjustment in Latin America the minimum wages had adjusted easily, thereby creating an impression of flexibility under economic pressure. It also showed that it is not the ideal instrument to ensure that real

wages for the lowest wage workers do not decline during times of economic difficulty.

The extensive use of the minimum wage in Latin American countries in particular points to the slow growth of labour unions and collective bargaining, as well as the relatively high number of people earning formal wages compared to the case in a great number of other developing countries. In countries where collective bargaining either does not exist or is only in the first stages of development, the minimum wage can serve as substitute for the collective bargaining process. However, minimum wages are likely to become less important as collective bargaining agreements develop and their coverage becomes broader in scope.

Whereas the minimum wage to a large extent appears to have been a political response to income inequalities brought on by colonialism in African countries, many Latin American countries appear to have favoured the minimum wage for the important role it can play in protecting incomes eroded by the high inflation common to most Latin American countries.

To administer and enforce a national minimum wage is virtually impossible in any developing country, mainly because of the lack of financial resources to finance it. If a country wants to introduce a minimum wage it should be restricted to sectors representing the very lowest wage workers such as those in the agricultural sector. However, even this would be very difficult to monitor given the large number of people working in this sector and the fact that many such workers also receive fringe benefits such as housing, food, etc. which are difficult to quantify.

If a government is convinced of the need for a minimum wage, the costs and benefits related to the implementation of minimum wages should be thoroughly assessed before the minimum wage is introduced. It has also been noted that minimum wage legislation which raises production costs and thereby exacerbates high unemployment could force more workers to take up activities in the informal sector and increase competition in that sector. This could result in the wages of the working poor being lowered even further (Mazumdar 1989: 99; World Bank 1995: 74). There appears to be a need to strike a balance between social gains achieved through increasing the

wage of the lowest paid workers, and the costs relating to a decline in employment, slower economic growth and/or rising inflation.

4.3.3 Social Security

In industrialised nations the growing emphasis on social welfare after the Great Depression of the 1930's contributed a great deal to the development of social protection schemes. Today, social security is not only viewed as a source of income security, particularly during times of economic difficulty, but also as a means of reducing inequalities and integrating societies (Mazumdar 1989: 54, 56).

Different countries implement different strategies to ensure income security because family support mechanisms, the size of the informal sector as well as the expectations of the general population regarding the extent of government support are all factors which differs significantly among countries (World Bank 1995: 113).

High money wages plus extensive state transfers and increasing company and private insurance benefits have been characteristic of industrialised economies (while income transfers from family and community has shrunk to a very small proportion of average income).

Income security comes from five main sources: direct money wage plus indirect / fringe benefits from the employer; provision by employer for contingency risks such as illness; state transfers; transfers from relatives; and transfers from community members (Standing and Sender 1996: 213). Income security is high if workers have their wage income protected from fluctuating too wildly by way of the indexation of wage levels, collective bargaining or other institutional protection measures (Standing 1991: 29).

Losing an existing source of income is arguably one of the greatest risks faced by any worker. However, such risk is difficult to ensure against even in countries with well-developed and strong economies. The role of social security as a hedge against unemployment is twofold: not only must it provide protection during times in which the labour market functions "normally", but it must also provide an income to persons

affected by unemployment during periods of economic reform. However, as unemployment is constantly present in the labour markets of virtually all industrialised and developing countries, permanent and efficient systems need to be developed and implemented (ILO newsletter 1993: 11).

Unemployment and family status are the two characteristics most likely to be linked to poverty and therefore targeted extensively in many industrial countries. Some countries advocate forms of self-targeting, for example attaching benefits conditionally to public sector employment. This may be useful during transitional times albeit not something that will improve long term job prospects. Evidence from the formerly centrally planned industrial economies suggests that old age pensioners are a more influential group than the unemployed. In Central and Eastern Europe most reform strategies had to strike a balance between short term poverty alleviation objectives during times of transition, which entailed unemployment benefits and severance pay, and longer term objectives such as pensions (World Bank 1995: 113).

Most large enterprises provide non-wage social benefits such as housing, health care and education. Evidence suggests that in some cases non-wage benefits and services can amount to as much as 35% of the total labour costs of an enterprise. The pressure brought on by globalisation has resulted in these benefits being considered by many as non-wage labour costs which, through their rigid nature, present an unnecessary burden on the economy (Standing and Sender 1996: 213; World Bank 1995: 110).

Private insurance schemes are particularly difficult to sustain during times of economic difficulty as the demand for labour declines throughout the economy and the risk of losing employment rises concurrently. This makes a stronger case for public intervention in providing some form of income security and insurance. Political support for government may wane as a result of its inability to ensure that incomes do not fall too far (World Bank 1995: 113).

Guhan (1994: 37) contends that, given the economic structure in many developing countries and the level of development in these countries, it is inappropriate for developing countries to rely on so-called "formal" social security schemes modeled on the schemes of industrialised countries. In developing countries poverty is much

more widespread than in the industrialised world, and usually results from structural problems in the economies. Other reasons why the "conventional" social security model is not appropriate in developing countries:

- as insurance and credit markets are normally not well-developed, the scope for private insurance is limited
- owing to the high level of self-employment, as well as the high level of unemployment, and the consequent irregularity and instability of income, there is also limited scope for social insurance
- though governments can provide social assistance by means of budget allocations, the income from taxes is also limited in most developing countries
- owing to limited financial resources, funds which could have been used for social security schemes are often rather allocated to infrastructure development and education and health care
- people living in rural areas are often difficult to reach from an administrative point of view
- employment instability results in inconsistent incomes even in formal urban sectors
- developing countries often have to deal with underemployment, which means that that many people have irregular or part time jobs only, and are hence not in a position to contribute regularly towards some form of social insurance.

As is the case with the minimum wage, social security is a form of labour market regulation that does not normally extend to the informal sector in developing countries (Guhan 1994: 35, 36). There are many key parameters that determine the feasibility of extending social security benefits to all sectors of the economy: the coverage of the existing system, the size of the sectors not included, the type of benefits, and the financial situation / capacity to deal with extended benefits. Generally the pressure for extending public benefits is greatest in industrialised countries, where resources are available and an alternative informal mechanism is limited (Tokman 1991: 152).

4.3.3.1 Country-specific evidence regarding social security:

The ILO observes that during recent years financial imbalances have become characteristic of most existing social security schemes, even those in industrialised countries, and that this implies a reduction in the quality and quantity of benefits provided (ILO newsletter 1993: 11)

In the transitional economies of **Poland** and **Czechoslovakia** it was found that the extensive social security net established during communist rule is succumbing to financial pressures. Unemployment benefits provided by the state have drastically declined as a result of deteriorating financial circumstances and it is becoming more and more difficult to sustain the existing level of service provision (Svejnar 1992: 164).

The **Mexican** state's social security system provides protection against occupational accidents, illness, maternity, old age, incapacitation and retirement as well as survivor pensions, and day care for children. There are, however, no unemployment benefits. In Mexico social security contributions are compulsory for all formal workers and are financed jointly by government, employers and employees. By 1993 about 12 million workers (and about 56 million family members) out of a total population of some 84 million people were registered for social security. There are two main agencies in Mexico that deal with social security: the Mexican Institute for Social Security and the Institute of Social Security and Services for state workers (government employees). Private schemes also exist.

In 1989 the contribution of government, employer and worker for sickness and maternity leave was about 12% of the worker's basic salary. Of the amount to be paid the employer contributed 70%, the employee 25% and the government 5%. Contributions depend on salary levels, and only workers receiving "minimum" salaries are exempt from having to contribute themselves (Plant 1993: 10, 13).

Social security schemes in some developing countries such as the middle-income, urbanised countries of **Latin America** and the **Caribbean** are fairly well developed and extensive in coverage. In **Jamaica**, for example, government has determined that

social security contributions are compulsory for all workers, even self-employed people and domestic workers (Guhan 1994: 35, 36; Tokman 1991: 152).

The formal state-funded security system in Jamaica only makes provision for pensions. However, the average pension is only one fifth of the normal per capita income and that is not considered sufficient to ensure a decent level of living. In spite of the pensions being considered low, labour costs in general have been considered high as a result of the high ratio of fringe benefits to money wages. Health care is also provided by government but falls outside the formal scope of social security (Standing 1991: 25; Tokman 1991: 152).

Evidence from **Brazil** indicates that all formal sector workers are given extensive health and social security benefits such as unemployment protection and paid leave by their employers. For these benefits the employer pays 50-70% of the direct wage. Employers also pay a 20% payroll tax on the earnings of workers. Those persons involved in the informal sector receive none of the social security benefits (Fox, Amadeo and Camargo 1994: 156).

Costa Rica also has a comprehensive social security system that includes government financed heath care and pensions. The existing state social security system guarantees the entire population maternity care as well as medical and hospital care (Gindling and Berry 1994: 218; Tokman 1991: 152).

Social security schemes in **India** are based on means testing. According to Guhan (1994: 42) these schemes have proven to be particularly successful owing to the following reasons:

- financial benefits are small enough to ensure that the non-poor are not tempted to infiltrate the groups of assistance-seekers;
- no ceiling has been placed on the number of eligible beneficiaries per family, hence all family members who qualify can claim assistance;
- the income status of those who seek assistance is regularly verified through visits / enquiries;

- overheads are low as it is not necessary to employ additional people to administer the process: claims are verified by staff who had already been employed by government before the program was launched.

It has been found that, save for **Nigeria**, non-wage labour costs in most **African** countries are high given their stage of development (Mazumdar 1989: 54).

In the **South East Asian** countries income security systems consists of fairly low money wages, complemented to a large extent by personal transfers from relatives in rural areas. Firms offer inexpensive non-wage mechanisms and state transfers are small. As the rural kinship support system has provided workers with a "socially acceptable" degree of income security, firms had not been under much pressure to offer higher social wages. The money wage of the individual is a fairly small portion of income security, as in virtually all families more than one family member work, and as transfers are still being made from rural areas to urban ones. The large contribution (from rural family members) to the income of an urban worker has contributed to lowering the efficiency wage, i.e. the wage level necessary to ensure optimum work effort (Standing and Sender 1996: 213).

Social security protection in **Latin America** has been more advanced than in most other developing regions. Virtually all Latin American countries have state social security systems covering the workers in the industrial sector. The character of labour legislation in Latin American countries has, however, been highly protectionist and regulates all aspects of individual and collective labour relationships. The state is deeply involved in social matters, as is evident from the comprehensive social legislation that exists, as well as economic matters such as union recognition, wage fixing and dispute resolution (Plant 1994: 89).

Government measures towards social protection in Latin American countries are not universal, nor is it acceptable in terms of coverage, as it fails to finance and correct the imbalance between those who received the benefits and the few who contribute. Much diversity between the countries with regard to this remain though, with some countries having more or less universal coverage under systems similar to that of the

industrialised countries in Europe, and others having coverage of less than 20%. Since the 1930's compulsory insurance schemes were never changed in order to include the marginal sectors. Although this has been attempted more recently, coverage of the informal sector does not yet appear to be very successful. Furthermore, owing to financial pressure, governments in most of the Latin American countries have been forced to reduce state expenditure at precisely a time when emergency and compensatory assistance schemes are needed (Plant 1994: 89).

In **South Africa** apartheid has influenced the social wage level, which for a long time has consisted mainly of payments by enterprises to their workers. Standing and Sender (1996: 214), in their (controversial) 1996 ILO country review of South Africa have argued that, given the relatively small contribution of the state and the fact that transfers are not flowing from rural to urban areas (e.g. as is the case in most Asian countries) but rather from urban to rural areas, companies have been under considerable pressure to pay higher money wages than has been the case in many other countries, in order to meet equivalent levels of social wage. This strong opinion could, however, be questioned as it is difficult to believe that the money wages paid to black workers by South African firms have in fact been much higher than in other developing countries. In fact, many have argued that evidence suggests black people have been paid much less than they should have received, compared to what have been paid to white workers. Also, although the contribution from the state may have been small, household, family and community structures have played a more important role in supplementing income than the authors may acknowledge.

Enterprise payments have taken on the form of fairly high money wages and non-wage forms of payment such as enterprise based benefits, e.g. medical aid. Standing and Sender (1996: 214) drew criticism by arguing that transfers provided by the apartheid state have been few and racially selected, and have contributed little to income security.

Although many South African workers had been provided with accident insurance through the Workmen's Compensation Act, those in casual or temporary jobs do not have access to such insurance. Persons in jobs of this nature have however received disability cover, which depends directly on the salary of the person.

Most firms investigated in the ILO study on South Africa offered retirement benefits such as pension fund contributions, paid leave and also paid maternity leave, with some even offering paid paternity leave. Firms in general also provide paid sick leave, with the benefit also determined by the salary of the person. On average firms pay about 12% of wage levels for retirement benefits. Other private benefits offered included transport allowances, housing assistance, or subsidised housing loans, all dependent on salary levels. Non-wage forms of remuneration in South Africa are extensive and represent a high proportion of the social wage as well as having been a source of inequality, given that virtually all benefits depend on salary level of the worker (Standing and Sender 1996: 215).

Standing and Sender (1996: 216) also suggested that polices aimed at addressing the extent of income inequality and lowering the social wage could be structured to include the employment of more women and the transfer of a large percentage of fringe benefits from the company to the state. In their opinion, it would also be advisable to raise the incomes and self-sufficiency of rural areas as this would contribute to lowering the social wage of urban workers.

Guhan (1994: 36) identified several characteristics with respect to formal social security systems in **developing countries**. Firstly, it is common that some of the above-mentioned contingencies, such as benefits for work injuries, are available in most developing countries. Although disability and old age benefits are also fairly common, schemes for sickness or maternity leave are considerably less common, and those covering unemployment even less so.

Non-compliance with social security legislation is an important problem. Another is that collection of contributions from both workers and employers does not take place on a regular or timely basis. Procedures are slow and cumbersome, and workers often wait long periods to receive their money. In many cases the benefits are inadequate. Also, many schemes are faced with high administrative costs, and experience fiscal or actuarial problems (Guhan 1994: 36).

Another factor of importance is the fact that in most developing countries only formal sector workers are covered by the benefit schemes. To include the informal sector is

extremely difficult. Contribution costs among self-employed persons are two to four times higher than that of wage-workers. Administrative problems regarding identification and registration of informal workers are further drawbacks. Also, as pensions have often deteriorated in real terms, some informal workers have stated that their incentive to join voluntarily has been reduced. Another important reason noted by Tokman is that political pressure to force government to include informal workers may be lacking. In many developing countries political pressure from potential beneficiaries has been an important factor behind an increase in social security coverage (Guhan 1994: 36; Tokman 1991: 152).

Guhan (1994: 38, 39) suggests that government financed social security in developing countries should form part of anti-poverty policies, and that there are three important instruments for such poverty alleviation: promotional, preventive and protective measures. By addressing the poverty issue, the burden on the social security systems can to a certain extent be lifted. A multiple approach should be followed with regards to the provision of social security in developing countries. It has been proposed that the focus should be shifted to land reform / redistribution, to the provision of credit, to programs such as those targeting rural unemployment, food subsidies, and so forth. Institutional arrangements should be decentralised and participatory in nature, and programs should be combined in such as way as to focus not only on needs, but also on cost-efficiency.

Unemployment, family support and sickness can be addressed by way of promotional measures such as employment schemes, child nutrition and heath care. However, other risks such as old age, widowhood, maternity, disability or injuries, must be addressed though social assistance (Guhan 1994: 42).

4.3.3.2 Summary of evidence on social security:

Most **industrialised countries** seem to have well-developed social safety nets. This is, however, not the case in most **developing countries**. Developing countries also do not cover as many aspects of income security as industrialised countries, and normally only provide for pension, health and / or education benefits, and not situations such as unemployment.

It has been found that even though some countries offer apparently extensive coverage, the individual coverage is sometimes totally insufficient and does not even cover the basic minimum requirements. A good example of this is the case of Jamaica, where the pension coverage falls far short of what had been calculated would be required for maintaining living standards on the level it had been while the person was still employed.

In most developing countries, state coverage of social insurance appears to be limited to workers in the formal sectors of the respective economies. Unemployment security, arguably the most relevant in the context of developing nations, would be extremely costly to provide in these countries, as in most only a relatively small percentage of the population is formally employed. The number of persons who would be able to contribute is too small to sustain such schemes, and the financial burden on the state would be immense should this be funded from the budget. Also, as most of the economies are based on primary sector activities, unemployment fluctuates continuously as a result of climatic influences and commodity shocks. It seems unlikely that unemployment insurance schemes will ever become common in developing countries and it is therefore important to look at alternative policy options, including subsidising food and services for certain low income groups, or perhaps encouraging employment by way of public works programs that are labour intensive.

4.4 General conclusion on intervention

From the above it is evident that there are different opinions as to the need for state intervention in the labour market by way of regulations. In spite of these conflicting views, as represented quite clearly by two of the most influential economic bodies in the world, the World Bank and the International Labour Organisation, there is still some common ground in that the World Bank, in spite of considering regulations as "distortionary", does agree to the need for some "basic" intervention to ensure minimum standards. According to the ILO, labour market regulations to a large extent reflect society's view on human rights, as they are based not only on economic, but also on moral considerations. Any government is morally obliged to attempt to improve the basic standard of living of its citizens, and in particular the poorest

groups of society who do not have the skills or access to the financial sources to enable them to do so. As Guhan (1994: 37) stated, the "nature and magnitude of deprivation in the poor countries indicate a massive need for intervention of some sort". Although one may argue about the extent of intervention, intervention of some sort does seem justifiable.

Up to the present, popular ways of intervening in the labour markets of developing countries have included setting minimum wages, establishing a regulatory framework for collective bargaining, and establishing social safety nets. However, it appears that virtually none of these attempts have been universally successful when measured against the objective of increasing employment, alleviating poverty and improving standards of living for the general population.

Evidence regarding government intervention in developing countries by way of collective bargaining, minimum wages and social security provision varies markedly:

Virtually all **industrialised nations** have elaborate labour legislation and detailed **collective bargaining** regulations. During recent years a trend towards decentralisation of bargaining structures has been identified in industrialised countries, although it has taken place to different degrees in different countries. This trend has largely been attributed to the international pressures resulting from increasing international competition and the resulting need to keep labour costs as low as possible.

Collective bargaining procedures have also been used extensively in **developing countries**, particularly in Latin America, where they have been credited with increasing certainty, stability and coordination in the economies with regard to the activities of organised labour.

In Latin American countries government intervention in the economy has historically been high. In spite of the existence of well organised unions, the bargaining power of these unions, and consequently the role of collective bargaining has always been limited. The legal framework for collective bargaining in some of these countries has, however, been criticised for being inadequate as it does not specify that negotiation is

obligatory. Although government intervention in a number of these countries has been declining, the bargaining power of unions has also declined as a result of government support for raising labour market flexibility. This reduction in union power has generally not resulted in boosting the economies of Latin American countries.

In Asian countries organised labour has historically been heavily controlled by the state. Even during times of economic growth, government has retained its stronghold over unions and their bargaining power. It therefore comes as no surprise that the evidence points to unions and collective bargaining having had very little impact on wage levels.

In Africa, the high degree of government intervention has during recent decades declined somewhat in a number of countries that now are following democratic principles. Historically, the role of unions in the former colonies has been more political than economic, as it has provided members with an instrument with which to cross the divide created by tribal differences and in doing so project a united front against colonial regimes. Generally, unions in Africa have never been exceptionally strong, nor has union membership been very high. Moreover, the combined effect of limited bargaining power, and the apparent inability to ensure job and income security (albeit also to a large degree the result of external factors) have not resulted in union membership figures rising, but rather the contrary. Coverage of collective agreements has, however, been criticised for the fact that union bargaining power is so limited that wages that are agreed to are sometimes even lower than what the official government policy suggests, as has been the case in Kenya.

No labour market instrument will prove successful unless the overall policy environment in which it is applied is conducive. In some cases policies that override the labour market regulations, or contradictory polices, have rendered the regulations ineffective. A fine example of this would be the impact of structural adjustment programs in Africa, where the "normal" functioning of labour market institutions such as collective bargaining in a number of countries has been impaired by structural adjustment programs and the conditions attached to such programs.

All in all, collective bargaining appears to have been relatively successful in creating certainty and a greater extent of continuity with regard to the bargaining process in developing countries. Through extension procedures, it has provided a large number of workers with access to an instrument through which they could improve their wages and negotiate for better working conditions. Decentralised bargaining with a certain degree of coordination is arguably one of the best options, as this would ensure that problems as low down as the plant level can be discussed, while wider economic issues are still taken into account.

Industrialised countries in general appear to have well developed collective bargaining structures that provides extensive coverage, hence there appears to have been little need for introducing **minimum wages** to set a minimum standard with regard to wage levels. The few OECD countries that have, however, felt a need for intervening in wage levels, have opted for the use of wage subsidies to companies to raise employment rather than wage levels. One could, however, argue that wage subsidising also has drawbacks, as evidence from OECD countries suggests that people are often retrenched once the government ceases to provide subsidies.

Evidence from industrialised countries as regards the impact of minimum wages on wage levels and employment appears inconclusive. Rather, some are of the opinion that, as labour relations adjust to globalisation, more attention could be given to the idea of a social wage.

In Latin America the minimum wage has proven itself downwards flexible during times of economic difficulty. This, however, only highlights the fact that, other than providing a basic guideline to employers, the use of this instrument has had a very limited effect on achieving income security for the lowest income group. Furthermore, the minimum wages that have been implemented in many Latin American countries have been so low, and have therefore had such a limited impact on raising labour costs, that it does not seem to have had a significant effect on the international competitiveness of the products being produced.

In Latin American countries where inflation is very high in general, minimum wage legislation and administration with regard to adjustments in particular appear out of

step. This is regarded as having contributed to the ineffectiveness of the minimum wage.

In Africa, minimum wages have been one of the ways in which governments have attempted to address post-colonial wage inequalities. In many countries it has therefore served as a political signal to supporters, rather than a labour market instrument with economic merits. An increase in wage levels in general has been viewed by many African governments as the only way to increases economic stability and to stabilise the workforce. Notwithstanding the above, the introduction of, and even raising of minimum wage levels have not been a miracle cure for solving the poverty problems on the continent. This has been attributed to a number of factors, including the fact that structural adjustment programs have rendered the effect of minimum wages irrelevant, and that minimum wages have not been enforced properly or adjusted regularly.

One of the reasons for the minimum wage in developing countries not appearing very successful in providing income security to low income workers is the fact that cash wages of such workers are often supplemented by payments in kind. For example, farm workers may only be paid small cash wages, but may also receive free food, housing, etc. as part of their payment. As no direct monetary value is placed on these payments in kind, it is not always acknowledged, and this results in cash wages sometimes being looked at in isolation, which does not give a fair reflection of the compensation the worker receives.

It is difficult to clearly identify the effect of minimum wages, as time series data for many developing countries have been limited, and as there have been some problems regarding enforcement, etc. Taking into account these problems, the evidence seems to suggest that minimum wages have generally not had a significant effect on real wage levels in developing countries. This may have resulted from the fact that in several countries they have not been adjusted regularly or enforced correctly. Provided that it is adjusted regularly, it could prove useful in countries such as those in Latin America where high inflation erodes cash wages. At the same time it should be noted that in the limited number of countries where the minimum wage has in fact

been adjusted regularly, it has had a slightly negative effect on employment (i.e. in Puerto Rico).

The evidence on minimum wages in developing countries seems to suggest that it is not the ideal instrument to ensure equitable wages, but that, in some countries where collective bargaining procedures are lacking or still limited in terms of coverage, it may be one of the better alternatives available.

As there are vast constraints upon the successful national implementation of a minimum wage, it should ideally only be used to target sectors with the lowest income workers. At the same time, however, in countries such as those in Latin America where the minimum wage has been popular as an instrument to reduce the impact of high inflation, it would not have much use if it is not introduced widely.

Given the contradictory information available, one could perhaps conclude that the minimum wage should be appreciated for its standard setting value rather than for its potential to ensure income security.

The evidence on **social safety nets** indicates that, in spite of the presence of informal networks, governments in both industrialised and developing countries have realised a need to contribute to social protection, and have acted upon this during the last century in particular by way of welfare policies. Although it differs considerably between countries, significant portions of annual state budgets are nowadays set aside for social expenditure.

The need for social security protection is particularly acute during times of economic transition / structural adjustment, as this often results in a loss of formal income to families. It is imperative that governments have measures in place to assist people during such periods.

Not only the state, but also the market (in the form of the employer) and the household contribute to meeting the needs of the individual. In the **industrialised** world, where cash wages are generally high and extensive state transfers take place, the role and monetary contributions of family and community has been reduced

significantly. Private benefits offered by companies are high and still on the rise. The high contribution by employers is clearly evident from the fact that non-wage social benefits constitute approximately one third of the overall labour costs of a firm in industrialised countries.

Although it seems fairly common for governments in **developing countries** to provide social insurance coverage against contingencies, the provision of pension and disability benefits is somewhat less common, with provision for sickness, maternity and particularly unemployment being the least common. It should be noted though that in many countries the extent of benefits (for example old age pensions) has been found to be so low that it will not enable a person to survive solely on that income.

In developing countries the scope for extending private sector insurance is limited. Credit and insurance markets have not been developed to the same extent as in the industrialised world. Also, with a large portion of the economically active population unemployed in developing countries, or only able to obtain part time / temporary employment, the number of persons able to contribute a regular income to private funds remains limited. This is unlikely to change in the foreseeable future, as most developing countries are struggling to adjust their economies from being heavily based on primary sector agricultural activities, to industrialised economies with a strong emphasis on manufacturing and service provision.

In Asia cash wages are generally much lower than in Africa, with transfers from family / community still accounting for a large portion of income. The rural kinship support system still remains in place in many Asian countries, contrary to what has been the case in a number of African countries, and in particular South Africa, where colonial rule has played an important part in the decline of such support systems.

Non-wage labour costs in Africa are considered high when one looks at the high ratio of fringe benefits and payment in kind to cash wages. Provision for the social needs of society appears to have put upward pressure on wages in a country such as South Africa. The level of provision required has to a large extent been determined by other contributors to the social wage, i.e. family, community and the state, and not only the

enterprise (employer). An enterprise is normally pressurised to increase its cash wage and fringe benefits if these other groups lend little financial support.

Given the relatively small size of the formal wage income sectors in developing economies, most workers are excluded from formal protective labour market measures. More needs to be done to allow them access to benefits such as those pertaining to pension, health, disability and education. It is particularly important that the coverage of labour market regulations is extended to include informal sector workers, though it may need to be adjusted to suit their specific needs and the circumstances prevailing in the informal market place.

As regards the introduction of labour market institutions, it is very important to decide on the instruments to be applied, the timing of introducing these instruments, the time frame for which such instruments are deemed necessary, as well as the sequence for introducing certain instruments. It should also be kept in mind that any rules or regulations implemented should have at least some measure of social legitimacy.

Although intervention in the labour markets of developing countries is therefore not uncalled for, the timing of the intervention as well as the extent and manner in which the intervention takes place is of extreme importance.

5. The Namibian economy and labour market imperatives

5.1 Introduction

The Namibian economy can be considered a small, open economy, dualistic in nature, and based on four primary sector activities, namely mining, agriculture, fishing and tourism. As in many other developing countries, the economy is heavily reliant on these primary sectors not only to generate foreign exchange income, but also to provide employment.

Since Independence in 1990 the Namibian economy has grown steadily in terms of output. At the same time growth had been restrained by poor environmental conditions, drought and significant declines in commodity prices, all of which have negatively affected sectors such as mining, agriculture and fisheries which are important in respect of their contribution to GDP growth, employment and exports (United Nations Development Programme - UNDP 1996: 51).

This chapter reviews the prevailing situation regarding un- and underemployment in the country, as well as the important effect this has on the large part of the population living in poverty. This will be followed by an overview of economic growth trends in the so-called "pillars" of the economy, as well future prospects regarding growth and employment in these sectors. A discussion of these issues is of relevance in the context of this study as it provides a general background on the economic circumstances in which the labour market institutions in Namibia currently function. It will also lay the foundation for the final conclusion as to how important and necessary certain labour market institutions in Namibia are, and how, if at all, they impact on employment creation, while at the same time ensuring the rights of workers.

5.2 Overview of the Namibian labour market and current employment situation

The most recent statistics available on un- and underemployment, based on a 1993/1994 household survey in the country, as compiled by the Central Statistics Office, indicates that some 19% of the population is unemployed, another 41% underemployed, giving a combined figure of approximately 60% as being un- and under employed. The "unofficial" public consensus is, however, that unemployment is much closer to 30% than to 20%.

The implications of such high levels of un- and underemployment is grave, even though the country has a relatively small population of approximately 1.5 million people. Given the scope of the problem, programs aimed at creating employment would have to be far ranging and continue for a protracted period of time. Community labour based works seem to be particularly relevant, given the existence of underemployment, the vast number of people still involved in communal farming activities, and the concentration of poverty in certain parts of the country. Programs that address the abovementioned problem of underemployment can use as foundation the fact that many people do in fact already have some sort of livelihood, albeit not sufficient (Ministry of Works, Transport and Communications 1996: 10, 11, 12).

Table 1: Employment, unemployment and underemployment in Namibia - 1993/1994

Employed		Unemployed		Underemployed		Labour Force	Combined Un-employment and Under-employment	
350 280	(40%)	84 398	(19%)	178 129	(41%)	434 678	262 527	(60%)

Source: Central Statistics Office 1996, Living Conditions in Namibia (Based on 1993/94 Namibia Household Income and Expenditure Survey).

The main problem regarding the labour market in Namibia is that a general oversupply of labour exists in the market. This is the case mainly at the unskilled level, but also at the semi-skilled and skilled levels, although the extent of the problem is much less severe at the latter two levels.

Table 2: Unemployment by educational level in urban / rural areas – 1991

	Urban	Rural	Total	Total in %
No schooling	6948	17655	24603	24.79
Primary	15702	22134	37836	38.13
Secondary	22042	14230	36272	36.54
Technical / Vocational	80	105	185	0.19
Teacher Training	174	63	237	0.24
University (incl. Post Graduate)	40	66	106	0.11
Not stated	0	0	0	-
Total	44986	54253	99239	100

Source: Ministry of Labour and Human Resources Development 1995b: 24.

Table 3: Unemployment by language spoken - 1991

	Urban	Rural	Total	Total in %
Herero	4175	3714	7889	7.9
Kavango	1423	4931	6354	6.4
Nama / Damara	9823	11076	20899	21.1
Ovambo	20997	26924	47921	48.3
Afrikaans	5812	2383	8195	8.3
Other European	766	239	1005	1.0
Other African	1970	4971	6941	7.0
Other	19	15	34	0
Total	44985	54253	99238	100

Source: Ministry of Labour and Human Resources Development 1995b: 28.

Table 4: Unemployment (in %) by age, and urban / rural areas – 1991

Age Group	Urban	Rural	Total
10-14	75.8	52.2	54.2
15-19	64.8	38.7	45.3
20-24	43.5	28.5	34.5
25-29	28.7	17.5	22.3
30-34	18.7	10.3	13.9
35-39	14.8	8.5	11.0
40-44	12.2	6.6	8.6
45-49	11.5	6.4	8.0
50-54	10.5	5.8	7.1
55-59	10.7	6.1	7.1
60-64	9.4	7.6	7.8
65+	13.0	8.0	8.4
Not stated	14.7	10.3	11.5
Total	26.3	16.8	20.1

Source: Ministry of Labour and Human Resources Development 1995b: 28.

The following table shows past and projected figures with regard to the need for manpower, as compiled by the Ministry of Labour and Human Resources Development. It is obvious that the availability of manpower by far exceeds the projected requirement, with the gap even widening towards the turn of the century, despite the fact that even the projected growth of the labour requirement, i.e. employment, at well above 2% per annum, is relatively optimistic.

Table 5: Actual and projected manpower requirements and availability - 1994 to 2000 (in thousands)

	1991 Actual	1994 Actual	1995	1996	1997	1998	1999	2000
Availability	493.6	546.0*	564.7	584.5	603.1	623.1	643.4	664.4
Requirement	394.3	430.0	438.4	450.4	463.2	476.5	489.6	502.5
Unemploy-ment	99.3	116.0	126.3	134.1	139.9	146.6	153.8	161.9
Unemploy-ment Rate (%)	20.1	21.2	22.4	22.9	23.2	23.5	23.9	24.4

Source: Ministry of Labour and Human Resources Development, 1994. Manpower Availability and Requirement for Namibia 1995- 2000 : A preliminary estimate.

(* Note: The total available labour force of 546 000 in 1994 noted here by the Ministry of Labour contradicts the total labour force figure of 434 678 in Table 1, measured at approximately the same time. The latter figure was published by the Central Statistics Office).

5.3 POVERTY

5.3.1 Who are the poor?

Namibia has been categorised a middle-income country, and one of the richest in Sub-Saharan Africa by the World Bank. However, as is the case in South Africa, there is an extremely skew distribution of income, with the richest 10% of the population receiving an average per capita income of N$ 83 000 per annum in the early 1990's (note: R1=N$1). This amounted to about 65% of national income. The remaining 90% of the population share in the other 35% of national income. It had been calculated by the UNDP in the early 1990's that the poorest 25% of the population had an average

income of N$ 460 per annum. Based on the figures obtained in the 1993/94 National Household Income Expenditure Survey (NHIES), the UNDP calculated that Namibia had a Gini coefficient of 0.70. Although it is likely that this figure has improved somewhat since 1994, it proves the scope of the problem, and hence makes Government intervention in the economy in order to address the high level of inequality perhaps more understandable. (The table below is a comparison of the Gini coefficient to that of a number of other developing countries). Notwithstanding positive GDP growth during most of the past eight years, it has on average not exceeded the annual population growth rate of 3.1%. Per capita incomes have therefore not experienced real growth and a large proportion of the population is still living in poverty. Relative to national income, the level of human development in the country remains low (Ministry of Works, Transport and Communications 1997: 4; Pütz 1997: 74; UNDP 1996: 7, 35).

Table 6: Comparative Gini Coefficients - 1975 to 1988 (averages)

Country	Gini Coefficient
Indonesia	0.31
Peru	0.31
Bangladesh	0.34
Ivory Coast	0.55
Brazil	0.57
Namibia	0.70

Source: UNDP 1996: 7.

Those Namibians particularly vulnerable to poverty are the young, the elderly and women in general. There are also marked differences with regard to the geographical distribution of poverty, particularly between the north (where large parts of the former communal areas are located, and where about 70% of the country's population live) and the rest of the country, and between urban and rural areas in general (Ministry of Works, Transport and Communications 1996 : 10-12; Pütz 1997: 74).

Although the incidence of poverty among commercial farmers is virtually non-existent, this is an extensive problem among farm labourers and their families, nearly all of whom lack education, and a substantial number of whom lack the means to pay for their children to be educated. Other problems include the vast distances to schools and the high costs of hostel fees.

As the largest number of persons considered to be poor can be found in the rural areas of the country, Government considers the issue of land reform as being imperative in the fight against poverty. Although a land reform act was already gazetted in 1995, it has still not become fully operational. Many questions have arisen: how to deal with the issue of land dispossession, and can the country afford the perceived trade-off between land reform and productivity? In most parts of the country, land, even land owned by commercial farmers, remains marginal at best, with very low rainfall and not very productive soil. Hence it is unlikely that dispossession of land will in fact bring about a significant improvement in poverty levels (Hansohm and Mupotola-Sibongo 1998: 6, 7).

5.3.2 What is the extent of poverty in Namibia?

In 1990 the World Bank estimated that 5% of the Namibian population received more than 70% of Gross Domestic Product while only 3% of the GDP were controlled by the poorest 55%. Internationally, households for which food consumption take up more than 60% of the total household income are classified as "poor". "Absolutely poor" are those for which this percentage exceeds 80%. In the official Green Paper on Labour Based Works (Ministry of Works, Transport and Communications 1997: 4), it is noted that the World Bank in the early 1990's had indicated that "based on an urban poverty line and rural vulnerability to food insecurity, ... at least **two-thirds of the (Namibian) population are absolutely poor and ... as many as three-quarters of all blacks are poor**". Other sources have reported that in 1993, given the above scale of measurement, some 47% of households in the country could be classified as poor, with 13% of households being absolutely poor. Yet again other studies have indicated that over 50% of the total population in the country can be classified as living below the poverty line. (Ministry of Works, Transport and Communications 1996: 12; Pütz 1997: 170).

Table seven reflects the annual private household income in Namibia as measured in the 1993/1994 National Household Income and Expenditure Survey. Particularly interesting are the marked differences between the average household income in rural areas and that in urban areas, as well as that between the average per capita rural and urban income levels. Although not shown on this particular table, this survey also

indicated that only 1% of the top households (in terms of average income) in the country was responsible for about 13% of private consumption expenditure, with the share of the lowest 48% of households at only 13%. It was found that expenditure by the households with the highest incomes was approximately N$ 36 310 per annum, and that of the lowest N$ 389. Average household expenditure was calculated as being N$ 11 951 at the time (Ministry of Labour and Human Resources Development 1995b: 5).

Table 7 : Annual private household income in Namibia

NAMIBIA – regions	Population (%)	Total Income (N$ millions)	Total Income (%)	Average HH Size	Average HH Income	Average Per Capita Income
Rural	71.1	1531	36.4	6.1	9453	1550
Urban	28.9	2679	63.6	4.8	32335	6676
TOTAL	100	4210	100	5.7	17198	3031

Source: Central Statistics Office 1996, Living Conditions in Namibia (Based on 93/94 Namibia Household Income and Expenditure Survey).

The following table gives a good indication of the spread with regard to average monthly income:

Table 8 : Average monthly male / female wage rates in Namibia – 1992/1993

Monthly Wage in N$ (1N$ = 1R)	**Male Employment**	**Female Employment**	**Total Employment**	**Average Monthly Wage**
< 100	1023	865	1888	51
101-200	1755	1080	2855	154
201-300	2441	976	3417	251
301- 400	2090	586	2676	353
401 – 500	3350	1127	4477	471
501 – 750	3582	1334	4916	620
751 – 1000	4326	1765	6091	885
1000 – 1500	10917	3162	14079	1266

Monthly Wage in N$ (1N$ = 1R)	Male Employment	Female Employment	Total Employment	Average Monthly Wage
1501 – 2000	8357	2241	10598	1768
2001 – 3000	8769	2874	11643	2483
3001 – 5000	10519	2076	12595	3360
> 5000	2025	618	2643	6223
TOTAL	**59154**	**18704**	**77858**	**1761**

Source: Ministry of Labour and Human Resource Development 1994b: 96

*[Although a fairly extensive survey of the informal sector in Namibia (covering some 1 000 households) was reportedly conducted during 1994/1995 with the help of the ILO, the available data is said never to have been processed. The ILO advisor apparently left the country before completion of the survey, and since then no information regarding the survey has officially been made public].

5.3.3. Why such a high incidence of poverty?

As stated in the preceding paragraphs, the incidence of poverty appears to be particularly acute in the northern part of the country, where approximately 70% of the population lives, mainly in the communal areas. The poverty found in virtually all of the communal areas has been ascribed to a mixture of reasons; the fact that decades of apartheid rule has directed policies at denying the majority of the population access to many of the basic services, education and land, and resulted in a general state of neglect during pre-independence times, the ongoing war situation during the seventies and eighties, quarantine restrictions upon the movement of animals and plants when crossing the red line (the artificial "border" that divides the commercial farms and the communal areas of the former communal areas such as Ovamboland, initially introduced to prevent cattle diseases from spreading from the northern communal area into the commercial farming areas further south) and the limited size of small holdings. More recently, the (illegal) fencing off of land within the jointly owned communal areas has resulted in a limited number of farmers keeping good grazing areas and water resources to themselves, and the effect of years of overgrazing and ecological damage have become apparent. Furthermore, the communal areas suffer from a lack of development, and lack of investment (Ministry of Works, Transport and Communications 1996: 10, 11, 12; Pütz 1997: 74; UNDP 1996: 25).

Another contributing factor to the high incidence of poverty, and arguably the greatest factor at present, is the high population growth rate of 3.1% per annum. This even exceeds the average population growth rate of 2.9% for Africa (Pütz 1997: 74). A growing population, coupled with an economy in which few new job opportunities are being created, results in a perpetuation and even increase in the extent of unemployment, which in turn gives rise to a variety of social problems.

5.3.4. Ways of alleviating poverty

Given its potential economic and social impact on poverty alleviation and employment, Government's recent budgets have been geared to accommodate the emerging sectors of fishing and tourism (and to a lesser extent agriculture). Similarly, the job creating potential of the manufacturing industry has been recognised, and much is being done to attract foreign investment in manufacturing activities.

Most notably, and perhaps more directly, Government has increased expenditure on social services in an attempt to address the high incidence of poverty in Namibia. The allocation of the budget to social services has risen considerably during recent years. However, although investment in human capital has increased significantly since independence, government has expressed concern over this financial burden, given the fact that the average annual GDP growth rate has been lower than the annual population growth rate of 3.1%. This concern is exacerbated by the fact that some 42% of the Namibian population is younger than 14 years of age (Pütz 1997: 76).

One of the most important ways to reduce poverty is thought the creation of job opportunities. Government has done much to achieve this, for example: large amounts of money is being spent on providing vocational training and to encourage people to opt for self-employment instead of waiting for jobs in Government; small businesses are being provided with financial assistance, stalls, as well as basic management and financial skills; the Export Processing Zone regime has been initiated to attract investors and so encourage trade, which in turn will create jobs.

In spite of this unemployment remains a major economic problem in the country, and until this improves, efforts to reduce poverty are likely to meet with little success.

5.4 ECONOMIC GROWTH: PAST TRENDS, FUTURE PROSPECTS

5.4.1. Management of the economy

Since Independence in 1990, the Namibian Government has done its best to ensure the best possible mix of policies aimed at stimulating economic growth while at the same time addressing inequalities.

In order to encourage growth over the medium term and to attract investment to the country, a stable macro economic environment is imperative. Macroeconomic policy has to a large extent been aimed at keeping the budget deficit at manageable levels, stabilising the exchange rate, keeping the balance of payments situation healthy, and keeping inflation and public debt as low as possible. Not all of these attempts have, however, been successful on an ongoing basis. The contradiction between government's stated objectives and the actual trends as regards the state finances are, for example, reflected in the continuous fluctuations experienced with regard to the budget deficit, as well as the large increases in foreign and domestic debt, as indicated in table 6.

There is still cause for concern over the general level of economic growth, given the fact that 42% of the population is younger than 14 years of age and will soon demand jobs from an economy in which GDP and exports appears to be growing only slowly while no or very little employment opportunities are generated by the private sector (1999/2000 Budget Speech, April 1999: 3).

The already heavy burden not only on natural and financial resources, but also on investment required for the creation of jobs is intensifying: even a level of investment which averaged roughly 21% of GDP between 1990 and 1997 does not yet seem sufficient (Pütz 1997: 84).

Important to note is that investment has been less than anticipated after Independence, in spite of vigorous and still ongoing attempts by government to stimulate this. The slow growth of investment can be seen partly as a result of the lack of business

opportunities and lack of business confidence, but also because of inadequate national savings and a disappointingly low level of foreign investment (Putz 1997: 76).

5.4.1.1 Government income and expenditure

The following table shows the trends with regard to some of the main economic indicators in the country since 1990:

Table 9 : Economic and fiscal indicators and projections

	Unit	1994	1995	1996	1997 (Prelim.)	1998 (Prelim.)	1999 (Projected)
GDP: Cur. Market prices	N$ million	10 641	11 778	13 537	14 987	16 917	18 578
Real GDP Growth	% p a	6.5	3.6	2.1	2.4	2.6	2.4
Real GDP per capita	N$	4 779	4 801	4 754	4 721	4 697	4 666
Change in real GDP per capita	% p a	3.3	0.4	-1.0	-0.7	-0.5	-0.7
Inflation (CPI)	% p a	10.8	10.0	8.0	8.8	9.0	6.5
Prime overdraft rate (year-end)	% p a	16.50	19.00	20.70	20.00	23.75	17.25
Overall budget deficit as % of GDP	%	1.8	3.9	6.4	2.8	4.3	4.2
Central govt. debt in % of GDP	%	18.8	21.9	23.9	21.6	22.6	23.5
Foreign debt	N$ ' m	86	195	243	368	448	537
Domestic debt	N$ ' m	938	1420	1923	2979	3467	3927

Source: Ministry of Finance; 1999/2000 Budget speech, April 1999.

At present there is great concern about the effect which the lowering of tariffs in the Southern Africa Customs Union (SACU) will have on the share of the revenue pool which is allocated to Namibia. The share that Namibia has in the SACU revenue pool normally accounts for one third of the total revenue of the Namibian Government.

Negotiations on restructuring the formula which divides the SACU revenue pool have not yet been finalised, as noted in April 1999 by the Minister of Finance in his 1999 / 2000 budget speech. Although the impact on Namibia's portion of the revenue under the revenue sharing agreement has not yet been determined, it still appears possible that it could result in a reduction of revenue for Namibia. This could put pressure on government to find alternative sources of income for the country. At the same time government needs to ensure that an enabling environment is maintained to attract foreign investment, for example by keeping company and personal taxes low. (Government has on purpose set company tax at 35%, lower than that of South Africa, in order to encourage foreign firms to invest in Namibia).

One of the most striking features of government's economic management of financial resources is the high level of government expenditure. The overall wage bill of government in particular has been criticised by the press and opposition parties. Notwithstanding efforts to the contrary, the number of civil servants has risen sharply since Independence. This increase in the number of civil servants has put further pressure on limited government financial resources. With an already high wage bill, the implementation of the 1995 Wages and Salary Commission's (WASCOM) recommendations, advising a drastic reduction in the number of civil servants and a general wage rise in order to make packages compatible with that offered in the private sector, has had a disastrous effect in that the salaries were increased accordingly, but the number of civil servants was not reduced. This has in part been attributed to the affirmative action policy. Civil servants attached to Government prior to 1990 were assured of keeping their jobs, while new people had to be taken on to reflect the new social order. As percentage of government expenditure, the annual wage bill has increased from 24% in the 1989/1990 budget to over 46% in the 1996/1997 budget, at which level it has remained since (UNDP 1996: 37; 1999/2000 Budget Speech: April 1999: 8). As a percentage of GDP, government's personnel expenditure has risen from 17.9% to 19% from the 1998/1999 to the 1999/2000 financial year. In his April 1999 budget speech (1999: 8) for the 1999/2000 financial year, the Minister of Finance made specific mention of the WASCOM recommendations, and the apparent inability of government to comply with the original recommendations. He called for a drastic reassessment of policies and measured aimed at downsizing the civil service.

The following table depicts budgeted government expenditure per ministry for the 98/99 and 99/2000 financial years. Those ministries with the highest allocations are highlighted.

Table 10: Budgeted expenditure as per 98/99 and 99/2000 financial years

Allocation of annual budget (%)	98/99	99/2000
Fisheries & Marine Resources	1.31	0.99
Prisons & Correctional Services	0.95	1.15
Agriculture, Water & Rural Development	5.97	5.57
Trade & Industry	1.35	0.88
Health & Social Services	**13.50**	**14.15**
Environment & Tourism	1.39	1.54
Regional & Local Government & Housing	**3.72**	**3.37**
Justice	1.23	1.30
Mines & Energy	0.98	0.92
Labour & Human Resources	0.47	0.50
Information & Broadcasting	1.42	1.54
Youth & Sport	0.60	0.61
Basic Education & Culture	**21.63**	**20.67**
Finance	4.35	6.36
Defense	6.52	7.21
Foreign Affairs	1.84	1.92
Police	4.52	6.36
Higher Education, Vocational Training	**3.87**	**3.71**
National Planning	0.50	0.34
Lands, Resettlement & Rehabilitation	0.96	0.81
Transport	5.20	5.98
Works	4.44	3.52
Civic Affairs	0.56	0.53
Auditor General	0.13	0.12
Parliament	0.85	0.65
Prime Minister	0.74	0.82
President	0.80	0.73
Statutory	6.51	6.39
Contingencies	1.62	1.34

Source: Budget speeches by Minister of Finance, March 1998 and April 1999

There are increasing signs that financial prudence has become somewhat slack within the various government ministries: requests for additional budgets have become a common occurrence used to finance the shortfall resulting from overspending by a significant number of the government ministries during recent years.

Borrowing both locally and offshore is creating a future burden of debt repayment. By global as well as African standards Namibia is a low-debt country. Total central

government debt by 1998 amounted to 22.6% of GDP, or N$ 3916 million (preliminary figure), and is projected to increase to 23.5% of GDP during 1999, or N$ 4 464 million.. Although it appears that the budget deficit, which peaked at 6.4% of GDP in 1993, has been restrained, pressure now again seems to be slowly building as a result of the abovementioned overspending. (1999/2000 Budget Speech, April 1999: Attachment A; National Planning Commission: 1996: 33; Pütz 1997 74; UNDP 1996: 37).

5.4.1.2 Monetary and Fiscal policy

As regards the general trends in monetary and fiscal policy, it is important to note that Namibia is a member of the Common Monetary Area (CMA) and that room for independent monetary policy decisionmaking is limited as South Africa is the economic leader in the CMA. The Namibian dollar remains pegged to the South African Rand at par, and as interest and exchange rates fluctuate in correspondence to the movement in the South African rates, the main instrument available to government is fiscal policy. Since Independence, tax has been used extensively as an instrument to encourage and attract foreign investment, for example by means of reducing company tax to 35% and by granting Export Processing Zone companies special tax concessions (UNDP 1996: 32).

5.4.1.3 Trade and Regional integration

One of the main features of the Namibian economy is that it is very closely integrated with the economy of South Africa. As a percentage of the country's total imports, imports from South Africa have for the past eight years remained between 85 and 90%, while only 27% of the total exports of Namibia has gone to South Africa. At present the manufacturing industry is still in a developmental stage, and approximately 89% of manufactured exports are composed of meat and fish products generated by two of the main primary sector industries. Over 50% of total exports are bound for Europe. From this it is obvious that much more could be done to explore regional markets (UNDP 1996: 32).

Given the country's small population and the low purchasing power of the population, export-led growth seems the option which hold the most potential for stimulating economic growth and job creation.

Namibia subscribed to the Lomé Convention in 1990 when it joined the African-Caribbean-Pacific (ACP) group of states which have been granted special access to the markets of the European Union. The ACP countries are not only granted duty- and/or quota-free access for the products they export to the European Union (in the case of Namibia the prime example is beef), but it is also to the advantage of Namibia in that it has opened up opportunities for banks such as the European Investment Bank and various insurance schemes and has made the process of finding both trading partners and markets abroad easier.

In addition to the Lomé Convention, Namibia also has the advantages brought on by having been granted Most Favoured Nation status by countries such as the USA and countries in Europe, Scandinavia and Australasia alike through the General System of Preferences (GSP). This status allows Namibia to access the markets of these countries on a non-reciprocal basis and on preferential terms which entails the country having to pay either zero or reduced duties. This makes the products which are locally produced and exported more competitive than they would otherwise have been (Pütz 1997: 165).

Concerning Namibia's involvement in trade alliances in Africa and particularly Southern Africa, the country's membership of the following regional trade organisations are of particular importance: SACU, the Southern African Customs Union, given its important contribution to Government revenue; SADC, the Southern African Development Community; and COMESA, the Common Market for Eastern and Southern Africa, formerly known as the Preferential Trade Area (PTA). The last mentioned is of importance as Namibia shares in joint development projects, e.g. upgrading of roads, projects pertaining to the provision of water and electricity, etc. Also of importance is membership of the Common Monetary Area, or CMA, which has a guiding influence upon Namibia's monetary policy (Pütz 1997: 62; UNDP 1996: 32).

5.5 Sectoral overview: recent trends and future prospects for growth and employment.

In the National Development Plan (NDP1) for the country, covering the years 1995 - 2000, growth prospects for the country are considered on the basis of its contribution to employment growth, contribution to GDP, contribution to Government revenue, and contribution to growth in exports (Pütz 1997: 97).

At present the main sources of employment in Namibia are government, commercial farming, and mining, but since 1990 the sectors which have contributed most to the creation of new employment opportunities have been fishing, construction and domestic trade.

Table 11: Sectoral contribution to GDP – mid 1990's

	% of GDP	% of Employment	% of Exports
Agriculture	10.5	46.8	9.3
- subsistence	7.5	35.9	0.0
- commercial	3.0	10.9	9.3
Fishing	3.4	0.7	3.3
Mining	10.2	3.8	42.4
Primary Industries	**24.1**	**51.3**	**55.0**
Manufacturing	8.1	5.9	27.8
Construction, etc.	5.0	5.6	0.1
Secondary Industries	**13.0**	**11.5**	**27.8**
Trade	7.7	8.7	0.0
Tourism	1.9	1.0	16.0
Transport and Communication	5.2	2.4	0.0
Financial services and real estate	19.2	2.2	0.0
Government	25.0	15.6	0.0
Other social services	1.3	1.5	0.0
Other services	2.5	5.7	1.2
Tertiary Industries	**62.9**	**37.1**	**17.2**

Source: UNDP 1996: 84.

Table 11 shows the contribution to the Gross Domestic Product by each of the different sectors of the economy, as well as contribution to employment and exports. (The UNDP who compiled these figures noted that the figures relating to employment contribution do not entirely correspond with figures presented by the Ministry of Labour and Human Resources).

5.5.1 The Primary Sector

5.5.1.1 Mining and Energy

Since the turn of the twentieth century mining had been the mainstay of the Namibian economy. In the 1990's Namibia's mining sector was estimated as having been the fifth largest in Africa. The income derived from the sales of diamonds, uranium, base metals and other industrial minerals during the last decades of the century on average provided some 70-80% of the country's annual export earnings, with the largest portion of the minerals exported raw or in semi-processed form, and little value being added prior to export. Nevertheless, data gathered through the 1993/1994 National Household Income and Expenditure Survey suggested that value added per person employed had been highest in the mining sector (N$ 87 000), and lowest in the sector of agriculture - only N$ 2415 (Ministry of Labour and Human Resources Development 1995b: 5). Significant portions of mining earnings are also repatriated abroad (Hansohm and Mupotola-Sibongo 1998: 7).

The mining sector contributes approximately 20-30% of the gross national product of the country. Notwithstanding its solid performance for many years, the contribution of the mining sector to GDP took a downward turn in 1984 from which it has not been able to recover. This general slowdown in the mining industry which started during the 1980's was to a large extent due to the depletion of high grade diamond deposits and the decline in the real price of diamonds. Also, sanctions against South Africa reduced the demand for uranium during the 1980's by 20%, while the real price for uranium also fell after the end of the Cold War. (Hansohm and Mupotola-Sibongo 1998: 7; Ministry of Works, Transport and Communications 1996: 5; Pütz 1997: 75).

Of the 40 mines currently operating in the country, seven produce more than 95% of the entire output value of this industry. NAMDEB Diamond Corporation (formerly know as CDM - Consolidated Diamond Mining) and Rössing Uranium Limited are two of the largest companies in the country in terms of output and number of persons employed, and jointly produce approximately 12% of the Gross Domestic Product. Following extensive negotiations after independence, the Namibian Government acquired a 50% stake in Consolidated Diamond Mines Limited together with De

Beers, and renamed the company NAMDEB Diamond Corporation. NAMDEB, which employs 6300 employees, produced more than a million carats of diamonds per annum during 1995 and 1996, with both its marine and offshore diamond production output increasing markedly (Pütz 1997: 79).

Next to diamonds, uranium, mined by Rössing Uranium Limited, has for many years been a major generator of foreign exchange. During recent years, however, the decreasing demand and significant oversupply from Eastern Europe for the world market for uranium has resulted in heavy production losses for this industry. In spite of this, industry officials are expecting an upturn in the uranium market by the end of this century (Pütz 1997: 101).

It was estimated in 1993 that the mining sector employed less than 4% of the total number of people employed in the formal sector in the country. This was a significant reduction from what is had been during the early 1980's (nearly twice as much). From table 11 it is evident that the mining industry in its entirety only employs 3.1% of total employment in the country, although the UNDP puts this percentage at 3.7%. The number of persons employed in the mining industry fell from about 20 000 in 1980 to about 12 000 in 1994, and is still declining. Still, in spite of this substantial reduction, mining companies remain the largest employers in the formal sector (Hansohm and Mupotola-Sibongo 1998: 7; Ministry of Works, Communication and Communications 1996: 5, 7; UNDP 1996: 30, 45).

Notwithstanding some doubts as to the future of the diamond and uranium industries, there is increasing speculation that offshore oil and gas reserves hold promise. Owing to political uncertainty, the hydrocarbon potential of the offshore areas of Namibia, Angola, Zaire, Congo and Gabon have remained virtually unexplored for many decades. However, following independence in 1990, the Namibian government has encouraged private companies to become involved in petroleum exploration. This has led to the identification of four large basins off the Namibian coast. Although investigations of these basins are still underway, early indications seem positive (Murray 1998: 37; Pütz 1997: 106).

The possibility of constructing a new hydropower project in the Kunene river in the far north of the country has been investigated, but owing to a number of factors, including the staggeringly high estimated cost of N$ 3 billion, and significant resistance from environmentalists, these plans have temporarily been frozen.

With respect to the current slump in the mining industry and the immediate future prospects for growth and employment creation in this sector, opinions differ. There are a number of factors which could over the longer term count in favour of the development of the local mining industry. Namibia boasts an exceptional physical infrastructure relative to most other countries in the region, and substantial parts of the country have not been geologically explored. This is particularly relevant for the offshore areas that have only during recent years begun to attract interest with regard to the potential for mining oil, gas and diamonds. Given that Namibia is considered under-explored by many, there is always the possibility of discovering new deposits (Ministry of Works, Transport and Communications 1996: 20).

In spite of the abovementioned factors, the short to medium term outlook for the mining industry in general is not very positive. Long term structural adjustment with respect to the price of diamonds and uranium in particular, and the fact that demand for Namibian raw materials fluctuates according to recessionary periods or booms in the industrialised economies, makes Namibia particularly vulnerable.

Attempts to encourage foreign investment by means of appropriate government policies concerning foreign investment in the mining industry remain relatively unsuccessful. For example, attempts by the Government to promote small scale mining have been made more difficult by a lack of access to finance, as well as a lack of technical knowledge and managerial skills among possible small scale miners. In addition to these problems, the rising costs associated with mining, and fluctuations in the international commodity markets have led to a significant reduction in local prospecting activities. The current trend appears to be towards capital-intensive offshore diamond mining.

Another factor of importance is that there is a reasonably long interval between exploration and excavation. Hence, although oil and gas reserves may appear

promising, it can take as long as two or three decades to exploit them. Also, the expected closure of a number of mines within the next decade or so, and the expected increases in the degree of mechanisation and offshore mining, have led to the UNDP in 1996 predicting a continuing decline in employment in this industry (Pütz 1997: 101).

Although there is some scope for processing minerals, this is also capital intensive and not likely to create employment. Taking everything into account, employment prospects in the mining industry do not look very favourable (Pütz 1997: 98).

5.5.1.2 Marine Resources

Fishing is the second largest export earner for the country, and the contribution of this sector to GDP has continued to rise. The fishing industry as a whole now provides employment to approximately 3.5% of the formal labour force. (Ministry of Works, Transport and Communications 1996: 5; UNDP 1996: 46).

Over fishing and poor management of the fish resources during the 1970's and 1980's in particular have done much damage to the development of the industry since independence. Since 1990, Government has declared a 200 nautical mile exclusive economic zone and has passed legislation aimed at protecting the resource. The most important of these is the new quota levy system that is being strictly enforced. In spite of attempts to encourage conservation and the sustainable utilisation of the resource, natural conditions also play an important role, as became particularly evident during the 1993/94 fishing season when unfavourable oceanic conditions. i.e. warmer water and lower oxygen levels in the water, led to fish leaving the Namibian waters, thus resulting in a (temporary) near collapse of the industry. Although oceanic conditions have normalised during subsequent fishing seasons, research has suggested some harm to the biomass, thus motivating government to cut back on quotas dramatically in order to allow stock to rebuild itself (Hansohm and Mupotola-Sibongo 1998: 7, UNDP 1996: 46).

The fishing industry is deemed as holding potential not only in terms of employment, but also for GDP contribution, revenue and exports. The World Bank suggested in the

early 1990's that the value of local fish catches could rise from N$ 600 million in 1990 to more than N$ 1 billion by the turn of the century. This prediction was, however, made prior to the 1993/94 slump. With regard to employment in this industry, the National Planning Commission, in its plan for the development of the economy from 1995 to 2000, the National Development Plan (NDP1), had projected that fishing would contribute some 12% to GDP by the turn of the century, and employ approximately 20 000 people by that time (Ministry of Works, Transport and Communications 1996: 5). Unfortunately no figures are available at present to confirm to what extent this has been achieved.

Taking into account the combined effects of adverse oceanic conditions and damage to the biomass during the past 3 decades, the extent of which had only been realised during recent years, it seems unlikely that either the production or employment target will be reached. There are, however, some positive factors in favour of the recovery and future development of the fishing industry: the fact that a solid foundation for effective fisheries management has already been laid, strong support for the development of commercial fishing from Government, the presence of vessels equipped for fishing, the availability of people with the necessary skills, and a shift in focus towards encouraging the onshore processing of fish. In spite of the above, it still remains unlikely that this industry will in the immediate future bring about an employment boom. The expectation is that fishing of most species will reach a stable sustainable level by the end of this century, and that employment in this industry should also stabilise by then. According to some sources, the best one could hope for in terms of employment is total employment of approximately 14 000 persons in this industry by the year 2000, if that much. (Financial Mail 1997: 22; Hansohm and Mupotola-Sibongo 1998: 7; Ministry of Works, Transport and Communications 1996: 22).

Ultimately one should keep in mind that fishing and fish processing is in fact a fairly capital intensive industry, and that, even in the event of a "full" recovery, this industry will never be one which has the ability to absorb great numbers of unemployed persons.

5.5.1.3 Agriculture

The agricultural sector contributes approximately 10% to the country's Gross Domestic Product. This sector is of particular importance as more than half of the Namibian population depends on agriculture for a livelihood; directly or indirectly, this sector supports approximately 70% of the total Namibian population (Hansohm and Mupotola-Sibongo 1998: 6; UNDP 1996: 30).

Important to note, however, is that Namibia's agricultural sector constitutes two very different segments: a commercial farming sector and a sector where communal (subsistence) farming prevails. Whereas the former is known for market related, high technology production, the latter group of farmers is still battling with constraints such as limited access to finance, a lack of knowledge of marketing and technical know-how, as well as a lack of management skills (UNDP 1996: 41).

There are approximately 4 000 farmers in the country involved in commercial farming activities, employing a total of approximately 37 000 farm workers, most of whom live on the farms with their families. The main commercial farming activities involve cattle or sheep farming, although a limited number of farmers also produce sunflowers and maize (Pütz 1997: 76; UNDP 1996: 30).

Communal farming, mostly in areas formerly known as the "reservations", supports an estimated 150 000 families, or 900 000 people, on 43% of the land. As the largest communal areas are in the northern part of the country where the rainfall is somewhat better than in the southern areas, farmers produce maize, millet, goat and beef, mostly for own consumption. Lately efforts aimed at encouraging communal farmers to market their cattle through formal channels have started to pay off. Land is allocated through custom, and there are still no ownership rights in these areas. This has impacted negatively on the ability of these farmers to raise capital, as they have no collateral to offer lending institutions (as most financial institutions do not consider livestock as collateral).

The income derived from communal farming activities falls far short of the subsistence needs. Moreover, overgrazing, bush encroachment, soil erosion and

desertification have impacted heavily on the ability of the land to sustain a population which is on average growing by 3.3% per annum. Other problems include the ongoing issue of land reform, and access to credit, training and agricultural extension services. However, even if communal farmers are provided with access to finance, marketing and technical assistance, it remains unlikely that the overall growth for the agricultural sector will exceed 2.4% per annum within the next few years (Hansohm and Mupotola-Sibongo 1998: 6; Ministry of Works, Transport and Communications 1996: 21, UNDP 1996: 41).

Although communal agriculture is expected to show slight improvement in respect of output growth, it seems unlikely that many new employment opportunities will be created. Should the current high population growth rate persist, existing pressure on available land will intensify further. This will add pressure on urban centers as migration will increase with pressure on land (Pütz 1997: 97).

5.5.1.4 Tourism

Since independence, concerted efforts have been made to market Namibia's spectacular landscapes, canyons and varied wildlife abroad, and this has contributed to the tourism industry experiencing solid growth during recent years. In 1995 this sector contributed 6% to the country's Gross Domestic Product, and during recent years it has provided direct employment to an estimated 10 000 people (Hansohm and Mupotola-Sibongo 1998: 9).

In its drive to support the development of tourism, government has increasingly focused on encouraging the attraction of up-market, high-value, low-volume tourists. Since the early nineties, tourists to the country have comprised approximately 60% South African tourists, 16% tourists from other African countries, 12% Germans, and 8% from other European countries. From arrival statistics, it is already evident that the proportion of regional to international tourists is shifting in favour of international tourists. Up to the present, extensive marketing has been done mainly in the United Kingdom and Germany, the main routes serviced by the local airline, Air Namibia. In 1996 some 138 000 Europeans visited Namibia, a quarter of the total number of visitors to the country during that year (including those coming for non-vacation

purposes). Although German tourists account for the largest number of foreign tourists (70 000 visited during 1996), tourist arrivals from the United Kingdom have increased five-fold to 24 000 (Murray 1998: 42).

In spite of a growing tourism industry, there are some problems that need to be addressed. Problems include the high costs associated with marketing abroad, a general lack of a service orientation among workers in this industry, the environmental danger to sensitive ecological areas brought on by too high density of tourists, the limited extent to which tourism is linked to other sectors, high initial costs to establish infrastructure, lack of tourism facilities in remote areas, and poor competitiveness with, for example, South Africa's more sophisticated tourism industry.

In spite of government efforts to encourage the development of the sector and to address some of the abovementioned problems, many of these constraints are out of the hands of the authorities. Malaria remains a problem in the northern areas of the country, and many tourists regard Namibia as part of a package, rather than a final destination. As many stop over in Namibia only as part of a visit to the Southern African region, any kind of political uncertainty in South Africa which scares off visitors also affects the Namibian tourism industry negatively (Ministry of Works, Transport and Communications 1996: 23).

Perhaps interesting to note, and owing to its growing importance in generating an income for the communities involved, is the development of the idea of community-based conservancies during the past three years. In the northern areas where many communal farmers still struggle to survive, local communities are now being encouraged to look into the concept of eco-tourism. Many of the local people are also being trained as game wardens to patrol their own land. However, this will not bring about the employment of vast numbers of people (UNDP 1996: 49).

Growth in the tourism industry is expected to create not only employment, but also generate foreign exchange. The tourism industry is one of the few industries in the country which could generate growing employment opportunities in future, given that it is a service industry and labour intensive.

5.5.2 The Secondary Sector

5.5.2.1 Manufacturing

The manufacturing industry in Namibia, after getting off to a slow start, is still in its infancy stage. Until recent years most of the minerals, fish and meat produced in the primary sectors of the economy have been exported in its most basic form. As a result of this, the contribution of manufacturing to the Gross Domestic Product of Namibia has been nearly insignificant. This is now changing, with the annual contribution to GDP having risen to approximately 8%. This sector now employs some 6% of the labour force in the formal sector (Hansohm and Mupotola-Sibongo 1998: 7, 8).

In Namibia, two thirds of employees working in manufacturing are employed by companies who have at least 50 employees. Of the total number of manufacturing workers, only 12% work in companies with fewer than ten employees. Government has identified the small business/informal sector, which for a long time received little attention, as a target for growth and promotion (Hansohm and Mupotola-Sibongo 1998: 8).

As fish processing accounts for more or less a third of total manufacturing value added (the remaining large contributors are mainly meat processing, and the production of beverages and furniture), manufacturing is highly reliant on climatic and other changes in the primary sector. This makes it extremely difficult to predict future trends with regard to growth in this industry. Further cause for concern is the limited backward and forward linkages that currently seem to exist, as well as the geographic concentration of certain industries in the central and coastal part of the country. Another very important problem concerns the obvious lack of diversification in the local manufacturing sector, although it is hoped that the EPZ regime will boost diversification, employment and development of the manufacturing sector in general (Putz 1997: 80; UNDP 1996: 39).

In spite of efforts to develop manufacturing in order to create employment opportunities, the level of competitiveness remains extremely low. There is also little

diversification, with fish and meat being the main products processed. Other problems include low income levels for a substantial portion of the population, a local manufacturing sector which produces mostly for the small domestic market, transportation costs which are often disproportionately high, a general shortage of skills, relatively high wages paid to skilled labour, a lack of resources to which one could easily add value, and lastly, but perhaps most importantly, membership of the South African Customs Union. Economies of scale have made it extremely difficult for local companies to compete with South African producers, and the tariffs placed by SACU on imports have made it difficult to make use of more competitively priced sources of inputs (Hansohm and Mupotola-Sibongo 1998: 8; Ministry of Works, Transport and Communications 1996: 22; UNDP 1996: 40).

One of the principal incentives offered to encourage manufacturing is the establishment of an Export Processing Zone regime (EPZ) in Walvis Bay. One of the main aims with this EPZ is the provision of training to local workers. Provided that a company produces for export purposes, it may operate anywhere in the country and qualify under this regime, and not necessarily in the specialised area of Walvis Bay.

By June 1999, some 58 companies nationally had been granted EPZ status. Of these, 13 were in the Walvis Bay area, although only 3 of the 13 were fully operational at the time (refer Annexure A: Mrs. Philander). The EPZ is believed to hold considerable potential for job creation over the medium to longer term.

The overall outlook for the manufacturing sector could perhaps be seen as one of guarded optimism, although wrong policy decisions may change the prospect into one considerably less promising. Without active and extensive marketing efforts abroad to find new markets, the manufacturing sector is likely to continue producing only for the local market, which means that the demand from local consumers will determine the future growth of this sector. This also means that the growth of the sector will be highly dependent on local economic trends, thus making it very vulnerable to economic shocks.

Should the focus on manufacturing for the purpose of exporting abroad or into Africa gain momentum (which is indeed now the case), and lucrative markets be found even

against stiff competition, the contribution of the manufacturing industry to GDP is expected to increase steadily (Ministry of Works, Communication and Communications 1996: 7, 8). Pütz (1997: 80) notes that, taking into account the stimulating effect of tax and non-tax benefits for businesses which manufacture for export, and in particular the incentives offered through the EPZ regime, manufacturing could grow to such an extent that it could contribute up to 20% of GDP in 10 to 15 years time.

5.5.3 The Tertiary Sector

5.5.3.1 General Government

It is possible to discern a long term trend away from primary industries, towards secondary and tertiary ones. This is evident from the decline in growth in mining and agriculture, and the growth in manufacturing and general government services.

From the statistics it is evident that the Namibian economy is still a developing one - in 1990, by far the largest number of persons formally employed were working in the primary sector. During recent years, however, this has also started to change, with government now playing a greater role as leading employer in the country than was previously the case (Pütz 1997: 74).

The Namibian economy is heavily service orientated: services (including tourism) constitute some 60% of the GDP, with general government contributing the greatest share of this. In terms of employment, government had a total number of 63 000 people in its employ by 1996/97, at the time more than twice the number employed by the trade sector. This means government employment at the time accounted for 64% of the formal sector workforce employed in service industries (UNDP 1996: 29).

It should be emphasised, though, and government itself has even acknowledged, that over the medium to longer term economic growth needs to be generated by the private sector and not by government. Government should be restricted to providing certain basic services, and redistributing wealth and income as it in itself is not a productive sector that adds value.

5.6 CONCLUSION

The dire need for job creation in a country with an already high incidence of unemployment and under- employment, a population growth rate of 3.1%, and uncertain short to medium term economic growth prospects given the heavy dependence on primary sector activities which are vulnerable to various shocks, speaks for itself.

Although there is an urgent need for an increase in living standards and income for the previously disadvantaged groups in Namibia, the prevalence of poverty is so widespread that a redistribution of existing assets is not likely to have a substantial impact on the problem (Ministry of Works, Transport and Communications 1996: 17).

In spite of the fact that the tourism and fishing sectors in particular have experienced good growth with regard to output and employment creation since 1990, this growth has occurred from a small base and will not be enough to accommodate the increasing number of young persons entering the labour market. Unemployment and underemployment are likely to become a problem of rising proportions in the country. There is a dire need for labour intensive manufacturing and for stimulating the informal sector to create jobs. There have been encouraging signs that government is on the right track with regard to policies creating an enabling environment for achieving this, but it is difficult to measure the effect of these policies, as statistics on the labour market in particular are still lacking.

In addition to encouraging the development of service industries in Namibia, it is imperative that the Namibian economy becomes more focused on export-led (outward-looking) growth, as the domestic market is too small to absorb increases in production, and local people in general do not have the disposable incomes to stimulate much growth in the manufacturing sector. Most of the primary sectors are already export orientated, though little value is added before exporting. Furthermore, the country needs the foreign exchange generated by exports. Not only is it needed to pay for the approximately 85% of all products imported from outside Namibia (most

of this from South Africa), but the foreign exchange also helps to finance expansion of local production. Borrowing money from abroad is considerably more expensive than earning it through the sale of locally produced goods (Ministry of Works, Transport and Communications 1996: 19).

The reliance on the primary sectors and the limited measure of diversification in the value adding industries have made the local economy extremely vulnerable to factors over which little control can be exercised. External conditions such as economic fluctuations abroad, and local conditions, in particular those pertaining to the climate, have made it extremely difficult to predict future trends with regards to economic growth and the employment growth associated with that.

It is in view of the current high level of unemployment and the apparent limited opportunities for future job creation that one should look at the next chapter on selected government interventions in the Namibian economy, and should keep in mind when judging ultimately whether the labour market institutions introduced in Namibia have contributed to raising income levels and living standards in general, without having a detrimental effect on employment creation.

6. Intervention in the Namibian economy

6.1 Introduction

In Chapter four the conclusion was reached that intervention in the labour markets of developing countries is not uncalled for, but, at the same time, that the type of instrument used to intervene (e.g. a minimum wage), the timing of the intervention, as well as the extent and manner in which the intervention takes place are of extreme importance.

In this chapter the development of the labour market institutions of collective bargaining, minimum standards and minimum wages and social security in Namibia will be discussed in detail. The first part of the chapter will be devoted to a description of the historical developments regarding labour market institutions, with particular emphasis on the developments with regard to legislation. This will be followed by an in-depth discussion of the current position of collective bargaining, the minimum wage and social security in Namibia.

As stated in the conclusion of the previous chapter, one should keep in mind the prevailing and expected situation regarding economic growth and job creation in the country when assessing the effect of labour market regulations on wages and employment

6.2 Brief overview of current situation regarding intervention

6.2.1 The prevailing political, social and economic environment

Compared to most developing nations, the political, economic and social environment in Namibia has developed along unique lines, although there are certain similarities with other countries formerly ruled by colonial powers. Given the political background of the country, and similar to what the Malaysian government has been doing, the Namibian government is attempting to reduce inequality between ethnic

groups, and to promote economic development by way of actively intervening in labour market outcomes. (Ministry of Labour and Human Resource Development 1997: introduction).

6.2.2 Government intervention

Post-independence labour market institutions in Namibia have been shaped by a combination of market forces, as well as the political and social factors brought on by the apartheid era.

Since independence in 1990 the Namibian government has become actively involved in almost every aspect of the economy. The reasons given for intervening in the labour market in particular included that many institutions necessary for ensuring the rights of workers were simply non-existent before 1990, and that even those which had existed were structured to favour whites. The intervention has formed part of government's undertaking towards its voters to achieve a democracy in which equality is extended to persons of all ethnic groups.

Based on what has transpired during the past nine years, government's attitude towards intervention could over the medium to longer term to a large extent conform to the social democratic welfare state regime discussed in the second chapter of this study. In a social democratic / regulated market approach government actively intervenes, but only sporadically when it is deemed necessary. Social reform is driven by the focus on achieving equality; the social system does not distinguish between the rights of manual and white collar workers, but treats all of them equally. Much importance is attached to different degrees of tripartite consultation.

Since 1990 government intervention has been consistently high. Intervention has taken place mainly by way of administration and through new legislation aimed at increasing competition, ensuring fair standards and protecting the interest of individuals, also in the working environment.

Although government has actively intervened in the economy during the first years after independence, it could be argued that this high degree of intervention was only

of a temporary nature. At the time of Independence, the idea was for government to establish democratic institutions (e.g. the Labour Act of 1992) which would ensure that the needs of all groups in society, especially marginalised groups, were addressed. It could be assumed that intervention was likely to decline accordingly once government has achieved this goal. The Minister of Finance, in his budget speech for the 1999 / 2000 financial year, noted the need for intervening to establish democratic frameworks: "...at independence, we devoted our efforts to institution and nation building and social upliftment...". In his budget speech for 1998 / 1999, he had noted that government "...should not carry on justifying more...intervention and involvement", but again in the 1999/ 2000 budget speech said that "...government will ... address the plight of the poor through selected intervention programs ..."(1999: 13). Given these statements, one could perhaps speculate that, although government appears to acknowledge the fact that intervention in the economy and hence the labour market in general should be limited, there appears to be a commitment to intervene selectively and sporadically when the need arises.

6.2.2.1 Labour market policy

The objectives of the government's labour market policies in Namibia is twofold, namely to create enough jobs to absorb the annual entrants to the labour market, and to promote the protection of the working population. The latter issue is being addressed by way of ratifying relevant ILO conventions, by strengthening the capacity of the Labour Ministry, and by encouraging employer and employee movements to build their capacity and organisational structures. In addition to this, new regulations on the health and safety of employees at work are also being drawn up. Solving the unemployment problem has, however, proven most difficult to achieve, and up to the present these attempts have not proved very successful. Indirect attempts to generate employment have included encouraging regional and international trade, and tourism, which could positively affect employment.

A large portion of total government expenditure is directed towards education and training. Government has also launched extensive training initiatives, and in particular vocational training programs, with an emphasis on work-related skills and entrepreneurial values. In order to promote apprenticeship programs, the private

sector has been offered tax incentives (Ministry of Labour and Human Resources Development 1997: 54).

Furthermore, government has committed itself to an initiative named "labour based work schemes", which entails building and upgrading the country's physical infrastructure mainly by way of employing manual labour (Ministry of Labour and Human Resources Development 1997: introduction).

6.2.2.2 Affirmative Action

The Namibian constitution prohibits discrimination on the grounds of sex, race, status, etc. In addition to this an affirmative action policy aimed at correcting market disparities in the fields of education, employment and occupation, as well as income and social benefits was also approved by parliament towards the end of 1997 (Ministry of Labour and Human Resources Development 1997: 54, 67).

6.2.2.3 Public sector employment

The 1992 implementation of a freeze on new employment and the drive for rasionalisation has had limited effect. This rapid increase in the number of civil servants reflected the urgent need after independence to re-organise state institutions according to constitutional obligations, but also reflected the inability of the private sector to generate new jobs. In his 1999/200 budget speech (1999: 15) the Minister of Finance announced that no provision had been made for civil service wage increases during this particular financial year. Although admitting that this could be interpreted as a temporary wage freeze, he also acknowledged that wage negotiations with unions were still ongoing and that the outcome of such negotiations could affect this decision (Ministry of Labour and Human Resources Development 1997: 48).

Public service employment in Namibia rose from 55 313 in 1988 to peak at 73 000 in 1995, and has since declined to 70 895, as announced in the 1999/2000 budget speech (1999: 15). At the same time it was announced that some 7 354 more ex-combatants will be given employment in the civil service, thus bringing the final number of civil service employees on the pay-roll for the 1999/2000 financial year to 78 249.

Given the above numbers, and the fact that the formal sector economy is so small, it is no surprise that the Namibian government remains by far the largest employer in the country. In 1997 there were more employees in the public sector than in the combined (commercial) agriculture, mining and manufacturing sectors. Given the disappointing levels of economic growth and the fact that the economy is not generating significant numbers of new jobs, this in all likelihood could still be the case (Ministry of Labour and Human Resources Development 1997: 48).

In spite of the civil service being exceptionally large relative to the country's small population, it does not really represent a closed, internal labour market. All positions are advertised publicly before appointments are made. Except for the large mining companies such as Central Diamond Mining (CDM), there are very few large companies in Namibia that can be considered as examples of internal labour markets.

6.3 Historical overview of the development of labour market institutions in Namibia

Van Rooyen (1996: 275 - 277) distinguishes five periods in the development of labour relations in Namibia:

6.3.1 The pre-1800 period

During the pre-1800 era, Namibia was inhabited by pastoral, mixed farming and hunter-gatherer societies (Hishongwa 1992: 5). Notwithstanding considerable differences in the modes by which these groups utilised natural resources, there were also similar work-related features such as communal land ownership and subsistence production. The "traditional" societies began to change during the early nineteenth century owing to the influence of, among other things, traders, white hunters and missionaries in particular who introduced western culture (van Rooyen 1996: 106, 108, 109, 112).

6.3.2 The period 1800 - 1890

In 1884 the Imperial German Government proclaimed South West Africa a German protectorate. During the "German colonial period", which lasted from 1884 to 1915, fundamental changes occurred involving significant developments with respect to infrastructural and administrative development. However, during this period great damage was also done to the political and the socio-economic structures of the various ethnic groups. Van Rooyen (1996: 115) and Hishongwa (1992: foreword) noted that, among other things, the institutionalisation of forced labour, the premeditated expropriation of land and stock, and the establishment of a strict migratory labour system occurred during this period. During the period of German rule the individual labour contract was one of a strict master-servant relationship. Collective action was virtually non-existent and not tolerated by law, official policy or institutions. This was the "formal" start to the system of inequality that was to persist for the next century.

6.3.3 The period 1890 - 1977

German rule in South West Africa ended with World War 1, when South Africa defeated the Germans and took over power in the protectorate during 1915 (Bauer 1994: 40). The then South African Government adopted the labour policies and practices introduced by German colonialists. Most of the labour-related statutes that were promulgated during this time were aimed at controlling African workers and their families. These statutes included the various Masters and Servants Proclamations (1916, 1918, 1920), the Shop Hours Proclamation (1921), the Native Administration Proclamation (1922), and the Curfew Regulations Proclamation (1922) (van Rooyen 1996: 131, 133).

During the era of South African rule (1915-1990), but in particular between 1950 and 1977, labour policies, practices and institutions in what was at the time still South-West Africa were based on political considerations. Since the country was ruled as a fifth province of South Africa, labour relations in the two countries developed along similar lines. During this time the migrant labour system became a distinguishing feature of the labour market (van Rooyen 1996: 131, 133).

One important aspect of National Party policy was the idea of establishing self-governing homelands. The recommendations of the Odendaal Commission of Enquiry of 1964, although also covering a wide range of other aspects, e.g. the building of hospitals and schools, included that of establishing "self-governing" homelands for the various ethnic groups in the country. This had far-reaching implications for the development of labour resources in the country (van Rooyen 1996: 150).

The struggle for political independence in what is today Namibia, was also renewed and intensified following the end of the Second World War, with political movements being established and going underground. Workers and unions were encouraged to act in a more militant manner towards their employers and the government of the day. Pressure from international organisations such as the United Nations, who assisted the resistance movements, also intensified during this time (van Rooyen 1996: 150).

The following table (plus the three that follow) provide highlights of the labour laws promulgated since the early 1900's in the then South West Africa. The summary is based on an extensive overview of all the relevant legislation by van Rooyen (1996: 131-140, 151-164, 183-192, 227-235). Only those Acts considered relevant in the context of this study are mentioned, and only the aspects deemed as relevant are referred to here:

Table 12: Labour-related legislation introduced between 1915 and 1977

Name of Act	Highlights of contents
Master and Servants Proclamation 1916	- Concerned breach of contract; corporal punishment repealed and changed to fines / imprisonment / hard labour
Master and Servants Proclamation 1918	- terminology change: "servant" to "native employee" and master to "employer" - reintroduced corporal punishment
Master and Servants Proclamation 1920	- part of law dealt with collective employment relations, e.g. allowed for a limited measure of freedom of association which entailed determining conditions of employment through collective agreements; negotiations only allowed up to the level of mutual consultation
Control and Treatment of Natives on Mines & Works Proclamation 1917	- rights of mine supervisors over African employees extended

Name of Act	Highlights of contents
Vagrancy Proclamation 1920	- law covered trespassing, idleness and vagrancy of African workers; persons convicted for the above could be sentenced to work on public works or for private person or municipality
Half-Holiday Proclamation 1921 Half-Holiday Ordinance 1927	- applied to shop assistants (only sales personnel); gave workers ½ day off work once a week; only applied to persons of European descent - contents same, but ½ day off uniformly given on Saturday afternoons
Shop Hours Proclamation 1921 Shop Hours and Shop Assistants Ordinance 1939	- regulated maximum no. of working hours per week for shop assistants to 52 hours; maximum 9 hours per day - consolidated and extended previous law - previously African indirectly excluded; this law explicitly only gave Europeans time off work - also covered aspects such as child labour, night-work, annual leave and even minimum wages (initially £ 3 p/month, after 1 year increased to £ 5 p/month, etc.
Native Administrative Proclamation 1922	- regulations included setting aside "native reserves" ; restricted white farmers to employing max. of 10 African make workers per farm; restricted movements of African without valid passed.
Curfew Regulations Proclamation 1922	- placed times restriction on movements of Africans; not allowed in public places between 9pm-4am
Extra-Territorial and Northern Natives Control Proclamation 1935	- no unauthorized migratory workers/families allowed to enter police zones
Workmen's Compensation Proclamation 1924	- employer by law obliged to pay compensation in event of work-related circumstances resulting in death / incapacity of worker; Africans were explicitly excluded
Supervision of Machinery Proclamation 1929	- covered occupational safety in terms of handling of machinery only
Apprenticeship Ordinance 1938	- covered only Europeans, but even excluded agricultural and domestic workers; idea of apprenticeship training programs introduced
Natives (Urban Areas) Proclamation 1951	- covered control over contracts of service; regulated movements of Africans
Wages and Industrial Conciliation Ordinance 1952	- combined the 1937 Wages Act and Industrial Conciliation Act of 1937; did not apply to farm workers or domestics; act consisted of 3 sections: 1) Dealt with wage determination by introducing wage boards to investigate wages and employment conditions 2) Provided for registration and regulation of unions and employer organizations; dispute prevention / settlement; establishment and functioning of conciliation boards, mediation, arbitration 3) miscellaneous matters e.g. collective agreements exemptions; prohibited strikes and lock-outs
Factories, Machinery and Building Work Ordinance 1952	- still in force; covers health and safety at work - "regulates" factory working conditions
Societies of Employers of Contracted Natives Ordinance 1952	- agreement to allow more migrant workers to work in farms, instead of using most on the mines

Name of Act	Highlights of contents
Mines, Works and Minerals Ordinance 1954	- covered prospecting and mining activities; also health and safety of workers in mines; introduced limitations regarding age and sex, and also covered wages, paid leave, working hours.
Workmen's Compensation Act 1941, as amended by the Workmen's Compensation Amendment Act 1956	- established an accident fund to compensate for temporary / permanent disability; applied to all races, but for disability African received a once-off lump-sum of money, while European and people of mixed race received monthly pensions for the rest of their lives
Validation of Native Service Contracts Ordinance 1958	- covered contracts of service between mining companies and migrant workers who work for them on a long term basis
Mines Works and Minerals Ordinance 1968	- substance same as the 1954 Act which it replaced
Employment Bureaus Regulations Proclamation 1972	- established employment bureaus to facilitate labour exchange process; those who wanted work in urban areas had to apply through these bureaus; permission for placement could be refused if so decided
Occupational Diseases in Mines and Works Act 1973	- provided for compensation in case of contracting disease on mines; separate provision for Africans, Europeans and people of mixed race
Proclamation R.69 of 1975	- established a "labour-promotion fund" to promote labour relations, general labour market interests, training and education of native workers in Namibia; little success as the board who administered the fund and made investments did not include employee representatives

Source: van Rooyen 1996: 131-140; 151-164.

6.3.4 The period 1977 - 1990

Following an increase in unrest in the so-called "reserves", and in the face of growing opposition to these policies relating to the treatment of labourers, it became more and more difficult to enforce many of the above-mentioned rules. The situation changed somewhat during the mid- to late seventies, when the then government undertook to relax influx control and repeal pass laws, and introduce the principle of equal remuneration for equal work. It also undertook to lift some of the restrictions previously used to keep certain groups out of residential areas, as well as keeping them from using certain public facilities, and grant black employees rights of freedom of association, etc. (van Rooyen 1996: 202).

During the period 1977 - 1990 Namibia's administrative ties to South Africa were significantly reduced. Bowing under international pressure, particularly from the United Nations, the South African government thus allowed statutory changes to be

made in an attempt to restore fundamental human rights and remove discriminatory elements in legislation. Elements of international labour standards were gradually incorporated into existing legislation (van Rooyen 1996: 182).

Table 13: Labour-related legislation introduced between 1977 and 1990:

Name of Act	**Highlights of contents**
General Law Amendment Proclamation 1977	- repealed certain discriminatory laws as far back as 1920's; some of the powers of employment officers, i.e. ability to order removal of Africans from certain areas was taken away, thereby again increasing mobility of Africans.
Executive Powers (Labour) Transfer Proclamation 1977	- legal transfer of power from the Minister of Labour of the Republic of South Africa to the Administrator-General of South West Africa; only one exception: the Workmen's Compensation Act continued to fall under the SA Workmen's Compensation Commissioner
Wage and Industrial Conciliation Amendment Proclamation 1978	- concerned amended section on registration of unions and employers' organisation: neither were to affiliate with political parties, or receive or give financial support to political parties
Labour Promotion Fund Amendment Act 1981	- Amended Proclamation R.69 of 1975; extended fund-objectives, changed constitution of control board of fund; fund not only to include Africans as previously but the training and education of all workers
SWA Legislative and Executive Authority Establishment Proclamation 1985	- constitutional matters re interim government in Namibia; included annexure on human rights which new National Assembly was not allowed to tamper with; law included giving statutory protection for the Right of Freedom of Association (implied right to join unions), also rights to security, liberty, privacy, etc.
National Labour Council Act 1986	- provided for establishment of a tripartite forum to advise government on private sector training needs
Conditions of Employment Act 1986	- applied to agricultural and domestic workers; covered annual leave, sick leave, payment, minimum employment age, dismissals, etc. Also referred to other conditions of employment e.g. overtime pay (1 ½ times normal rate, various calculations for wage calculation, max. no. of working hours, etc. but this did not apply to the above two categories, nor to the workers in managerial, professional administrative positions, or public workers; act also repealed the Shop Hours & Shop Assistants Ordinance of 1939, and Factories, Machinery & Building Work Ordinance 1952. The Act was criticised for the following: 1. 46 hour work week longer than ILO standard of 40 hours 2. did not explicitly mention need to avoid discrimination as regards remuneration 3. instead of using international norm of minimum 3 weeks paid annual leave, act provided for minimum 2 weeks 4. act did not cover aspect of "fairness" as regards termination of employment by employer 5. no substantial coverage of maternity leave benefits 6. act provided no guidelines on other areas such as minimum wages, severance pay and night work.

Source: van Rooyen 1996: 181-192.

6.3.5 The period 1990 – 1994

During the first years following independence much happened with regard to the development of labour market institutions representative of all groups of society. The single piece of legislation with the most far-reaching effect on labour relations in general has been the 1992 Labour Act. This Act was based on ILO conventions and recommendations, while keeping in mind the unique economic, social and other circumstances prevailing in the country (van Rooyen 1996: 232).

The 1992 Labour Act replaced the main piece of legislation which governed labour relations during the pre-independence era, namely the "Wage and Industrial Conciliation Ordinance of 1952", and is comprehensive in scope. It consolidates and repeals roughly 31 laws that had previously been in existence, some of which dated back as far as 1938. The Act covers all workers and employers except for those persons employed by the Namibian Defense Force and the Namibian Police Force. These persons are only covered when it comes to affirmative action and unfair discrimination or harassment (Bauer 1992: 3).

Although comprehensive in its coverage, the provisions in the Labour Act do not supersede provisions regarding service conditions and remuneration, as stated in the Apprenticeship Ordinance no. 12 of 1938, or any of the laws relating to government employees, such as the Public Service Act, unless the provisions stipulated by these laws are less favourable than that stated in the Labour Act (Hubbard and Corbett 1993: 3).

An important aspect of the Act, as noted by Van Rooyen (1996: 233), is that it overrides or changes aspects of the common law that have been considered detrimental to inequality in society in general. Whereas the common law previously determined various collective labour matters, the employment conditions of workers, and termination of contracts, this is now determined through the 1992 Act.

The following brief overview of arguably the most important aspects of the new 1992 Labour Act is based on the Labour Act itself, as well as comments from Bauer and Pütz (references to follow after table 14).

Table 14: Highlights of the 1992 Labour Act

Important aspects of Act	Contents
1) Specifies basic employment conditions	- Act sets minimum standards that may be improved upon through collective bargaining. Employees may in actual fact not work for conditions less favourable than the "basic conditions" mentioned in the Act. Basic conditions of employment, as well as those conditions pertaining to health and safety standards are covered in the new Act The following changes are perhaps some of the more noteworthy: • Maximum working hours per week has been reduced to 45 hours; • Increase in overtime pay from one and one-third times, to one and one-half time the "normal" wage; • For work on public holidays and Sundays, workers may now choose between double their "normal" wage, or one and one-half times the "normal" wage, plus the same amount of time off during the following week; • Persons under 18 years and pregnant women eight weeks before or after giving birth, are not allowed to work at night. All night workers under the new Act receive an additional 6% of their "normal" wages. In addition to these new regulations, Bauer, in her short 1992 review of the new Labour Act, also refers to the new provision that employees who stay on the premises of work, are entitled to put forward "reasonable requirements" as regards housing and sanitary facilities. Farm workers are entitled to housing for all their dependents. • Other conditions of service noted in the new Act include 24 consecutive paid leave days per worker, per 12 months of work; • Following at least 12 months of continuous work, a female worker is entitled to 3 months of maternity leave. The employment of a woman on maternity leave may not be terminated during such time. Although the Act does not determine that a woman on maternity leave should be paid, a woman on maternity leave can receive an income through social security. • The new Act primarily aims at enforcing the establishment of "safe" systems of production and "safe" working environments for workers. It also makes provision for the establishment of "workplace safety representatives", as well as the establishment of "workplace safety committees" to ensure the above. Furthermore, it calls for employers to adhere to the regulations drawn up by the Labour Advisory Council in cooperation with the President, while concurrently calling on employees to cooperate with employers, and to care for their own health in as far as possible (Hubbard and Corbett 1993: 121).
2) Introduces new Enforcement Mechanisms	• (Higher) Labour Court: interpret 1992 Act ; also hearings and appeals • District Courts: responsible for district level hearings • Labour Advisory Council: comprises representatives from government, employees and employers • Labour Commissioner: register collective agreements, establish conciliation boards, register trade unions, etc. • Labour Inspectors: enforce Act through routine calls and specific assistance if so required • Wages Commission: equal representation from government, employers and employees, may order a minimum wage after an in-depth investigation

Important aspects of Act	Contents
3) Provides Framework for collective bargaining	- The Act advocates collective bargaining and the principle of freedom of association, and presents statutory guidelines for both employers and employees to use in the bargaining process. - Outlines procedures for unions employers organisations to formally register. Once registered, they are accorded certain rights through the Act. These rights include to lodge complaints with any of the courts, to negotiate on collective agreements, etc.
4) Provides Dispute Resolution Mechanisms	- Dispute resolution mechanisms have also been put in place. Collective dispute procedure in the new Act has incorporated a number of existing mechanisms (e.g. the conciliation boards, and the provision for arbitration) already introduced under the 1952 Wage and Industrial Conciliation Ordinance. - Act distinguishes between disputes of rights and that of interest: Disputes of rights: • Conciliation board established;, if unsuccessful, referred o labour court. Right to strike is withheld Dispute of interest: • Also conciliation board, but if unsuccessful, workers may apply force (i.e. strike or lockout) except for essential services which must go for arbitration

Sources: Bauer 1992: 1-17; Hubbard and Corbett 1993: 121; Pütz 1996: 172 – 178; Government Gazette 1992: 33 - 69, 101 - 108.

The 1992 Labour Act comprehensively deals with aspects such as basic conditions of employment, the termination of employment contracts and unfair disciplinary action as well as more general matters which influence labour relations in considerably more detail than had previously been the case. At the same time it is less comprehensive on aspects such as the Labour Advisory Council and the Labour Courts as the idea was to intentionally leave room for the courts to use their own discretion in the above. Provision was, however, made for supplementary guidelines (van Rooyen 1996: 232).

Table 15: Other labour-related legislation introduced between 1990 and 1994

Name of Act	Highlights of contents
The Constitution of the Republic of Namibia 1990	- The following aspects of the constitution may be of particular importance in context of labour relations: the right to freedom of speech and expression; the right to freedom of association, the right to withhold labour.
National Vocational Training Act 1994	- replaces Apprenticeship Ordinance of 1938 and Labour Promotion Fund laws of 1975 and 1981, and deals with vocational training

Name of Act	Highlights of contents
Social Security Act 1994	- aimed at establishing social security system covering all workers and employers in the country - mandatory contributions by workers and employers to specific funds under administration of the Social Security Commission
Employees Compensation Amendment Act 1995	- amended the Workmen's Compensation Act of 1941 - administration of act transferred to Social Security Commission -changes included replacing the word "workmen" with "employees", including domestic workers, etc.
Export Processing Zones Act 1995	- two important aspects include the stated aim of increasing industrial employment and to encourage the development of skills among workers and to build managerial skills - this act stated that the Labour Act of 1992 would not apply in the EPZ **; Minister of Trade and Industry was given power to implement labour regulations based on consultations with the Minster of Labour and Human Resources Development, and the Offshore Development Company - act provides incentives for training local workers

Source: van Rooyen 1996: 227-235.

The above discussion has provided a background to the development of labour institutions and labour relations in Namibia. In the remainder of this chapter collective bargaining, the minimum wage and social security, all of which affect the cost of labour, either directly or in the form of non-wage costs, will be discussed in detail.

6.4 Collective Bargaining

6.4.1 Collective bargaining during the pre-independence era (with particular emphasis on the era of South African rule 1915 – 1990)

During the apartheid era, the main legislation pertaining to labour relations was that described in the **Ordinance on Wages and Industrial Reconciliation no. 35 of 1952.** This was the first piece of legislation that was concerned with collective labour action, although it was still "discriminatory in content". Most of the laws promulgated during this time, and related to labour, were designed to "reinforce and refine the existing system of labour extraction" (van Rooyen 1996: 151).

With the promulgation of the 1952 Ordinance, white employers and employees were given access to collective bargaining and dispute resolution mechanisms. This access

was denied to members of other ethnic groups. It was evident during this time that labour relations were developing along racial lines, and that relations subsequently were becoming more and more dualistic in nature.

Van Rooyen (1996: 154, 155) notes that the Act was divided into three sections: (summarised below to only note the highlights):

1) The first section covered wage determination by the wage boards in industries in which labour was not organised, i.e. cases where there were no collective bargaining structures, or where the latter was insufficient or ineffective. The wage fixing institution of a wage board was applicable to workers of all races.
2) The second section covered the settlement of disputes, with industrial conciliation based on the voluntary system of collective bargaining. Provision was made for the registration of both employers and employee organisations, as well as for mechanisms such as industrial reconciliation councils, mediation and arbitration, which would assist in the resolution of conflict. Strikes and the planned prevention of necessary services were forbidden unless, in the case of a strike, an application had been made to the reconciliation council and a specific period of time had passed, or, in the case of arbitration, a formal decision is pending. Parties were forced by means of the Ordinance to follow the formal collective bargaining procedures and the mechanisms of mediation or arbitration before they could resort to strikes or lockouts.
3) The third section described the general administrative aspects of dispute handling and included aspects such as the appointment and authorities of labour inspectors, protection of the right of freedom of some employees, and the prohibition of strikes and lockouts in certain circumstances.

This ordinance, and more specifically chapter 2 of it, dealt with the settlement of industrial disputes and provided the machinery for establishing conciliation channels, as well as the registration of trade unions. Blacks were allowed to form unions, but these unions were not allowed to register, nor were they allowed to apply for the establishment of a conciliation board to consider disputes between employers and workers. Such unions were not given any protection in the Act that related to negotiation, arbitration, conciliation, or the determination of disputes. Strikes by

workers engaged in "essential" services were prohibited, but white and coloured workers involved in non-essential services were allowed to strike (ILO 1977: 71, 72).

As black workers had been excluded from the 1952 Ordinance, strikes by these workers were considered illegal and a criminal offense. Criminal charges were laid against many workers who participated in organised labour action, and many were held without trial. In spite of the fact that black workers were not entitled to organise themselves in unions, or to strike, such actions did occur during the 1970's, particularly in the mining and fishing industries. The most widespread and protracted of these strikes took place during 1971/1972, when contract labourers protested unsuccessfully against the system of contract labour. Some 13 000 workers participated in this strike which is now regarded as setting off a new era of violence in labour relations, which was set to continue up to independence in 1990 (Bauer 1994: 39; Hishongwa 1992: 77, 80-82).

An important mechanism introduced in the 1952 Wage and Industrial Conciliation Act was that of the **conciliation board**. During the period (roughly) 1978 to 1990 some 42 conciliation boards were established, of which 30 were approved by cabinet. In 34 of the 40 cases the disputes were on wage issues and conditions of employment. About 90% of the wage boards successfully managed to negotiate outcomes acceptable to all parties involved (van Rooyen 1996: 205).

The Ordinance on Wages and Industrial Reconciliation no. 35 of 1952 also provided for another mechanism, the **wage board**. Attempts during the late 1970's to utilise this mechanism in the hotel industry in particular appeared unsuccessful. This was later ascribed to the "lack of expertise in this specialised field" and the fact that local socio-economic conditions "were not conducive to the successful functioning of wage-fixing machinery" (van Rooyen 1996: 206, 207).

The Wage and Industrial Conciliation Amendment Act of 1952 was amended in 1978 by the **Wage and Industrial Conciliation Amendment Proclamation**. This proclamation allowed for the inclusion of black workers under the law, but it determined that unions or employers' organisations would not be allowed to foster ties with political parties, nor would they be allowed to provide financial assistance to

political parties or receive financial aid from such parties. This was in stark contrast to the principle of freedom of association. The second amendment pertained to the role of the conciliation boards in resolving disputes and allowed the disputing parties to involve a neutral outsider to chair the board. Van Rooyen (1996: 187) notes that the widespread use of this had played a large role in the success conciliation boards have achieved in dispute resolution. A third amendment entailed the removal of all reference to race in the law, and this in effect meant that through this law black workers were allowed to formally and legally organise themselves into unions. The legal freedom granted to workers to organise themselves led to a rapid increase in the number of unions and in union membership. During the period 1986 to 1989 some 21 organised groups applied for trade union status, although only 13 of these were officially registered in the end. By the end of 1988 some 66 000 workers had already become union members in the country (Wiehahn Commission 1989: 200).

In September 1987 a commission of enquiry, known as the Wiehann Commission (not to be confused with the commission with the same name and chairman that investigated South African labour relations a decade earlier), was appointed by the Transitional Government of National Unity (installed to power in the mid-1980's) to investigate prevailing labour market conditions in the country.

6.4.1.1 The Wiehahn Commission:

6.4.1.1.1 Findings and recommendations regarding collective bargaining

Following a thorough investigation of prevailing labour issues during 1987 and 1988, the Wiehahn Commission declared itself strongly in support of the principle of freedom of association and the encouragement of collective bargaining at industrial level, although it noted that it opposed the duplication of organisations governing industrial relations. The Commission found that collective bargaining should be regarded as the foundation of the Namibian system of labour relations, and that it should therefore be developed and strengthened. Although a need for formalising collective bargaining structures was identified, the Commission also noted that collective bargaining structures should remain flexible in order to allow the establishment of bargaining forums at all levels (1989: 219). However, given

Namibia's state of development in terms of industrial relations at the time of their investigation, the Commission found that it would be too drastic a decision to force parties in Namibia by law to bargain collectively. Consequently it recommended the "natural" and free development of collective bargaining in the country, while at the same time strongly recommending that government should support the development of collective bargaining in Namibia. Furthermore, it advised that unions and employer organisations should realise the importance of collective bargaining and the responsibility that went with this. Deliberate refusal to bargain was to be regarded in a serious light.

Following widespread consultation with relevant sources, the Commission (1989: 248) arrived at the conclusion that multi-level bargaining should continue as before. Collective bargaining at *all* levels, ranging from national to factory level (i.e. decentralised collective bargaining) was considered to be the best option for Namibia. However, it is perhaps noteworthy that the Commission also pointed out that some of the people interviewed suggested collective bargaining in Namibia should follow a pattern of centralised development which would eventually result in collective bargaining based on industry.

The Wiehahn Commission was unable to gather detailed information as to how much bargaining took place at the various levels in Namibia. However, it did find that bargaining in smaller enterprises was more informal in nature, while more formal and structured bargaining was beginning to become more popular within the larger enterprises during the latter part of the 1980's (Wiehahn Commission 1989: 253).

6.4.1.1.2 Findings and recommendations on dispute resolution mechanisms

As regards labour disputes and grievance procedures, the Commission found that the 1952 Ordinance made provision for dispute resolution mechanisms such as mediation, arbitration and conciliation. However, evidence suggested that employers and employees in Namibia lacked experience of using the institutionalised negotiation and the dispute resolution mechanisms. It is perhaps noteworthy that the Commission (1989: 310) also referred to the principle of "minimum government intervention" and,

based on this, advised that Government should only become involved in disputes once all other avenues leading to possible solutions had been exhausted.

Mediation was identified as an important dispute resolution mechanism, the use of which should be encouraged. With respect to arbitration, the difference between free and mandatory arbitration was emphasised, and the Commission noted that employers and employees should be encouraged to make better use of voluntary arbitration. Ideally, labour disputes involving workers providing emergency services should be referred for mandatory arbitration. As regards conciliation, the Commission found that Conciliation Boards in Namibia had been fairly successful during the 1980's. The most notable problem regarding this was related to the time it normally took once the application for the formulation of a Conciliation Board had been made, to the approval of this by Cabinet. It was suggested that this problem could be solved if the Minister of Labour was allowed to directly appoint a Conciliation Board, based on advice from the (proposed) Labour Commissioner. The Commission did not advise a specific sequence with respect to the dispute resolution procedures, but did suggest that, before resorting to mediation or arbitration, parties should attempt to resolve the dispute amongst themselves (Wiehahn Commission 1989: 296, 307 - 309).

The Wiehahn Commission found that, of all the conciliation mechanisms provided for by the Ordinance, the reconciliation councils appeared to be the one most popularly used in Namibia. Although only 3 reconciliation councils were formed during the period 1980-85, the number had risen to 17 by August 1988. Also, whereas only 3 strikes had been recorded for the 1980-85 period, a total of 24 strikes had taken place by 1987 (Wiehahn Commission 1989: 200, 201).

The Commission recommended the establishment of a Labour Court, as industrial disputes appeared to be on the increase and were becoming too complicated to handle in the "normal" courts. Some of the most important responsibilities of this Court were to include judging disputes by means of voluntary or mandatory arbitration; interpreting the conditions of the labour laws of the country, industrial agreements, wage determination, hearings of urgent applications; and judgement of alleged cases of "unfair" labour practices (Bauer 1994: 180; Wiehahn Commission 1989: 315, 320).

The Wiehahn Commission made the following recommendations regarding grievance procedures and dispute resolution (1989: 259, 324):

- The concept "unfair labour practice" should be accepted from a statutory point of view, and be used in future as basis for a complaint at the Labour Court;
- The right of workers to strike should be considered as a "fundamental human right" and consequently strikes should be regulated, rather than forbidden. However, strikes and lock-outs will still be considered as "unlawful" if the correct procedure is not followed;
- Government should keep the right of categorising certain services as "emergency services", and strikes and lockouts for workers providing such services should remain forbidden. Should a dispute in such a service arise, arbitration should be compulsory;
- Government should be authorised to proceed with the necessary action required to solve labour disputes which could potentially hold national repercussions;
- Workers should cast votes in order to determine whether a strike should be called;
- Arbitration outcomes should remain binding, but in future non-compliance with such outcomes should not be deemed a criminal offence, but rather be judged by the proposed Labour Court;
- A new position of Labour Commissioner should be created, who will then be awarded considerable executive powers. The Office of the Labour Commissioner should be responsible for keeping registers on unions, employer organisations, federations, etc.; it should also keep registers on labour disputes; should handle applications for conciliation; should be responsible for deciding who are appointed as mediators, arbitrators, etc.; advise the Department of Labour about labour issues; and handle complaints regarding labour issues, etc.
- Introducing industrial councils.

6.4.2 Collective bargaining since 1990

In mid-1990 the Namibian cabinet approved a document entitled "National Policy on Labour and Manpower Development". The recommendations in this report were based on the findings of an ILO Commission of inquiry into labour relations in Namibia that took place in 1990, shortly after independence. In this report

government did not commit itself fully to all the Wiehahn recommendations but rather provided policy guidelines for future industrial action. The document did, however, highlight the importance of tripartism and collective bargaining. Other important aspects mentioned included "tentative support for...flexible and voluntary industrial councils, and...a minimum wage in sectors in which it is most needed". The document also referred to other conditions of service and health and safety standards (Bauer 1994: 178, 179).

Many of the recommendations which were included in this 1990 policy document and the subsequent 1992 Labour Act were already investigated and recommended by the Wiehahn Commission in their 1989 report. The Commission had advised that Namibia join the ILO, "ratify and adopt the relevant ILO Conventions and Recommendations and, as a rule, conform to international labour standards". Furthermore, the Commission had also highlighted the need for "protective conditions of employment legislation" and had advised the establishment of ad hoc Wage Commissions to set minimum wages in certain sectors of the economy (Bauer 1994: 179).

Virtually all of the labour policies and legislation enacted by government since independence have been aimed at improving labour relations, wages and conditions of service. In the National Development Plan 1 (1995: 129, 130) the aspects highlighted included the promotion of "sound labour relations and fair employment practices by encouraging freedom of association by way of ... the formation of trade unions to protect workers' rights and interests...". The new Labour Code accepted after independence embodies the ILO's idea of tripartism (Bauer 1994: 171, 172).

Notwithstanding the mostly positive reaction to the 1992 Labour Act, a number of unions and employers have voiced their dissatisfaction with its contents. The following have been (and remain) contentious issues (Bauer 1994: 182):

- with respect to basic conditions of employment, the unions wanted a 40 hour work week instead of a 45 hour work week;
- unions would like to see the implementation of the minimum wage (this has meanwhile taken place in the construction industry);

- with respect to the right to strike, the definition of what constitutes "essential services" remains unclear to the unions;
- at the time, unions were also dissatisfied with the lack of paid maternity leave (this has also changed in the meantime, following the new Social Security Act of 1994).

Concerns voiced by employers included the following (Bauer 1994: 182):

- the expenses attached to the implementation of the provisions in the new legislation are high;
- the legislation might be considered too "sophisticated" for Namibia, which is only a developing country;
- there is too much emphasis on the rights of workers, and not sufficient emphasis on their duties and obligations.
- During the parliamentary debate on the Labour Act in 1992 (Bauer 1992: 13, 14), some members of the National Assembly also noted similar concerns:
  - the standards set by the Act are too high for a "Third World" country;
  - the provisions of the new Act would be a burden on small employers;
  - the provisions of the Act would discourage foreign investment;
  - the new structures would come to "dominate government".

6.4.2.1 Contents of the 1992 Labour Act

The new **Labour Act (no. 6 of 1992)** makes provision for a Labour Commissioner, a thirteen member Labour Advisory Council, ad hoc Wage Commissions, as well as a Labour Court and District Labour Courts. In additions to this, it also lays down the basic conditions regarding the activities of unions and employers organisations, collective agreements and dispute handling. The following discussion highlights some of the most noteworthy aspects of the 1992 Labour Act (Bauer 1994: 171, 172):

6.4.2.1.1 Office of the Labour Commissioner

The (newly established) Office of the Labour Commissioner has the responsibility of registering unions and employers' organisations, registering collective agreements and assisting with the settlement of disputes by means of conciliation boards. The Office

of the Labour Commissioner is divided into three sections: a) Mediation and conciliation, b) Collective agreements and registration, c) International Relations / Labour Advisory Council / Wages Commission. In an attempt not to duplicate the function of the existing Directorate of Labour, a decision was reached to make the Office of the Labour Commissioner responsible for handling all cases involving collective labour relations. The Directorate oversees the handling of all cases involving individuals (refer Annexure A: Mr. Kassen).

6.4.2.1.2 The Labour Court and District Labour Courts

The 1992 Labour Law has made provision for the establishment of a (Higher) Labour Court as well as District Labour Courts. Although both types of courts have the same function, the High Court has the added responsibility for interpreting the 1992 Labour Act. Whereas the (Higher) Labour Court in Windhoek mainly focuses on hearings involving collective action involving unions, the district Labour Courts rule on individual complaints (Bauer 1992: 4).

Both types of courts are courts of first instance, (i.e. either may be approached directly – it is not necessary to first approach a District Labour Court before one may approach the (Higher) Labour Court in Windhoek). There has been a trend developing with unions normally opting to go directly to the Windhoek Labour Court, while individuals normally first go to the District Labour Courts. In the Labour Courts it is not required to use a lawyer. Any individual can go directly to the court, pay the registration fee of N$ 25 (R 25) and lodge a complaint. This has made the courts easily accessible to all persons (refer Annexure A: Messrs. Kassen and Mwanawina).

The District Labour Courts are the equivalent of the Magistrate's Court. In practice, the Magistrate's Courts function as District Labour Courts - the only difference is that the courts now have the added workload of handling all labour related cases. Unfortunately, as virtually none of the lawyers have received training in labour-related matters, the courts are not perceived to be functioning as well as had been hoped. Problems mentioned confirmed the statement of Daniels (1995: 53) that "presiding officers are still inexperienced and this tends to cause delays…".

6.4.2.1.3 Collective action (unions and employer's organisations)

The numbers of unions and employers' organisations registered have increased markedly since the inception of the new Labour Act. In the Report on Activities of the Labour Commissioner for March 1995 - March 1996 (1996: 18), it is stated that the Office of the Labour Commissioner is

> "alarmed by the high rate of registered trade unions in a country of only 1.6 million people. This situation does not only saturate the labour front but also weakens the bargaining power of the workforce. It seems that applicants are exploiting the loophole in the Labour Act for it does not provide a minimum number of workers to form a trade union."

By June 1999, a total of 28 unions had been officially registered with the Office of the Labour Commissioner since November 1992 (refer Annexure A: Messrs. Kassen and Mwanawina).

Namibia follows a system whereby it is possible for a union or employer's organisation to be named as the "exclusive bargaining agent" for a specific industry. This would, for example, give one particular union the right to negotiate on behalf of all the employees in that bargaining unit, and to subsequently enter into a collective agreement (Government Gazette no 388 1992: 74 - 89; Hubbard and Corbett 1993: 63, 71). The criteria for determining exclusive bargaining power is that a union must represent more than 50% of the total number of employees in the industry who are listed as union members in that industry (refer Annexure A: Mr. Kassen).

Of the nearly thirty formally registered trade unions in Namibia, only two makes extensive use of the collective bargaining procedures as spelled out in the Labour Act. This is the Mineworkers Union of Namibia (MWUN) and the Namibia Food and Allied Workers Union (NFAWU). Others also use it but to a much lesser extent (refer Annexure A: Mr. Kassen).

6.4.2.1.4 Collective Agreements

The Labour Act states that a collective agreement between an employer and a union (not an exclusive bargaining agent) is binding on the employer, all other employers

who belong to the employer organisation, or become members of it, as well as all workers who are members of that union, or who become a member of the union. Collective agreements such as this example are binding irrespective if whether they are registered. Should one of the parties involved in a "registered" collective agreement be a recognised exclusive bargaining unit, the agreement would be binding on the employer directly involved. It would also be binding on other employers who belong to the same organisation, and all workers in that bargaining unit, even those who are not members of that particular union (Hubbard and Corbett 1993: 83, 84).

Although collective bargaining in Namibia takes place mostly at enterprise level, it is possible to extend an agreement reached at this level to industry level. The Minister of Labour and Manpower Development has the power to "extend any of the provisions of a registered collective agreement to other employers and employees in the particular industry to which the collective agreement relates". In such a case where a collective agreement has been extended, there is no right of appeal to the Office of the Labour Commissioner (Hubbard and Corbett 1993: 84).

By 1999, the only collective agreement in Namibia that had been extended to cover an entire industry was that pertaining to the minimum wage in the construction industry. It was announced in the Government Gazette of Namibia in November 1996 that all registered collective agreements relating to the construction industry would henceforth be binding upon all employers and employees in that particular industry. However, this excludes employers and employees who are involved in labour based work-projects (Labour based projects are projects that that make use of labour based technology, or rather technology in which labour, supported by light equipment, is used as a cost effective method of providing and upgrading infrastructure. Such projects often involve the construction or upgrading of physical infrastructure such as roads). (Government Gazette no 1444, 15 November 1996; Ministry of Works, Transport and Communications 1997: 6 ; refer Annexure A: Mr. Kassen).

6.4.2.1.5 Conciliation and Dispute Resolution

The new Labour Act has made it standard for recognition agreements to state procedures for dispute resolution (Daniels 1995: 55; Hubbard and Corbett 1993: 79).

The 1992 Labour Act also distinguishes between disputes of rights and disputes of interest. Whereas the former relates to the interpretation of the provisions of the Act, employment contracts, and agreements, recognition of a union as sole bargaining agent, or refusal to do so, or the existence of a contract or agreement, the latter covers all other aspects. The Labour Court has the right to decide whether a dispute is one of rights or one of interest (Hubbard and Corbett 1993: 87, 88).

Options for resolving disputes (Daniels 1995: 54; Hubbard and Corbett 1993: 93):

a) *Dispute of rights*:

- the matter can be referred to the Labour Court
- on the basis of mutual agreement, parties may refer to arbitration

  (Parties involved in a dispute of rights are not allowed to resort to strikes or lock-out action before first having referred the issue to the Labour Court or, if mediation proves unsuccessful, arbitration).

b) *Dispute of Interest*:

- the matter can be referred for mediation or arbitration (this is compulsory in the case of "essential services", also parties involved in a dispute may agree on private arbitration / mediation).
- parties may resort to lock-outs or strikes, provided that the following has been adhered to: 48 hours notice was given, an "essential service" is not involved, and the issue has not been referred for arbitration.

Arbitration in general is governed by the **Arbitration Act no 42 of 1965**, and an arbitrated outcome is final and binding. Although mediation and arbitration is provided for by law in Namibia, the use of these dispute resolution mechanisms has not been as extensive as it perhaps could have been. Reasons quoted for this include the high costs which are normally attached to this kind of action, the inexperience of unions and employers as regards the procedures to be followed, and the lack of expertise to assist these processes (Daniels 1995: 54, 55; Hubbard and Corbett 1993: 94, 95).

According to the Labour Act, disputes involving unfair disciplinary conditions and dismissals, as well as those pertaining to employment conditions, must be referred to a **District Labour Court**. Labour inspectors act not only as investigators, but also as

mediators / conciliators. However, evidence suggests that the labour inspectors are unpopular with the unions (which have accused them of accepting bribes and of not being impartial), and that it is consequently mostly non-union members who request investigations from the inspectors. Standard procedure is that inspectors must convene a meeting before a trial actually starts, in order to agree on some of the facts, and to limit the issues (Daniels 1995: 54).

The Office of the Labour Commissioner has the power to convene a Conciliation Board if it appears that all other possible ways of resolving a dispute between a union (unions) and an employer (employers' organisation) had failed. Conciliation Boards can therefore only be formed in a collective dispute. In Namibia, most of the union leaders are strongly in favour of the Conciliation Boards, as it is deemed as the fastest way to produce results. Although such boards are also fairly popular among employers, employers have criticised it for being time-consuming. Also, there appears to be a feeling that attempts to resolve issues internally should enjoy more attention, as unions sometimes seem uncommitted to this conciliation process (Daniels 1995: 54). Hubbard and Corbett (1993: 91) identified a potential problem pertaining to the term of a Board - parties must agree on a set term for the Board, as the official term must expire before a strike may legally take place.

Table 16: Official disputes registered between April 1995 and March 1999

	April 1995 – March 1996	April 1996 – March 1997	April 1997 – March 1998	April 1998 – March 1999
- total no. of disputes	26	34	35	38

Source: Ministry of Labour and Human Resources Development 1994a and 1995a ; refer Annexure A: Mr. Mwanawina.

As stated earlier in this section, strikes and lockouts are only permitted in the case of a dispute of interest. Two further conditions for allowing a strike or lockout are that

a) a conciliation board must have attempted to resolve the specific dispute and failed, and

b) that neither of the two parties involved in the dispute are responsible for delivering an "essential service", i.e. services which, if not available, will

endanger the health, lives or personal safety of Namibians. The Minister of Labour and Manpower Development has the authority to request the Labour Commissioner to declare a particular service as "essential". Should a strike take place, it is not compulsory for employers to pay workers involved in the strike (Corbett and Hubbard 1993: 96).

Table 17: Official industrial action (strikes and lock-outs) registered between April 1995 and March 1999

	April 1995 – March 1996	April 1996 – March 1997	April 1997 – March 1998	April 1998 – March 1999
Total number, of which	12	n /a	20	6
- legal	5		3	2
- illegal	7		17	4

Source: Ministry of Labour and Human Resources Development 1994a and 1995a ; refer Annexure A: Mr. Mwanawina

Although it is difficult to determine the efficiency of the dispute procedures as set out in the Labour Law, Daniels (1995: 55) deemed the mediation, arbitration, and Conciliation Boards to have been fairly successful during the first few years of its existence. Up to 1995 no appeals had been lodged against decisions reached through these processes. Similarly, few District Court decisions had been appealed against (in 1994 only 11 appealed out of 322 cases). Daniels (1995: 56) did, however, note that there were important shortcomings with respect to human resources, and that these include the lack of skills required for administering, monitoring and participating in procedures. There appears to be a definite need for training, as well as procedural agreement streamlining in order to enhance the effective use of the Labour Act.

6.4.2.2 Criticism against the 1992 Labour Act

In November 1998 the Parliamentary Standing Committee on Economics organised an official meeting aimed at discussing the 1992 Labour Act. **Please take note:** The meeting was open to the public and attended by the author of this study. Notes made during the deliberations therefore form the basis of the discussion in this section.

The Hon. B. Esau, MP and chairperson of the committee, in his opening speech and subsequent deliberations noted the following:

- The system of collective bargaining has been hampered by the lack of goodwill from both employers and workers;
- The situation of farm workers and domestic workers has not improved for the better since the new Labour Act came into effect;
- The conditions of service and wages of workers in general are perceived to have not improved much since the introduction of the Labour Act. He did not, however, present any evidence in support of this statement.

In addition to the above, Mr. Esau also acknowledged that although the Labour Advisory Council (LAC), consisting of representatives from government, employers and workers had started out well, it had deteriorated in terms of efficiency. No meetings had been held for an 18 month period prior to the public discussion, as it had proved very difficult to arrange for all parties to meet. Also, it was felt that the discussion lacked sufficient input, mainly because the second largest union in the country representing retail workers was also not represented in the LAC.

With regard to the functioning of Labour Courts, Mr. Esau noted that the district labour courts appeared unable to bring finality to cases, nor appeared to have the ability to enforce their judgements. Appeals against judgements should according to the Labour Act be processed with 21 days, but in reality it takes longer than a year before such appeals are processed. The fact that it is up to the employee to prove his/her case has made it all the more difficult to punish employers. Also, employees are said to be intimidated by the threat of costs associated with going to court. He further noted that although many employers do comply with the conditions stipulated in the Act, there are still those who seek loopholes. For example, some employers allegedly only take employees on for 1 month periods, and let them sign new contracts on a monthly basis.

At the time, the official representative of the Namibian Employers' Federation, Mr. C. Truebody, in turn noted that the federation was of the opinion that the Labour Advisory Council did not function independently nor particularly effectively, and that

the federation expected an improvement. He also noted that employers and workers still lacked commitment when entering into negotiation, and that both sides simply followed procedures in a perfunctory manner. The view of the federation was that workers preferred strikes and lock-outs to mediation and conciliation. He further noted that the federation was concerned about the feeling among unions that working hours should be reduced, as Namibia is already not considered to be competitive internationally and that such a move would have serious negative repercussions. The federation was also concerned about the issue of Aids in the workplace, as they were not quite sure how to deal with workers who could no longer work. Other issues highlighted by him on behalf of the federation included the following:

- the language used in the Labour Act was found to be confusing and difficult to interpret;
- managerial staff should not be granted overtime pay;
- the federation wanted more flexibility in interpreting the Labour Act;
- many conditions of service were forced upon employers. For example, each employer should be able to negotiate issues such as Sunday work and payment for such work with its staff, and not be forced by the Labour Act determinations.

Union representatives at the meeting noted that they were in general unhappy about the lack of disclosure of information to unions by employers, for example they felt they were not given sufficient warning when employers intended to retrench workers, and that this was against the principle of good faith.

A representative of the Namibia Building Workers Union noted a number of problems being experienced in the building industry. Among such problems was the fact that union workers perceived the probation period for workers to be too long. On behalf of the union, he also criticised construction companies for allegedly making up their own policies that differed from what the Labour Act stipulated. It was also noted that the Labour Courts were not enforcing judgements made by themselves, in part because the police did not seem to understand what they were responsible for and hence was not of much use in assisting enforcement. In addition to the above, he confirmed Mr. Esau's statement that some employers deliberately continue to make workers sign 1 month contracts even after some of them had been working for that

particular employer for a number of years. It is believed that such companies do this to avoid the costs associated with medical aid, pension contributions, etc. Union members also perceived that health and safety procedures were neglected as they were considered to be too expensive by some employers.

During the ensuing discussion it was also mentioned that only 25 labour inspectors are responsible for all the labour cases made throughout the entire country, both in the urban and rural areas. It is therefore clear that these inspectors are heavily overburdened. Also, inspectors are accused of interpreting the Labour Act incorrectly, in spite of receiving training at least twice per annum. In spite of this the position of labour inspectors remains crucial, as they represent an important link between employers and workers.

Further to the above it was mentioned that the basic conditions of employment might undergo some changes to accommodate, for example, people of the Muslim faith who would prefer to work on Sundays and not on Fridays.

6.4.2.3 Possible amendments to the 1992 Labour Act?

The following three aspects regarding collective bargaining and dispute resolution, strike action and retrenchments are viewed by the Office of the Labour Commissioner as areas which may require amendments in future (refer Annexure A: Mr. Kassen).

1) The dispute resolution system described in the 1992 Labour Act is under investigation, as it appears that the system of District Labour Courts does not function as efficiently as initially expected. This can be attributed to the fact that the overburdened District Magistrate Courts tend to give priority to civil and criminal cases, something that has resulted in huge backlogs with regard to the processing of labour cases. At present the possibility of abolishing the use of these courts is being investigated. (The Higher Labour Court will, however, remain). The option would be to focus much more on arbitration, mediation and conciliation. Labour Inspectors, however, apparently feel that the system has not been used long enough to justify such a change. They are apparently also of the

opinion that the ability for workers to resort to judicial action as a last resort does prove effective in getting employers to co-operate.

2) A second aspect that may be addressed in future concerns strike procedure and more specifically the right of employers to seek legal redress during strikes. As a result of such action, based on the principle of urgent interim relief, the effectiveness of strike action is said to be much less effective than what would otherwise have been the case. It should be added, though, that interdicts against striking workers are often not enforced as police have to keep a low profile in order for the strike to remain a "labour issue" and not a criminal one.

3) A third aspect that may be amended in future concerns the retrenchment that often follows strike action. The right of employers to retrench is considered too strong, and in future changes may be introduced that will make it mandatory for employers to first convince government and workers that a business is actually in trouble, before it will be allowed to retrench workers. Directors who make themselves guilty of mismanaging companies which results in retrenchments may even be held liable through labour law in future. However, it could perhaps be argued that such action might be regarded as too drastic and perhaps unrealistic if one takes into account the difficult economic circumstances prevailing in the country. In a country where unemployment is probably one of the biggest economic and social problems, such a move could prove detrimental to economic activity as it would make employers and even prospective employers hesitant to launch new businesses or employ (more) workers.

6.4.3 Labour relations in the Export Processing Zone

No discussion regarding the 1992 Labour Act and collective bargaining would be comprehensive without referring to the situation prevailing in the Export Processing Zone.

The EPZ program is regarded by many as perhaps one of the best opportunities for the country to attract foreign investment, thereby generating much needed employment.

In order to attract investors, generous tax concessions and subsidies regarding training to employees are offered.

The situation and regulations regarding labour in an EPZ company is slightly different to that enforced in the rest of the country, and this met with strong union opposition during 1996. The Ministry of Trade and Industry had (allegedly) taken a decision on labour conditions in the EPZ without consulting the Ministry of Labour or the Office of the Labour Commissioner, determining that "strikes, go-slows and lockouts will not be permitted" in the EPZ. This resulted in three court cases during 1996 in which the unions took government to court. The issue was then taken up in parliament and it was decided that the 1992 Labour Act **would** apply in the EPZ. However, the right to withhold labour would only be taken away from workers for a period of five years, with the five year period commencing at the time of the parliamentary decision in 1996. Should any employee be dismissed or be punished for striking before this five year period is over (in 2001), such a dismissal or penalty will be considered "fair and valid" as a result of an amendment made to the Labour Act. On the other hand, employers are not permitted to resort to lockouts if they face labour related problems. Furthermore, it was agreed that all disputes are to be referred to the Office of the Labour Commissioner, who in turn had to refer it to a conciliation board for arbitration. In the EPZ fact file (Ministry of Trade and Industry 1995: no page number) it is noted that "arbitration procedures will be strengthened to speed up dispute resolution", although it is not explicitly stated how this will be done. Should such a board prove unable to resolve the dispute, the EPZ employer will be allowed to obtain an interdict from the court restraining individuals or unions from striking (Ministry of Trade and Industry 1995: no page number; Ministry of Trade and Industry 1997: 19). Save for these conditions, all other conditions as determined by the 1992 Labour Act are applicable in the EPZ (refer Annexure A: Mr. Kassen).

As part of the attempt to attract prospective companies to the EPZ and to make use of more labour intensive processes, the Namibian government is granting companies an additional income tax deduction of 25% for wages paid to workers who are directly involved in manufacturing, as well as for technical training provided to such workers (Ministry of Trade and Industry 1995: 3).

It is interesting to note the Investment Centre's (Ministry of Trade and Industry 1995: no page number) quotes of the average wage rates for the manufacturing sector in Walvis Bay as shown in Table 18 (take note N$1 = R1). This is of interest as Walvis Bay forms the "nucleus" of the new Export Processing Zone. It has also been established that the going wage rate is of particular importance to prospective EPZ investors, who are reported to attach as much importance to prevailing labour costs as to other EPZ matters. From information conveyed by Mrs. U. Philander at the EPZ Management Company in June 1999, it became evident that these average wage rates have not changed much since 1995 when the initial EPZ fact sheet was produced (refer Annexure A: Mr. Visser and Mrs. Philander).

Table 18: Average wage categories for Walvis Bay EPZ

Wage rate per hour for labourers	N$ 3.00 - 6.00
Wage rate per hour for a welder	N$ 40.00 – 60.00
University Graduate salaries	N$ 3 000.00 + per month
High school graduate salaries	N$ 1 200.00 to 3 000.00 per month
Unskilled office workers	N$ 800.00 to 1 200.00 per month
Equipment operators	N$ 1 200.00 + per month
Drivers	Basic of N$ 1 200.00 per month + trip allowance per km.
NB: Add-on costs for labour in respect of normal additional social costs range from 15% to 20% of salaries or wages.	

6.4.4 Summary and comparison of union activity and collective bargaining in other developing countries

Similarly to South Africa, Namibia has a history of suppressing labour organisations initiated by black people. Unions for black workers were only made legal in 1978, and even then the freedom of association principle was not adhered to as ties with political parties were forbidden. It is difficult to assess whether union power has actually been a strong force in raising wage levels in Namibia since the inception of the new Labour Law. It appears, however, that unionisation has succeeded in uniting members and presenting employers' federations with a stronger and more equal bargaining partner

in collective negotiations, and that it in that way may have contributed to negotiating improved working conditions, although not necessarily significantly higher wages.

The local system of collective bargaining not only provides a comprehensive set of rules for workers in negotiations, but also offers comprehensive dispute resolution mechanisms. This comprehensive system is in stark contrast to many of the Latin American countries that either do not have collective bargaining systems or have systems that have not been fully developed. It is, however, similar to countries such as Chile and Uruguay where well developed bargaining structures are said to have increased certainty and synchronisation in the labour market, thereby drawing investors. Also, the collective bargaining structures laid out in the 1992 Labour Act overrides other legislation. It is not subject to other laws as is the case in Brazil, where national wage policy supersedes bargained agreements, nor is it negotiated locally and enforced on a more centralised level.

Before 1990, when workers had been restricted by legislation regarding dispute resolution, the conciliation board was a popular instrument (e.g. roughly 42 were established during the last 12 years of South African rule). Following the rights accorded to unions after 1990 and the resulting rise in their power, combined with the fact that many unions became more knowledgeable with regard to using mediation and arbitration, the number of conciliation boards established has declined significantly.

Given the relatively short period since its introduction, it is difficult to state how successful collective procedures and all the related mechanisms have been in improving wage levels and working conditions of workers. Although some have expressed doubts about achieving these particular objectives, the general feeling has been one of optimism.

The perceived success of the system of collective bargaining in Namibia should perhaps be seen in light of the fact that a large percentage of the population had no such system to turn to prior to Independence. It could be argued that the introduction of the mechanisms discussed in this section have empowered workers to change their own circumstances regarding wages and working conditions.

6.5 Minimum wages

6.5.1 Minimum wages during the pre-independence era

During the pre-independence era not only cash wages and salaries of non-white ethnic groups were in general much lower than that of whites, but also other conditions of service were provided along racial lines.

As there was strict control over collective action, and in particular union activity which for a long time was forbidden by law, black workers did not have access to any mechanisms which could be used to negotiate better working circumstances. The ILO had for decades noted labour conditions in Namibia as a matter of concern, the first such official notification taking place in 1953 in a report compiled by a combined UN and ILO Committee on Forced Labour (ILO 1977: introduction). Before independence, the Wage and Industrial Conciliation Ordinance of 1952 (amended in 1978) regulated wages and working conditions. Although this act in itself was not directly discriminatory, it excluded agricultural and domestic workers. Given that the vast majority of workers in these categories were not white, it constituted a discriminatory practice to exclude them.

It should also be noted that, although all workers in other sectors were covered by this Ordinance, black workers were not allowed to make use of the provisions which related to strikes and dispute settlements. They were also not considered to be "employees" when it came to the right of an employer to change employment conditions as he wished. Employers had the right to decide upon any wage, as well as working conditions, for each of his workers, even though some workers were doing the same jobs (ILO 1977: 54).

Although some of the enactments of the time (e.g. the 1952 Factories, Machinery and Building Work Ordinance) did provide for protection of workers against unhealthy or hazardous working conditions, these did not always apply (or at least applied to the same extent) to non-white workers. For example, the Factories, Machinery and Building Work Ordinance was not applicable to mines or farms where the greatest number of non-white workers worked. Consequently these workers did not benefit

from the provisions dealing with working time, overtime pay, holidays, etc. Also excluded were domestic workers, employees in the hotel and restaurant trade, and workers in the construction industry.

An employment survey that was conducted in 1981 among 296 enterprises in the formal sector in Windhoek indicated the presence of large inter-sectoral and intra-sectoral differences with respect to wages and salaries:

Table 19: Sectoral Wage and Salary Differentials in Namibia – 1981

Sector	Skill Level	Average Salary - R/month	Salary Range - R/month	Ratio highest to lowest in sector
Manufacturing	Unskilled Semi-skilled Mid-management	131 **(670)** 650 **(3325)** 1513 **(7739)**	45-399 150-900 720-2600	1 : 57.8
Food Processing	Unskilled Semi-skilled Mid-management	136 **(696)** 525 **(2685)** 1278 **(6537)**	54-247 450-625 860-1955	1 : 36.2
Commerce	Unskilled Semi-skilled Mid-management	182 **(931)** 478 **(2445)** 1285 **(6573)**	30-450 173-780 550-2000	1 : 66.7
Services	Unskilled Semi-skilled Mid-management	117 **(598)** 683 **(3494)** 1200 **(6138)**	65-179 300-900 1000-1400	1 : 21.5
Banking, Finance and Insurance	Unskilled Semi-skilled Mid-management	165 **(844)** 504 **(2578)** 1596 **(8164)**	130-200 335-650 1100-2000	1 : 15.4

Source: Druggal 1989: 34.

(Note: Rounded wage figures calculated in 1995 N$ values are highlighted in bold alongside original survey figures).

Workers regularly complained about working conditions, and the fact that the profit levels of companies were not reflected in the benefits which accrued to them. Pressure to implement minimum wages in the mining and commercial agriculture sectors was persistent, although never successful (Bauer 1994: 41).

Historically, subsistence and commercial agriculture has employed the greatest number of people in Namibia (Druggal 1989: 36). In spite of the fairly high income of "white" farmers, Druggal (1989: 38, 39) argue that the wages of "non-white" farm workers have shown little improvement during the past two decades. The annual cash plus non-cash wages of black farm workers were approximately R 250 to R 300 in 1978 (at constant 1995 values: N$ 1871 – N$ 2246), i.e. at most R 25 (at constant 1995 values: N$ 187) per month. In 1987, it was estimated that workers received approximately R 500 (at constant 1995 values: N$ 1268) per annum (R 42 (at constant 1995 values: N$ 107) per month). During the late 1960's, black workers in the fishing industry were receiving annual wages of between R700 and R800 (at constant 1995 values, approximately N$ 14000 to N$ 16000). On average, however, the annual value of the contribution per worker was estimated at between R3000 and R4000 (about N$ 60000 to N$ 80000) at the time. (Please note: the above constant figures are based on Namibian inflation rates, which has only been formally recorded since 1974. Figures for years prior to this are therefore based on South African inflation rates).

In 1976 the suggestion for a compulsory monthly minimum cash wage of R 54 (at constant 1995 values: N$ 503) in the commercial agricultural sector was rejected by the SWA Agricultural Employers' Union (Cronje and Cronje 1979: 47). Nevertheless, in the same year, delegates attending a conference on organised commerce and industry agreed to set a monthly minimum wage rate of R 54, with the added recommendation of lifting the minimum cash remuneration to R 106 (at constant 1995 values: N$ 987) per month should benefits in kind not be included. It is interesting to note that the United Nations, at the end of 1975, had estimated the Poverty Datum Line for Windhoek to be approximately R 135 (at constant 1995 values: N$ 1406) per month. These recommendations were never formally implemented (Druggal 1989: 41; ILO 1977: 63).

In the "Working Paper on Labour Law and Labour Practice in South West Africa", produced by the Chamber of Mines in Namibia during 1980, it was very clearly stated that the implementation of a minimum wage in the mining industry was "undesirable". However, it was also stated that it might indeed be useful to pre-determine wages in cases where there was no existing collective agreement which

ensured basic conditions of employment between employers and employees (Bauer 1994: 109).

The Wiehahn Commission in 1989 declared itself in favour of setting minimum wages in certain sectors of the economy. The Commission suggested that this be done through an appointed Wages Commission. In a symposium held in Windhoek in 1989, most companies attending, save for two, appeared to regard minimum wages in a favourable light (Bauer 1994: 180).

6.5.2 Minimum wages since 1990

The following information on average monthly wages (by industry and occupation) was gathered during the 1991 Housing and Population survey in Namibia:

Table 20: Average monthly wages in Namibia by industry and occupation –1991

	Senior Manage-ment	Profes.	Technical	Clerical	Services / Sales	Plant / Machine operators	Basic occup.
Agriculture	4401	5454	1383	2060	580	2026	366
Mining	10728	6719	5660	3345	2158	2931	1094
Manufact.	4829	2070	3043	1749	1174	1209	789
Electricity Gas/ Water	5546	4178	4132	2607	1100	2101	870
Constructn.	4065	4313	2701	1323	425	1270	621
Hotels	3693	2983	1932	1119	944	913	540
Transport	4892	3599	4079	1845	2126	2120	904
Finance	5545	4534	3706	1930	1153	1055	791
Services	6099	3284	3039	2154	1359	1337	638

Source : Ministry of Labour and Human Resources Development 1994b: 58.

At the time of the introduction of the new Act in 1992, the then Minister of Manpower and Labour Development, Hendrik Witbooi, emphasised that the Act only provided minimum standards for the labour market, and that both employers and workers are free to reach more favourable conditions through bargaining (Bauer 1992: 1).

In spite of the inclusion of all workers under the new Labour Act, and the subsequent vast improvement of working conditions of most workers, there still appears to be some apprehension regarding the implementation of minimum wages in the various sectors of the economy. The 1992 Labour Act in itself does not provide for a minimum wage, but it does make provision for the establishment of Wage Commissions which are granted the power to investigate conditions of service and remuneration, and to subsequently issue wage orders (Government Gazette 1992: 114, 118). These Commissions are governed by the Commissions Act No. 8 of 1987. Each Commission consists of three persons (representative of government, the employers and the employees) who are jointly responsible for investigating wages in a particular sector of the economy and to make a recommendation for a minimum wage, based on their findings. In deciding upon the necessity of a wage order, a Commission takes into account, among other things, the following aspects (Hubbard and Corbett 1993: 118; Government Gazette 1992: 118):

- the ability of an employer to continue with its business activities (on a profitable basis) should a proposed wage order come into effect;
- government policy relating to labour issues, as stated in the constitution;
- what constitutes a living wage in Namibia;
- equal pay for men and women;
- the minimum subsistence level in the particular area of business;
- the value of lodging or board or other payment in kind.

Once the Wages Commission has forwarded its recommendation to the Minister, he/she is responsible for authorizing the issuing of a wage order (Government Gazette 1992 no 388: 120). Should there be a decision against doing so, the matter as well as the reasons for not issuing the wage order must be discussed before the National Assembly in parliament. A Wages Commission may not be called for if a collective agreement has already been registered for that particular industry, nor if a wage order had been made during the 12 months preceding the application for the new order. Wage orders may be superceded by registered collective agreements (Government Gazette 1992 no 388: 119).

In Namibia the minimum wage is industry based. By 1998 the minimum wage had only been implemented in the construction industry in Namibia where it applies to all construction-related trades. It is determined according to category of work (Government Gazette 1997 no 1752). Notwithstanding the completion of an investigation by an appointed Wage Commission into the possibility of extending the minimum wage to agricultural and domestic workers, no public announcement to this effect has been made by June 1999.

The original agreement on the minimum wage in the construction industry was negotiated between the Construction Industry Federation of Namibia (CIF) (which represented the employers in the construction industry) and the Metal and Allied Namibian Workers Union (MANWU), and is reviewed once per annum (Government Gazette of 15 November 1996, no 1444: 6). By September 1999, the original minimum wage schedule had officially been amended twice, the outcome of negotiations between government, the union and the federation representing the employers in the construction industry. On average, the minimum wage increases exceeded the average inflation rates recorded for the years under review. The amended wage rates are listed in the following table:

Table 21: Minimum wage categories

Job Title	Wage per hour in N$ 1996	Wage per hour in N$ 1997	Wage per hour in N$ 1999
Labourers	3.08	3.80	4.32
Artisan Painter	5.82	6.75	7.50
Artisan Tiler / Carpet layer	6.66	7.73	8.43
Artisan Plumber	7.51	8.71	9.50
Artisan Bricklayer / Plasterer	7.51	8.71	9.50
Artisan Electrician	7.90	9.16	9.98
Artisan Carpenter	8.26	9.58	10.44
Artisan Joiner	8.82	10.23	11.25
Master Craftsman	9.82	11.39	12.41
Leading Hand (incl. Fixer/ Welder /Plumber).	11.31	13.12	14.30

Job Title	Wage per hour in N$ 1996	Wage per hour in N$ 1997	Wage per hour in N$ 1999
Construction driver (dumper)	3.42	3.97	4.40
Construction driver (light vehicle)	5.21	6.04	6.70
Construction driver (medium vehicle)	6.17	7.16	7.95
Construction driver (heavy vehicle)	6.83	7.92	8.63
Construction plant operator (medium duty)	5.06	5.87	6.52
Construction plant operator (heavy duty)	6.93	8.04	8.76
Construction mechanic	6.90	8.00	8.72
Storekeeper Grade 1	4.84	5.61	6.23
Store keeper Grade 2	3.44	3.99	4.43
Timekeeper Grade 1	4.84	5.61	6.23
Timekeeper Grade 2	4.15	4.81	5.34

Sources: Government Gazette of 15 November 1996, no. 1444: 6; Government Gazette of 12 December 1997, no. 1752: 2; Government Gazette of 16 July 1999, no. 2144: 2).

It is important to note that the minimum wages listed here are subject to each worker maintaining a specified minimum productivity level. Failure to maintain such productivity levels can be addressed by additional training, or discipline and incapacity procedures. Also, workers need to be able to work under normal working conditions for the above wage rates to apply. Productivity standards are agreed upon separately between individual employees and employers, and for each trade union with each individual construction project (Government Gazette 1997 no. 1752: 3).

6.5.3 Brief summary and comparison of minimum wage regulations with other developing countries

From the discussion in chapter three it is evident that the minimum wage is perhaps not the ideal mechanism to raise income levels. At the same time, it would appear that a minimum wage could contribute to protecting incomes of poor workers in countries that have not yet developed comprehensive systems of collective bargaining.

In Latin American countries such as Chile, Brazil, Puerto Rico and Argentina where it has been imperative to combat the erosive effect of inflation, and where it has been enforced fairly strictly, as well as adjusted on a regular basis, it has proven of considerable value in protecting the income of those earning the lowest formal sector wages.

In **Namibia** a minimum wage has only been introduced in the construction industry. The wage, the result of extensive negotiations between representatives of employers and employees of the construction industry, has already been adjusted twice (December 1997 and August 1999), and it said to be enforced fairly strictly (refer Annexure A: Mr. Kassen). Also, the wage remains coupled with certain specifications regarding productivity which are to be adhered to. The minimum wage introduced in the construction industry is the outcome of collective bargaining and therefore represents a collective agreement (reviewed once a year). Given that the minimum wage in the construction industry represents an outcome reached through the process of collective bargaining, it may produce better results in terms of protecting the income of the poorest workers than what may have been the case had it not been based on a negotiated outcome between employers and employees.

Although there may be some scope for introducing a minimum wage in the agricultural sector (farm workers are widely regarded as being among the poorest workers in the country), it will be extremely difficult to enforce with success. Also, any minimum wage would have to take into account benefits in kind (such as free food or lodging) commonly provided by farmers, which makes it more difficult to pinpoint an exact minimum.

6.6 Social Security

6.6.1 Social security during the pre-independence era

Prior to independence there was no comprehensive law governing social security in Namibia. The only form of income security offered by government to black persons was a monthly allowance paid to elderly persons aged sixty years and older, as well as to disabled people.

Although there were a number of private sector initiatives related mainly to pensions and medical aid, these were offered only to those persons in formal employment. Given that whites occupied the management and more senior levels of most institutions, and that advantages were directly related to contributions which were in turn determined by salary scales, the level of benefits received by whites by far exceeded that of other ethnic groups.

The main piece of legislation relating to income security during the pre-Independence period was the **Workmen's Compensation Act (Act 30 of 1941)** which provided (only) for employees injured while on the job. Workers who had been disabled temporarily or permanently as a result of a work-related accident, an industrial disease or the mistake of a fellow employee, could qualify for compensation. This compensation could take the form of a single lump sum payment, settlement of all medical and related expenses, or, in the case of temporary disability, proportional income installments. Whereas black employees were normally compensated by way of a single lump sum, white and coloured workers with similar disabilities were given monthly pensions for the rest of their lives. These benefits were granted to dependents of a deceased worker and paid out in a similar way (van Rooyen 1996: 158).

As mentioned in previous sections, domestic and farm workers were excluded from coverage under the Workmen's Compensation Act.

6.6.2 Social security since 1990

Since 1990 the Namibian government has done much to address the plight of the poor and other marginalised groups by addressing the issue of income security. Today it is possible to distinguish between two types of government-initiated forms of social security in the country: social insurance which entails both employers and employees contributing proportionally to benefit funds (overseen by the Social Security Commission), and social assistance, mainly in the form of old-age pensions and disability benefits.

The Namibian government provides a non-contributory universal state pension financed entirely by government. Although the scheme was initially implemented during South African colonial rule in Namibia, it was changed significantly after independence. This scheme is of exceptional importance in the Namibian context, as it serves as the main safety net against extreme deprivation in rural (communal) areas.

Prior to independence and until 1994, benefits paid out were still determined along racial lines, with whites receiving N$ 382 per month, coloured people N$ 192, and black people N$ 55. In May 1994, however, this monthly amount was changed to N$ 135 for all race groups and it has remained at this level ever since. Surveys during 1996 in two of the most populous regions of the country, namely the Oshana and Okavango regions (in the north of the country), found evidence that pensions represented the main household income source for 43% and 23% of households in these respective regions. Similar research in the communal areas in the eastern part of the country two years earlier had found that pensions was the main source of income to a staggering 64% of households sampled (UNDP 1996: 69).

As regards coverage, forward projections for 1996, based on data gathered during the 1991 Housing and Population survey (the most recent national survey providing information of this kind that has been made public) had indicated that nearly 80% of the elderly should have been included in pension coverage by 1996, but slightly less than 30% when it came to the disabled. Coverage was also found to vary considerably between the different regions of the country. This was evident from the fact that, at the time of the survey, only 30% of persons eligible in the Okavango region actually

received their pay-outs, while this figure amounted to approximately 80% in the former Ovamboland. This has, however, been ascribed to differences in administrative efficiency in the respective regions (UNDP 1996: 70).

In the 1996 UNDP country report on human development in the country (UNDP 1996: 70), it was stated that government intends to achieve 100% coverage of its pension scheme by the year 2000. At N$ 135 per month, it was estimated that the scheme represented an expense of N$ 205 million per annum, at constant 1994 prices. It is interesting that the United Nations in 1975 noted the Poverty Datum Line for Namibia as being roughly N$ 135 at the time. At constant 1995 value, this would have amounted to approximately N$ 1406, which indicates that the N$ 135 falls far short. Unfortunately government contends it is not in a financial position to increase this amount. Had it not been for family and community transfers, many pensioners could arguably not have survived. Nevertheless, as discussed earlier in this study, it has been found that these small pensions constitute a large portion of monthly income to many households in communal areas.

The efficiency of the way in which the state pension fund is conducted has been questioned, as the process of paying out pension money does not appear to work well. Days on which pay-outs are to be made are announced through the media (especially national radio service), upon which officials travel to rural areas to physically hand out payments. This, however, has resulted in logistical and administrative problems that have resulted in pay-outs being highly irregular. Government has announced plans to privatise the distribution of pension money in the hope that this will improve the efficiency of the process.

Parliament established a **Social Security Commission** under the Social Security Act in 1994 (Act 34 of 1994). This Commission carries responsibility for administering the 2 funds that have formally been established since 1994: the MSD Fund (Maternity / Sickness / Death, Disability) and the Employees Compensation (EC) Fund which is used to pay for all injuries obtained while on duty (i.e. the old workmen's compensation).

The Social Security Act stipulates that it is compulsory for employers and employees to register (separately) with the Social Security Commission. However, the law states that only employees younger than 65 years of age, or working two or more days a week for the same employer need to register. The employer (Government is formally included only in its capacity as employer) and employee contributes 50-50, each contributing 0.9% of an employee wage or salary. However, this amount may not be less than N$ 2,70 or exceed N$ 27,00 per month (Social Security Commission 1995: 1 – 3; refer Annexure A: Mr. Balie).

Although the Namibian Government's Social Security System is based on the Social Security model of the ILO, the Social Security Commission in Namibia has tried to adapt this model to the particular circumstances of a developing country such as Namibia, i.e. by setting the limits for contributions fairly low. Two funds have been formally established while three more are being planned.

In November 1995 the "MSD Fund" (Maternity/Sickness/Death) was introduced. This fund pays money to employees unable to work for more than 30 days, and provides a pay-out of N$ 2000 in the case of death. Death benefit money is not only paid out in the case of death of the member, but also when the member retires at the age of 65, or when the member becomes disabled for any reason. Although the intention is to include death benefits under the Pension Fund, it was provisionally included in the Maternity and Sick Leave Fund as it will still take some time to formally register the Pension Fund. For each of the three schemes currently in existence under the MSD fund, members can only start benefiting after the first six-month period of membership. Claims will be accepted provided that the employee's contribution is fully paid. Although it is compulsory that the employer's contribution is also fully paid, a claim will be settled even if this is not the case. The benefit that the employee will receive is a percentage of his or her monthly salary. The latest information available with regard to claims against the MSD fund is for the financial year 1998/1999. During this period 15 084 claims were processed, and a total amount of N$ 28 250 280.70 was paid out to members (refer Annexure A: Mr. Kasika).

In the Social Security Commission: Employees' Rights and Obligations (1994: 8-11) the following guidelines regarding the benefits under the MSD fund have been set:

Maternity Leave:

- The fund provides female members with the right to take 3 months maternity leave but does not yet provide for receiving money during this time. A female on maternity leave qualifies for 80% of her remuneration, with a N$ 240 minimum and a N$2 400 maximum;
- Benefits will cover a period of 12 weeks;
- Claims should be submitted at the very least 45 days prior to the expected birth date of the child.

Sick Leave:

- This benefit is only available once the employee has made use of all the sick leave days given under the Labour Act, or stated in the employment contract;
- Benefit will amount to 60% of remuneration, with N$ 180 being the minimum and N$ 1 800 being the maximum. However, after the first 6 months, only 50% of the employee's remuneration will be paid. This will continue for another 18 months, in addition to the 6 months already paid for.

Death, Disability and Retirement Benefits:

- A single lump sum of N$ 2 000 will be paid out upon the death, retirement or permanent disability of the employee.

The **Employees Compensation Accident Fund** (EC Fund) had been established already by the former government under the Workmen's Compensation Act of 1956. On 1 February 1990 the Namibian government took over the administration of the Workmen's Compensation Act.

Following the promulgation of the Social Security Act in 1994, amendments were promulgated in January 1995. These amendments involved the transfer of the responsibility for the administration of the Accident Fund to the Office of the Workmen's Compensation Commissioner, a subdivision of the Social Security Division in the Ministry of Labour and Human Resource Development. The Workmen's Compensation Commissioner also acts as trustee of the statutory Accident Fund. The most important "amendment" made to the initial Accident Fund was the inclusion of all working persons, i.e. also domestic workers and farm workers who had previously been excluded from the Accident Fund. The Accident Fund today

provides compensation for workers injured by accidents at the workplace, industrial diseases, or death resulting from this. Both temporary and permanent disability, as well as death, are covered by the fund. During the 1998/1999 financial year a total amount of N$ 3 714 502.79 was paid to both general practitioners and hospitals for treatment of workers who were injured in the course of duty. A further N$ 1 316 025. 85 was paid directly to workers. Of this amount, N$ 754 677.37 was paid to 992 workers who were temporarily disabled as a result of work, and N$ 561 348.48 to 145 workers who had become permanently disabled (Workmen's Compensation Commission 1994: 1, 2; Social Security Commission 1996: 2; refer Annexure A: Messrs. Kandjele and Kasika).

The Social Security Act of 1994 also makes provision for the establishment of new funds. In addition to the maternity leave, sick leave and death benefits already available to members of the Social Security Fund, a formal Medical Benefit Fund (which will in particular also provide benefits to domestic and farm workers) and a National Pension Fund are also being planned. As the Social Security Commission is already involved in final consultations regarding the pension fund (June 1999), it is likely that this will be the first of the new funds to be established.

Studies with respect to what would be the best way to structure such a pension fund in Namibia have been conducted both by World Bank and ILO representatives. However, the ILO structure seems to be preferred to that of the World Bank, as it also addresses the vast problems of income inequality and poverty. It has been suggested that employers and employees all pay a monthly flat rate, which will then eventually be multiplied by the number of years the worker has been in service. A person will have to contribute at least 15 years before he/she may benefit from this fund. However, for people already older than 50 at the time of the launch of this fund (but still younger than 57), a special arrangement will be made. Other than this basic information, the representative of the Commission at the time of being interviewed understandably felt detailed information could not yet be made public, given that the final proposed structure was still under discussion. It will be mandatory for every member of the EC and MSD funds to belong to this Pension Fund.

The other fund that the Social Security Commission also intends to establish is a Development Fund. It is likely that the latter will be a non-contributory fund built on surplus funds generated through the other existing funds. This Development Fund will provide financial assistance for retrenched workers, for example, and for financing the re-training of such workers (refer Annexure A: Messrs. Angula and Kandjele).

During interviews with representatives of the Social Security Commission (refer Annexure A: Messrs. Bali and Kandjele) during 1997 and 1998 respectively it became apparent that the establishment of an Unemployment Fund (common in industrialised countries) does not seem very likely within the foreseeable future. Unemployment in Namibia is too comprehensive a problem, and the number of people engaged in formal wage labour is too small to financially "support" the number of unemployed. (* Note: Official estimates by the Central Statistics Office – CSO - in Windhoek indicate that 20% of the economically active population is unemployed, but unofficial estimates exceed 30%. It has to be kept in mind that the CSO combines unemployment and underemployment figures).

At present, government provides no direct financial support to the Social Security System, except in its capacity as an employer. From a financial point of view, it would appear from information provided during personal interviews as if the system is being handled fairly well. In spite of its "social objectives" it is allegedly being run in accordance with business principles, which include very strict and regular audits. Government is encouraging this strict running of the "social security company" because it carries the ultimate responsibility of stepping in and providing financial assistance should anything go wrong. At present the existing funds are being run solely with money received from the compulsory contributions of registered employers and employees (government only contributes as an employer). In order to allow each fund some time to accumulate funds, members are normally only allowed to start submitting claims once a particular Fund has been in existence/formally registered for six months. All of the above existing funds are, however, now in a position to pay out against claims (refer Annexure A: Messrs. Balie and Kandjele).

The above mentioned Social Security Funds are available to all workers working in the EPZ and contributions from all workers (both Namibians and foreign workers) are mandatory.

Table 22: Number of officially registered employers and employees - July 1999.

Number of registered employers	29 211
Number of registered employees	287 557

Source: refer Annexure A: Mr. Bali.

In addition to the above it should be noted that not only government, but also the private sector has contributed to providing income security for workers.

Information collected during an Establishment Survey conducted during 1992/1993 suggested the salary of a worker constitutes ¾ of the total wage, with the remaining ¼ being cash and non-cash benefits (such as pension and medical aid). (Ministry of Labour and Human Resources Development 1994b: 56). It is common practice to offer formal sector workers in medium and large institutions in Namibia benefits such as membership to pension and medical aid schemes to which the employer then contributes a certain portion. As a percentage of the total labour cost associated with an employee, pension contributions from employers roughly average 11 – 13%, while that on medical aid amounts to an average of roughly 9%. Some of the large companies also offer vehicle and housing finance at rates below those prevailing in the market, but the number of such institutions is limited. On average, and based on rough calculations, it would appear that a medium to large firm in Namibia could spend roughly 20-22% of the total wage cost of a workers on fringe benefits such as pension, medical aid and social security. The cash wage represents roughly 80% of the total monthly income of the employee. In smaller firms and even some of the medium sized firms, workers do not receive any benefits in addition to cash wages, except for that associated with them belonging to the existing Social Security Funds. The contributions to these funds are obligatory (refer Annexure A: Mr. Wiedow).

In addition to the important roles of government and the private sector, household and community structures also continue to play a role with regards to income security in Namibia. As in South Africa, apartheid was also enforced in Namibia, where it

resulted in the forced relocation of certain ethnic groups to "reservations" where there were no opportunities for formal employment. These people, although carrying out certain farming activities, became dependent on two particular sources of income: transfers from urban family members and old age pensions. The UNDP (1996: 19) has noted that rural households involved in subsistence agriculture on average receive only approximately a third of the income of households in urban areas, including income-in-kind through their agricultural activities. Hence urban workers are in a much better position to support rural households than the other way round. The situation regarding poverty in rural areas has to a large extent remained unchanged even after independence, although government has committed itself to the provision of education and health services to these areas, land reform, and food aid during periods of drought, etc. It will, however, take time to raise rural incomes to such an extent that the dependency on urban workers will be reduced significantly.

6.6.3 Summary and comparison to social security in other developing countries

Although most industrialised countries have extensive social safety nets, this is not the case in many developing countries. There are a few exceptions, though, such as Jamaica, which offer state social security benefits to all workers in both the formal and informal sectors. However, although coverage is extensive, benefits are often insufficient even when measured in relative income terms of the particular country. It can be argued that the low level of financial assistance in many developing countries results from the fact that systems in such countries do not have the financial capacity of the systems in industrialised countries. With much smaller GDP, and consequently less money available to be allocated to social services through their annual budgets, developing countries are normally not able to finance comprehensive schemes offering a high level of benefits. In most developing countries the actual coverage provided seems less than sufficient, i.e. pensions are often only a fraction of what is required to maintain a certain standard of living after retirement.

In addition to a social assistance measure such as the government pension, a number of funds have been established as part of the social insurance drive of government. Contrary to the case in a country such as Brazil, but similar to a large number of African countries, Namibia does not have any fund that provides insurance against

unemployment. The Social Security Commission does not appear to have any plans to establish such a fund in the near future, not even for formal sector workers. Financial pressure on government is already high and increasing, and it is unlikely that contributions from the private sector and the formally employed population could sustain such a fund.

It is interesting but somewhat disconcerting to note the intention of the Social Security Commission to specifically address the issue of income inequality in the proposed new Pension Fund. Although little detail with regard to the proposed fund is available, one cannot help but question the financial sustainability (and ability to remain financially independent from government) of a fund aimed at providing not only monthly pension pay-outs, but also at reducing inequality. Although the majority of workers will only be in a position to claim against this fund after having contributed for at least a 15 year period, pensioners will by implication receive greater financial benefits than what their contributions have been worth. As there will most likely be considerable financial pressure on such a fund, the monthly pension pay-out is unlikely to significantly reduce poverty among the elderly in particular.

6.7 Conclusion regarding increased labour market intervention in Namibia

Given the dismal situation pertaining to workers of some ethnic groups prior to independence, most notably with respect to wages and working conditions, there was a definite need for government intervention in the labour market after 1990. In addition to setting policies aimed at improving the situation then pertaining to labour in the country, government promulgated legislation which today provides both workers and employers with clear guidelines and directions as to their conditions of employment and remuneration.

As regards the development of a system of industrial relations, and perhaps to a lesser extent labour market policy in general, Namibia has allowed itself to be guided extensively by the example set by the International Labour Office and the United Nations. Both these institutions have developed guidelines that focus on the principle

of human rights, something which the Namibian government, given SWAPO's close ties with the United Nations during the apartheid decades, strongly advocates. Not only has Namibia become a formal member of the ILO, but it has ratified and adopted what it deems to be the relevant conventions and recommendations set out by the ILO, and in doing so has undertaken to conform to international labour standards.

The ILO guidelines have to a large extent also formed the basis of the abovementioned two new Acts which at present provide the primary legal safeguard for workers in the country. Both these Acts provide fairly comprehensive coverage to all workers and have been designed to allow for maximum flexibility as regards interpretation, although there are also some disadvantages attached to this. However, notwithstanding the general perception that these Acts provide extensive coverage to formally disadvantaged groups, neither of the Acts has been in use for a lengthy period, and consequently there are some qualms as to the coverage provided by it, as well as its implementation and administration. For example, in spite of the fact that the new labour law is regarded as extremely representative and strong in terms of contents, it only covers workers in the *formal* sector of the economy, and is therefore of little use to workers in the so-called informal sector. Furthermore, organised labour is not yet fully using the new law to its advantage, as there is a "considerable *lack of capacity*" in terms of "organisation and administration, finances, leadership, research and policy" (Bauer 1994: 172).

A significant number of problems identified with regard to the new Acts, the subsequent new system of labour relations, as well as labour policy implementation, is related to the human resource situation in the country. There is a lack of expertise in this field, as well as a general lack of experience in dealing with labour related matters. These problems highlight the particular need for human resource development, most notably by means of training, as does the vast number of un- and underemployed persons (together about 60% of economically active population in the country). Although government is continually attempting to address the dire situation regarding unemployment, so far attempts at reducing the high unemployment level have not met with success.

Given the lack of available date with regards to changes in income levels since 1992, it is extremely difficult to comment on whether collective bargaining, the introduction of a minimum wage in the construction industry, or the establishment of social security funds have had a marked influence on wage levels and working conditions of formerly disadvantaged workers. One may, however, speculate that the post-1990 legislation and labour policies have generally resulted in, or directly contributed to, an improvement in wages (and consequently living conditions) and working conditions of workers who had previously been excluded from coverage of these Acts, simply by virtue of the fact that they had not previously had access to most of these mechanisms. If regarded in this light, intervention has been overdue, and indeed produced positive results in terms of ensuring the humane treatment of workers. However, given the lack of available statistics, it is extremely difficult to assess what the effect of the costs relating to higher wages and "more expensive" job security measures have been on employment in general. Even though it may have resulted in employers being more cautious in employing workers, Namibia's socio-political history made it inevitable that government had to address the issues of wages and working conditions in the country after coming to power. The need for the type of intervention that has taken place on the part of government had been of particular importance, as organised labour (unions) had been the foundation from which the ruling party, SWAPO, had built its follower/membership base.

Having overseen the implementation of the abovementioned two Acts, and having ensured that certain policy directions have been set (i.e. with regard to affirmative action and training), government should arguably refrain from further overt involvement in these matters. Ideally it should continue to monitor that the guidelines which have been set are adhered to and continue to adjust policy to changing conditions in the Namibian labour market. It should, however, at the same time be mentioned that with respect to labour-related matters such as training, it would be extremely difficult if not impossible to withdraw completely and to wait for private market forces to remedy the situation of the formerly disadvantaged. Although most of the larger companies provide in-house training, costs have limited the ability of smaller and medium sized enterprises to do the same. In spite of problems such as this, one possibility could be to consider for government to encourage the development of workers by means of opting for providing better incentives to private

sector companies. If worthwhile incentives could be offered, it may go a long way towards encouraging companies to create more employment opportunities and to become more extensively involved in training. A good example of where government has done something to this effect is in the EPZ. Training and employment are being encouraged by means of providing employers with generous tax incentives and subsidies if they spend money on the training of workers.

Total withdrawal from labour issues is obviously not possible for government and also not advisable, particularly in view of the fact that with respect to industrial relations, the principle of tripartism has been strongly advocated. Ideally, nearly a decade after independence, government should attempt to project itself as being committed to building a strong economy by looking after the interests of both employers and employees. However, remaining unbiased might be difficult over the medium to longer run: already there have been cases in which unions have criticised government for the legal system governing labour relations and industrial action:

> "Namibia's labour movement will rise up if the courts become instruments of oppression and those with money are allowed to rewrite the laws to suit their interests...the NUNW would like to condemn the...unholy alliance between private law practitioners, the custodians of our judiciary, and some elements within the office of the Attorney-General, who deliberately...are trying to rewrite the Labour Act by wittingly misinterpreting the said Act..."
> (National Union of Workers (NUNW) President Ponhele ya France, as quoted in The Namibian, 31 July 1997: 1).

Notwithstanding these harsh words, the relationship between the unions and government appears to have remained close. Although the concept of tripartism had enjoyed much attention, possibly in part as a result of the influence of ILO policy advisors on government, it is unlikely that the relationship between government and the unions will become less close. The political history remains a strong binding factor, and organised labour one of the strong support groups for government. Although it is not an ideal situation to have two of the three tripartite parties closer to each other than to the third, it could be argued that this situation could remain so at least until affirmative action is perceived to have corrected the imbalance in economic

power, whereupon the unions would have achieved economic empowerment for their members, reportedly one of their main objectives.

7. Namibia : Case Studies

7.1 Introduction

In this chapter case studies relating to various labour market institutions in Namibia are reviewed. As information and basic statistics regarding the implementation and effectiveness of such institutions are either limited or non-existent, the following sections are based mainly on a combination of information obtained through media articles, and personal and telephone interviews. Those persons willing to discuss the minimum wage in particular specified that they wished their names and the names of their companies to be withheld.

7.2 The Case Studies:

7.2.1 Labour Legislation

7.2.1.1 Labour Legislation applicable to the EPZ

From the outset, controversy surrounded not only the establishment of an EPZ in Namibia, but also the labour regulations that would apply to EPZ labour.

Government made it clear that it was of vital importance to attract investors to the EPZ in order to get the EPZ off the ground and to achieve maximum job creation. Government felt it was important to "sell" the fact that Namibia could in fact provide labour at cheaper rates than many other countries focusing on manufacturing and production. For example, it was stated at the time (1995) that research had suggested that skilled labour in Namibia's was priced at $ 7.50 per day, compared to $ 12.86 in Malaysia. Unskilled labour was priced at $ 5.00 in Namibia and at $ 8.08 in Malaysia (The New Era, 2-8 November 1995: 1).

It was stressed that one of the most important factors investors were looking for was an institutional environment where labour problems would be eliminated as best as possible. Whereas government saw the EPZ as a prime opportunity to attract foreign investment to Namibia and to create employment, the Unions contended that EPZ's were sweatshops in which workers were exploited. Government however pressed ahead with plans, "marketing" the EPZ concept by advocating the success achieved elsewhere (in particular in Ireland and Mauritius), in terms of job creation and foreign exchange income generated. The President in 1995 declared that Government was aware of the need to ensure that good labour relations were maintained in the EPZ, and that issues such as basic conditions of employment, termination of employment, disciplinary actions, and the health, safety and welfare of workers were of importance to EPZ workers as it was to workers outside of the EPZ. Compromise, however, was necessary to reach the broader goal of job creation (The Namibian, 30 May 1995: 1).

Once the EPZ was given the final go-ahead, the issue of determining the regulations that would apply to labour matters within the zone came under the spotlight. As regards this, there were again two opposing points of view: one in favour of applying the entire Labour Act of 1992, and the other in favour of only applying the 1992 law selectively.

Initially, it was proposed that the labour legislation that would apply in the EPZ would exclude the section of the Labour Act stating that strikes and lock-outs are allowed and would be considered legitimate action when all negotiations fail. In the EPZ, lock-outs and strikes were to be strictly prohibited. If lockouts did take place, company certificates would be withdrawn. Striking workers could be dismissed immediately (Die Republikein, 1 March 1996: 1).

The non-applicability of a section of the Labour Act was proposed out of fear that would-be investors could be frightened off if strikes were allowed. In spite of the fact that the labour Act would not be implemented in full, Government (through the Ministry of Trade and Industry) contended that the rights of workers would in no way be compromised.

The National Union of Namibian Workers (NUNW) learned about the suggested exclusion of part of the Labour Act in the EPZ only during the beginning of March 1995, and strongly opposed the suggested clause in the EPZ Act that banned strikes and lockouts. Following consultations with its members, the NUNW decided on court action to contest the establishment of an EPZ without applying the 1992 Labour Act in full. Workers were reported to have felt that, although they are in favour of employment creation, wanted protection, and they considered the 1992 Labour Act as their only security against exploitation (The Namibian, 16 June 1995: 5).

The official point of view of the union was that the suggested clause would be unconstitutional as it contravened and violated an essential part of the Labour Act as well as certain ILO conventions. The Unions contended that the right to strike is a fundamental and inalienable right. Should this be taken away, they vowed to discourage Namibian workers from working in the EPZ (The Namibian, 1 March 1996: 1). During the disagreement surrounding the implementation of the full Labour Act, the example of Zimbabwe was referred to, where government had initially wanted to exclude Unions from a proposed Free Trade Zone. This decision had later been reversed following a realisation that organised labour can in fact help to maintain required productivity standards.

Government and the NUNW in 1996 eventually reached a compromise by agreeing that strikes and lock-outs would only be prohibited for 5 years, starting from the date on which the agreement was reached. Companies are restricted in that their licenses will be revoked should they revert to lock out action. Similarly, workers could lose their jobs for striking. It is also forbidden for any workers or Union representatives to try to convince non-striking workers to strike. Today the EPZ Act 9 of 1995 prohibits workers from striking but also stipulates that workers' complaints have to be negotiated and resolved through a factory grievance committee. The Act states that the EPZ Management Company is to act as mediator in cases of labour disputes and deadlocks between EPZ companies and workers (refer Annexure A: Mr. Visser). It was agreed that the special clause in the Act would be relaxed after a 5 year period if the labour situation appears to be calm and there appears to be no serious threat of strikes. The Minister of Trade and Industry agreed that, should this be the case, the Labour Act would fully apply from then onwards. However, should the labour

situation appear volatile, Government will have the option of extending the 5-year period. In addition to this, it was also agreed to partially relax the section of the EPZ Act that denied an employee the right to a fair disciplinary hearing (The Namibian, 10 May 1996: 1, 14 May 1996: 1, and 17 May 1996: 1).

Controversy again followed this agreement as some union members afterwards claimed that the Union had only formally agreed to the compromise because government was affiliated to the NUNW (The Namibian, 17 May 1996: 1). The reply of the NUNW president to these allegations was that the EPZ in fact constituted an "essential service" and that employees should not strike for this reason. He at the time also stated that the agreement was an important achievement as EPZ workers would still have the right to negotiate, apply for the establishment of conciliation boards, seek arbitration and take their cases to the labour court (The Namibian, 24 August 1995: 1). The Minister of Trade and Industry denied that the process of collective bargaining was ever threatened. It was said that the only deviation from the Labour Act in the EPZ was that the dispute resolution was to be speeded up in the EPZ in order to avoid costly losses in production as a result of stoppages (The Windhoek Advertiser, 29 February 1996: 2).

7.2.1.1.1 Situation following the introduction of the EPZ Act of 1995

According to the Manager of the EPZ Management Company, experience during recent years has shown that prospective EPZ investors do in fact attach great importance to the labour situation prevailing in the EPZ, and that this is a major consideration when deciding to invest. As result of a decline in the real exchange rate of the Namibian dollar against the hard currencies such as the US Dollar, local labour has become comparatively cheap. However, the threat of competition from other developing countries that also boast comparatively cheap labour is set to intensify in future. Although it is important to ensure that workers are treated fairly, it is arguably just as important, if not more so, to attract investors by way of implementing regulatory controls that will to a large extent eliminate the possibility of labour unrest.

By the end of 1998 three labour disputes had taken place within the EPZ, all of which were related to wages, and all of which were resolved through negotiations with the

unions. The reasons behind this are somewhat difficult to understand, given that average wages in the EPZ are reported to already be roughly 10-15% higher than in the rest of the country in similar industries. Wages are even higher than that being paid in the fishing industry which has the reputation of being one of the best paid industries in the country. During the first years of its existence the EPZ has attracted a number of companies involved in the textile industry and high technology. A formally recognised union represents each of the industries. Of all the industries, the companies involved in the production of high technology products pay the highest wages (refer Annexure A: Mr. Visser).

EPZ workers receive wages together with pension and medical benefits. Social security contributions are deducted from wages. Of the 13 EPZ companies which had been granted EPZ status by mid-1998, only 5 had been fully functional at the time. A total of 550 workers had been employed, of which roughly 60% were women. Projections indicated that a significant number of jobs could still be generated through EPZ activities – during mid-1998 the goal was to have 4500 to 5000 people working within the EPZ by the end of 1999, although this figure appears inflated (refer Annexure A: Mr. Visser).

7.2.1.2 Labour Legislation : The Minimum Wage

7.2.1.2.1 The introduction of a minimum wage in the construction industry

A number of small strikes in the construction industry and ongoing accusations by workers against Chinese construction firms operating in Namibia led to the introduction of a minimum wage in Namibia during the mid-1990's. Workers working for Chinese construction companies felt they were underpaid and that their employers did not adhere to the local labour law – they received no overtime money, and were paid normal rates for work conducted on Sundays and public holidays. At the time of the strike at a site of one of these companies in Windhoek during May 1996, the going rate for general labourers was N$ 2.50 per hour, N$ 5.60 an hour for bricklayers and N$ 20 per day for a driver. During 1995 a case by workers against another of the Chinese companies, China Complant Group IV, a minimum scale of N$ 3.23 was agreed to in conjunction with productivity agreements, following legal action. The

productivity scales were, however, also adjusted - for example, while workers previously had to complete 25 sq. meters of plaster per day, the new scale had it cut to only 10 sq. meters per day (New Era, 14 September 1995: 1; The Namibian, 14 May 1996: 1).

The breakthrough agreement on the introduction of a minimum wage in the construction industry in Namibia, the first of this nature, was the culmination of ongoing opposition to the wages paid and the working conditions being adhered to by the large Chinese construction companies operating in Namibian. The aim with the minimum wage agreed to between the Construction Industries Federation of Namibia (CIF) and MANWU was to level the playing field in the building industry. The minimum wage is binding on all construction companies irrespective of whether they are affiliated to the CIF or not. At the time the minimum wage for non-qualified workers was set at N$ 3.08 per worker, and to keep up with inflation it will be regularly adjusted. The agreement excludes labour intensive projects. In addition to the wage minimum, agreement was also reached that provision would be made for workmen's compensation, social security and pension contributions. Prior to this agreement companies affiliated to the CIF had decided on a minimum wage, but they argued that this had resulted in unfair competition as those companies that were not CIF members paid much lower wages. CIF companies had thus been disadvantaged when they tendered for projects. (In a typical construction job about 40% of costs are labour related). Chinese firms were accused of paying even less than N$ 2.50 per hour, which enabled them to submit substantially lower tenders. Chinese companies were also accused of being subsidised by their government, thus boosting their advantage in the tender procedure even further (The Namibian, 15 January 1997: 1).

7.2.1.2.2 Experience with the minimum wage

Except for the information discussed in chapter, no information has been publicised with regard to the actual implementation of the minimum wage in the construction industry. Given the lack of available data, a small telephone survey was conducted among ten construction companies in Windhoek, ranging from small to large, for the purpose of gaining a general impression as regards to the way employers perceived

the wage. Those persons willing to discuss the issue limited themselves to general answers rather than providing detailed information, and asked to remain anonymous.

There appears to be general consensus on the fact that the companies willing to discuss the issue did not consider the minimum wage as a negative factor affecting the labour market. Most companies consulted considered the establishment of a minimum wage as a good guideline for them when it comes to determining wages. It did, however, become apparent that, although the companies surveyed all claimed to adhere to the minimum wage, there were no attempts from the side of government to actually monitor the implementation and enforce the law. In the largest construction companies, however, the unions are said to keep the wage levels in check. Two of the large companies stated that the introduction of a minimum wage had not significantly affected the number of people they employ. Many workers appear to be employed on a contract basis anyway, with the number of workers still being determined by the size of the project, the amount of work having to be done, and the timeframe, and not, according to the persons interviewed, so much by the wage.

7.2.2 Union Activity and Strikes

7.2.2.1 The TCL (Tsumeb Corporation Limited) Strike of 1996

7.2.2.1.1 General background of the two main parties involved

Gold Fields Namibia is an independent mining house, and a subsidiary company of the larger Gold Fields Group that also carries out mining activities in South Africa. The primary source of income to the company in Namibia is obtained from its wholly owned subsidiary Tsumeb Corporation Limited, better known locally as TCL. TCL operates gold mines at Kombat and Khusib springs and a copper and lead smelter and refinery at Tsumeb (all located in the north of the country). TCL also manages the Otjihase mine in the Tsumeb area in which it holds a 70% interest (Gold Fields Namibia Annual Report 1996: 2).

The MUN (Mineworkers Union of Namibia) has become a powerful union since its formal inception in 1986. In 1988 the MUN signed a recognition agreement with

CDM (the largest diamond mining company in the country) which provided for all aspects of collective bargaining and employment relationships. The MUN then continued to strengthen its stronghold on mining companies by negotiating recognition agreements with the two other largest companies in the country – Rössing Uranium and TCL. By 1997 MUN had signed recognition agreement with all mines in the country (Addition to The Namibian, November 1996: 2).

The MUN has complained publicly that labour relations in Namibia still have a long way to go: "Labour relations in Namibia are far from being perfect. Racial discrimination, unfair labour practices, mass dismissals and even sheer exploitation are quite common in various mining companies." (Addition to The Namibian, November 1996: 2).

One of the longest and most costly strikes in Namibia this century took place at the TCL mines and smelter complex from 22 August 1996 to 5 October 1996.

7.2.2.1.2 Background to the 1996 strike

Earlier, during April 1996, TCL determined that the minerals at Tsumeb's De Wet shaft had been exploited to its full potential, and that about 400 workers would have to be retrenched as a result of this. Only the copper smelter was to remain functional. At the same time negotiations on the salaries of the remaining 2600 workers started. The company offered wage increases of only 7%, contending that the very bad copper price at the time made it impossible to give the workers higher increases. This annual review between the company and the Mineworkers Unions of Namibia ended in deadlock about wages and other conditions of employment after mediation failed. Even the establishment of a Conciliation Board did not contribute to resolving the problem (refer Annexure A: Mr. Groenewald).

TCL then attempted to break the deadlock by offering workers medical aid as most workers did not have that, but the MUN allegedly was not interested. There were some feelings voiced that the MUN from its side was only going through the process of mediation in order to eventually be able to call a legal strike. One of the big problems with the issue of wage increases was the fact that TCL was in fact being run

from Johannesburg, and that the local managers had limited power when it came to deciding on the wage increases. (Rumour had it that the local General Manager had in fact been willing to raise the company's offer from 7% to 10% from the outset).

7.2.2.1.3 The Strike itself

On 7 August 1996, a Conciliation Board had been established to resolve the wage increment issue. TCL was offering 7% while the MUN insisted on 25%. On 15 August the Conciliation Board met and a deadlock was formally declared. On 22 August, earlier than notified to TCL, mineworkers at TCL downed tools demanding a 13.5% wage increase. Approximately 1341 workers were involved in the strike, 1313 of whom were union members. One of the workers noted that they considered the strike as an opportunity to "effect change at TCL, and to break the chains of slavery". The then Minister of Labour at the time allegedly also said "TCL is like a snake whose head must be crashed"(The Namibian, November 1996 special edition: 3). The workers picketed and took control over 3 mines – Tsumeb, Kombat and Otjihase. These three mines were the main base metal producers in Namibia (refer Annexure A: Mr. Kassen).

Striking workers ordered non-striking workers and management away from the operations and off the premises, and prevented them from gaining access thereafter. Some non-striking employees were assaulted. In response to the striking workers TCL immediately obtained an urgent interim court order. The fact that a court order was issued without the union having been given an opportunity to present its case contributed to the MUN's opinion that the labour courts were biased towards the employer (Addition to The Namibian, November 1996: 8)

The urgent court interdict in the labour court to have the strike declared illegal was an effort by the company to regain access to the mines as time was of the essence: the company was pressed for time as flooding was an immediate threat to the mine chambers. The Kombat mine started flooding at a rate of 700 cubic metres an hour within the first day of the strike. Flooding also occurred at the De Wet shaft in Tsumeb. (During 1988 when the Kombat mine was flooded it took about 15 months to remove the water from the mine, and cost N$ 25 million). In addition to the problem

of flooding, the copper section of the Otjihase mine was cooling down. If the copper smelter were to reach a temperature low enough to allow for the molten copper to settle and become hard, the furnaces would be of no further use and would have to be replaced at a cost of more than N$ 20 million.

Workers were aware of the high cost associated with having to de-water the mines, as well as the replacement costs of damaged equipment, and contended that it would in fact be cheaper to pay them the 13.5% increase they wanted. However, TCL's management contended that the company could not afford 13.5% increases as the copper market crashed in June 1996, resulting in a steep price decline from US$ 2500 a ton to just over US$ 1800 per ton. The company had not been doing well even before this - since 1989 no dividends have been paid out to the shareholders of Gold Fields Namibia. The union did not accept this official stance of the company. The union was of the opinion that TCL had been mining in Namibia for nearly 100 years at the time, and claimed that it knew TCL had built up financial reserves prior to the price crash and could thus afford the increases. The MUN therefore stated that it still felt they had to negotiate a wage increase.

The MUN responded to the above interdict by fighting it in court, and successfully managed to have it suspended until the issue of the legality of the strike could be settled. The MUN also alleged that TCL had attempted to have the MUN leadership arrested for refusing to comply with the initial court order. The court however ruled that it would not hear the case before the court proceedings regarding the legality of the strike had been finalised, something the union regarded as a victory (Addition to The Namibian, November 1996: 6).

Workers considered the strike not only as action to achieve better increases, but also as an opportunity to change the entire existing system – they claimed labour and working conditions were appalling. One of the major concerns were however the issue of wages – apparently senior workers with as much as 34 years working experience for the mine were being paid N$ 541 per month (Addition to The Namibian, November 1996: 8) .

Following the declaration of the strike on 22 August, the Labour Commissioner was called in to mediate on 23 August, but with no effect. On the 27th of August this was followed by an attempt from the Deputy Ministers of Labour and Home Affairs to mediate (on instruction of the Prime Minister). Again, however, no solution could be negotiated. Two independent mediators, one from TCL and one from the MUN, were called in to assist during September 1996, but again no agreement was reached (refer Annexure A: Mr. Kassen). Mediation talks failed apparently because of mistrust between TCL and the MUN, and the fact that each party came with its own agenda. The official union position was that the strike could have been avoided if TCL had come to the negotiation table in good faith and with a more flexible stance. Contrary to the union officials who declared that their mandate was negotiable (hence their willingness to lower the 25% demand to 13.5%), TCL allegedly came with a fixed proposition.

The MUN suspected TCL's attempts at mediation as a delaying tactic. While the Union said it wanted to focus on solving the wage dispute, TCL first wanted one week's access to their mines to assess the damage. This was agreed to. Following an assessment, TCL allegedly informed the MUN that the company was withdrawing its 7% offer, and instead was willing to pay out a lump sum of money that could be divided among the workers

As the strike continued workers brought old grievances to the fore. Amongst these issues was that regarding a Smelter Safety Manual that allegedly contained racial references. TCL denied the existence of such a manual and allegedly contended that the workers referred to an old manual that was probably issued in the 1960's or 1970's when TCL had different owners and when apartheid legislation still provided for job reservation. The management contented that the old manual was not used by them and had been replaced by a new one, an argument that MUN rejected. The recognition agreement between TCL and the MUN apparently states that TCL and the MUN must negotiate manuals. A further complaint from the union was that there were no black people in managerial positions at TCL. (Addition to The Namibian, November 1996: 7).

The workers also accused the company of not wanting to negotiate in good faith and called on Gold Fields Namibia to leave the country, as well as government not to renew the mining licenses of TCL. The mine management was accused of arrogance and of being unwilling to disclose financial information during the process of collective bargaining. The MUN negotiators felt they had not been given the correct information and that this sabotaged the bargaining process. A culture of mutual trust appeared lacking between the negotiating parties. In spite of the action called for by the union, the Permanent Secretary of the Ministry of Mines and Energy at the time stated that government did not intend to take the drastic step of revoking mining licenses. It was believed that such a move would have far reaching effects on the workers and the economy of the entire country. TCL responded to union demands of withdrawal by stressing that it had invested N$ 45 million in 2 major metallurgical projects in the country and that they intended to make good on their investment (Addition to The Namibian, November 1996: 3).

In an effort to prevent the strike from continuing further, TCL stopped all water and food supplies to the TCL hostels. However, the MUN was the first union to formally establish a strike fund (called the National Strike Fund) in 1994. The purpose of this fund was to sustain members and their families financially during strikes. When TCL cut off water and food supplies an amount of N$ 0.5 million was paid out and divided among the workers for exactly this purpose (Addition to The Namibian, November 1996: 3).

When the strike entered its fourth week with no apparent solution to the dead-lock, government authorised the Prime Minister to intervene directly by acting as mediator. It was only when the Prime Minister became personally involved in the process of mediation that a settlement was concluded on the 5th of October 1996. The final agreement determined that workers would receive a 10.5% wage increase, backdated to 15 July of that year. The MUN agreed to the company's offer of a minimum wage of N$ 500 dollars for such categories as grade 14 workers (unskilled) and an 8% wage increase for every worker earning more than the basic wage. The agreement also determined that a new wage curve would be implemented which would automatically correct wage adjustments in future. Further to the wage increases, it was agreed that a number of workers would still be retrenched in accordance to what had been decided

even before the advent of the strike. The acting president of the MUN claimed that TCL had initially not been willing to compensate retrenched workers, and that the appeal to the labour court to declare the strike illegal had been a ploy to allow TCL to dismiss workers without giving them retrenchment packages. Although the retrenchments would go ahead, the union was of the opinion that they had won the battle in this respect as the agreement concluded that workers would indeed receive some form of compensation. Roughly 1000 retrenched employees would be transported to their homes at the company's cost (about N$ 100 000). It was determined at the time that the mines would only be fully operational again by January 1997. (Addition to The Namibian, November 1996: 4, 6; Gold Fields Namibia Annual Report 1996: 5).

7.2.2.1.4 After the strike

The TCL strike lasted 6 weeks. As a direct result of the strike considerable damage was done to the copper furnace and some of the mine chambers flooded. It took roughly 2 months to repair the badly damaged copper furnace, with production only commencing in December 1996. 1996's after tax profit figures for the company was N$ 12,4 million, down from N$ 25 million in 1995. TCL's operating loss of N$ 44,2 million was however offset by an insurance pay-out of N$ 25 million. The De Wet-shaft of the Tsumeb mine was closed in June 1996, several months before the strike, and the open pit and upper levels of Tsumeb was not re-opened after the strike.

A total of 16 weeks of production was lost as result of the strike. This 4 month loss contributed to total ore milled declining by 23%, compared to what it had been in 1995. Copper recovered in concentrates decreased by 32% to 17 910 tons, whilst lead recovered in concentrates decreased by 29% to 7 153 tons. The collapse of the copper price and the strikes contributed to the rasionalisation that resulted in the permanent closure of the open pit and upper level mining operations. These mining operations had previously been scheduled for closure in December 1996 and mid 1997 respectively. As a result of the freezing of the furnace during the strike period, the production of blister copper was halted. The furnace was rebuilt during October and November of 1996 and was re-commissioned in December 1996, but blister copper production fell by 31% to 20 705 tons. The lead sinter plant and blast furnace were

not re-commissioned after the strike and resources were concentrated on completing the new lead smelter. Refined lead production for the year fell by 30% to 18 845 tons (Gold Fields Namibia Annual Report 1996: 3, 4).

On 18 April 1998 all TCL operations were closed down following an application for a preliminary liquidation. The Company had been making an operating loss for the 15 month period preceding the liquidation application. Monthly operating losses were quoted to have been roughly N$ 5 million per month, while the monthly wage bill in itself amounted to more than N$ 7 million. The main reasons for the poor financial performance of TCL was given as the slump in copper prices and flooding of the Kombat mine. On final liquidation all mineral rights will revert back to the state (Die Republikein, 30 April 1998: 2).

In mid-1998, during the liquidation process of TCL, a local newspaper quoted an amount of N$ 38 million having been paid over to the 1935 (retrenched) former employees of TCL, plus an additional N$ 7,9 million for salaries for April 1998 (Die Republikein, 1 June 1998: 1). Although a number of companies put in offers to buy TCL, the frontrunner was quoted in the press during February 1999 as being an Australian mining company which offered to buy TCL as a going concern. By June 1999 a newspaper article appeared in which it was hinted that what was left of TCL would be sold for a paltry N$ 76 million to a newly formed Namibian mining company, but that the deal had not been finalised (Die Republikein, 6 July 1999: 1).

7.2.2.2 The Meatco Strike of 1997

7.2.2.2.1 Background to the strike

In September 1997 some 800 workers at Meatco (The Meat Corporation of Namibia) went on strike at the company's premises in Windhoek and Okahandja following a wage dispute over annual adjustments. This was only a month after labour unrest had flared up regarding the same issue. Workers insisted on an average wage increase of N$ 100 per worker. This amounted to an additional 8% wage increase over and above the 7% already granted earlier, and they wanted the increases backdated to the 1st of March 1997. For persons receiving wages that exceeded N$ 1 500 per month the

union demanded wage increases of 4%. Further to the above, the top management of Meatco was to be replaced and nine workers who had allegedly been dismissed unfairly were to be reinstated.

Meatco today contends that it followed internal procedures as well as those prescribed by the Labour Act to the letter. In the opinion of Meatco management the strike was illegal as it did not commence after 48 hours of giving notice, but only after 5 days. The case was however thrown out in court, as the court was of the opinion that workers only had to give notice within 48 hours, but not necessarily act on this. An application of appeal has, however, been granted to the company (refer Annexure A: Mr. Nanub).

At the time, however, Meatco considered the strike as illegal, and subsequently threatened workers with immediate dismissal. Non-striking workers were prevented from entering the factory in which slaughtered cattle were still hanging on the slaughtering line in the cool rooms. Meatco applied for and was granted an urgent interdict in the High Court that determined that striking workers would not be allowed to intimidate non-striking workers or to prohibit them from entering the premises. The union was formally instructed not to intervene in any way in the normal working functions of the company and members were not to be present on the premises of Meatco for any reason other than the execution of daily duties (Die Republikein, 4 September 1997: 1).

Following ongoing negotiations between the union representatives and company officials, the union formally ended the strike on the 12th of September 1997. Controversy, however, continued to surround the settlement as union leader Aloysius Yon at the time contended that Meatco had a bank account in London with N$ 235 million which could have been used to pay workers' increases. He also stated that Meatco had decided beforehand that it wanted to close certain factories, and therefore had only been looking for reasons to dismiss workers. (Die Republikein, 4 September 1997: 1, 12 September 1997: 1).

7.2.2.2.2 After the strike

As a result of striking workers preventing people from entering the premises, the carcasses that had been hanging on the slaughtering line for the duration of the strike (twelve days) had become rotten and had to be removed and burned. The value of meat lost owing to the rotting of carcasses only was estimated at a N$ 100 000. Much more importantly, however, as a direct result of this strike, Meatco lost its European Union approval and had to re-apply for the status of an EU meat exporter. This re-assessment stage took several weeks to complete and resulted in Meatco losing substantial amounts of money owing to the fact that all slaughtering operations had ceased during this period, and thus also meat exports to the EU (Die Republikein, 12 September 1997: 1).

Another interesting development is that, following the retrenchment of a significant number of workers during difficult financial times experienced in the mid-1990's, Meatco now only takes on additional workers during seasonal upturns. Such workers (about 300 normally) are given monthly contracts and receive only a cash wage, but no other fringe benefits. As work is so scarce this has not resulted in a shortage of persons seeking employment (refer Annexure A: Mr. Nanub).

7.2.2.3 The Hartlief Strike

During September 1995 a 12 day strike took place at Hartliefs, one of the largest meat processing factories in Windhoek. Some 244 workers resorted to illegal strike action on the 9th of September when it appeared negotiations regarding wage increases had reached a dead end. The strike was marred by violence against non-striking workers from the outset. Hartliefs immediately turned to the labour court for an interdict to force striking workers to refrain from intimidating non-strikers. Following a threat by the company to dismiss all striking workers, most turned up and signed on for work, but in effect just stood around and did nothing.

During the negotiations a salary adjustment of N$ 90 was offered, although annual bonuses would not be paid out. The union, however, wanted a N$ 115 increase across

the board as well as have an agreement drawn up to force the company to refer certain terms of employment for arbitration (Die Republikein, 20 September 1995: 1).

Striking workers were also accused of holding hostage 22 non-striking employees for 5 hours on the premises. Striking workers in turn claimed the police treated them violently in what should have remained only a labour dispute. Rubber bullets and teargas were fired. A spokesperson for the Namibian Food and Allied Workers Union (NAFAU) alleged that workers were picketing peacefully when they were attacked by the police. The union accused the police of acting unlawfully as the strike was legal.

The union gave the company 48 hours notice of the strike. Hartlief in its defense noted at the time that striking workers were receiving N$ 700 a month as wages, transport to and from work, two meals per day and pension contributions, totaling a package of about N$ 1075 (The Namibian, 11 September 1995: 1).

A Conciliation Board that was established to resolve the dispute was dissolved following two meetings during which negotiators failed to reach an agreement. In spite of this, parties were eventually able to reach a final agreement. This entailed that workers signed away their right to annual bonuses, and lowered their demand of a N$ 115 per month wage increase to N$ 100 per person per month (Die Republikein, 24 September 1995: 1).

7.3 Conclusion

The case studies point to a number of important aspects concerning intervention in the labour market.

Press clippings and personal interviews with knowledgeable parties suggest that government and the private sector acknowledge the important role of unions in a democracy, even though they could be considered to represent economic costs. A number of organised strikes have taken place since the introduction of the 1992 Labour Act, hailed by workers and employers alike as a comprehensive framework for measuring and protecting their rights and responsibilities. From the number of

strikes that have taken place and the publicity that has surrounded this, one could perhaps draw the following general conclusions:

a) Given the history of labour in this country, and the important role politics have played, there are close historical ties between the unions and the SWAPO government. This has at times put government in a difficult position, as it now needs to act in an unbiased matter towards both workers and employers. While private sector employment creation is of extreme importance, government has a responsibility to assist in eradicating disparities in the labour market and to see to it that human rights are not infringed. Although attempting to remain in the background, pressure has come from both sides: government has been accused of according unions more power than was granted to them through the 1992 Labour Act, while unions have blamed government for not doing enough to improve the situation of workers. Government has, however, at times deemed it necessary to act in the overall interest of the country, as is evident from the efforts to draw foreign investment to the EPZ. It has, however, attempted to strike a balance between the need to create new jobs and the demands of labour, which considered the EPZ's as "sweatshops" where labour is abused.

b) In spite of attempts to intervene as little as possible in labour disputes, this has proven difficult. Arguably the best example of the "negotiating power" of government has been the TCL strike where a solution was only agreed to once the Prime Minister formally mediated and allegedly flexed some political muscle. Although the procedures prescribed in the Labour Act are adhered to, there have been some complaints concerning the fact that parties often act in bad faith as they participate in "in-house" negotiations and even formal procedures such as Conciliation Board negotiations as prescribed by the Labour Act, while their ultimate goal is to go through the formal process in order to be able to declare a legal strike. Hence government's intervention by way of instituting the Labour Act is made less effective by misuse and loopholes which still need to be addressed and amended.

There remains a high degree of mistrust and miscommunication between employers and workers. Workers have accused employers of not sharing financial information

with them, while employers have in turn blamed workers for not having realistic wage demands, given the prevailing economic situation in the country. This is likely to continue for some time to come, as many union members do not have formal education, and perhaps have too little insight into economic and financial matters. To solve this problem it is imperative that management shares information and include workers to a larger extent in decision making processes.

c) By the beginning of 1999, more than two-thirds of strikes that have taken place in Namibia have in some way been wage related. This is perhaps understandable given the high income inequality between different ethnic groups. It appears that workers are highly dependent on a cash income, hence greater importance is being attached to the issue of wages than aspects such as working conditions. The focus on wage issues could also indicate that there is a lack of knowledge regarding fringe benefits.

d) Cause for concern is the occurrence of militant and violent action during strikes. In a number of the strikes that have taken place since 1990, non-striking workers have been intimidated and in some cases even physically prevented from working. This is neither in line with democratic practice nor with the prescriptions of the Labour Act, and again points to the fact that although government may have good intentions regarding intervening through the Labour Act, such intervention is not always respected by all parties.

As regards the issue of the Export Processing Zone, it should be kept in mind that government has an obligation to "intervene" in the normal workings of the labour market by encouraging the creation of employment opportunities, and in doing so by reducing inequality. Economic development has for decades been heavily influenced by pre-Independence political and social factors, and this has given government a moral obligation to intervene. Furthermore, in a country such as Namibia where the job creating potential of most of the primary sector activities has been saturated, government has had little option but to focus on developing the manufacturing sector and encouraging exports. At the same time it has an obligation to put a regulatory framework in place to ensure that parties are treated fairly and that consideration is given to aspects such as occupational health and safety.

The minimum wage is likely to remain a contentious issue in Namibia. As the issue of the minimum wage is seldom raised by the press, public debate on this subject has been limited. There have been calls from certain union representatives for a minimum wage in sectors such as agriculture and retailing, but other representatives and labour leaders have at the same time dismissed such a move as virtually impossible to monitor. Generally, there appears to be a widespread perception that by implementing it in the agricultural sector, where cash wages are reported to be extremely low, it could result in large scale lay-offs of workers who have little hope of finding alternative employment in a country where unemployment is already rife. It is therefore considered a politically sensitive issues and will in all likelihood remain so in the foreseeable future.

8. Conclusion

The purpose of this study has been to review factors affecting the cost of labour and ultimately employment, with a particular emphasis on the effect of labour standards and labour market institutions. It has been argued that labour market institutions are the result of a combination of economic, social and political forces. The type of instruments introduced, the timing of their introduction and the manner in which they are applied to a large extent reflect government's perception of the needs and expectations of society - not only economic, but also political and social needs. As government is responsible for addressing certain important issues (e.g. the fair and humane treatment of workers), the effect of such institutions should not always be judged on economic merit only. It has been argued that Namibia is an excellent example of a country where this is precisely the case.

A great number of economic theories have been posited in order to explain how wages are determined. Theories such as the marginal productivity theory based on the idea that wages reflect productivity, bargaining theories based on the power of parties to negotiate wage levels, as well as supply and demand forces have remained popular in explaining the above, albeit only in part. What is evident is that a combination of factors, including those factors explained by way of the abovementioned theories, may influence wage levels and also levels of employment. As market forces function within a social setting, institutional forces, including ones "artificially" created by government can have a significant impact on wages and employment .

Arguably, the welfare state is one of the best examples of how governments during the past century have attempted to reconcile economic, social and political interests. The social security system and the income support it provides have often been regarded as the foundation stone of the welfare state. With the institutionalism of the welfare state, governments have increasingly become involved in providing marginalised groups both with social insurance and social assistance. Although the modern welfare state was designed mainly to take care of persons incapable of working, the problem of jobless economic growth has also impacted on welfare state

policies and has led to the respective institutions representing the labour market and social policy becoming increasingly interwoven.

Government intervention in the economy remains a controversial topic, with opposing viewpoints as to how government should intervene and the extent to which it should intervene, although there appears to be some common ground in that there is agreement that intervention to ensure very basic standards seems justifiable. One of the most common ways for any government to intervene in the labour market is by way of introducing regulations aimed at protecting the rights of workers. By determining certain basic standards with regard to, for example, working conditions, governments deliberately intervene with the natural working of the market mechanism.

Economic literature often refers to labour standards as representing rigidities or distortions that impede the functioning of the market. Excessive protection of the workforce is believed by many to only benefit a selected group, while damaging the long term prospects for employment creation. Others have, however, pointed out a more positive role for labour standards in creating trust between employers and employees.

In both industrialised and developing countries labour market institutions and the regulatory frameworks associated with them have been attacked by those advocating more flexibility. World Bank economists in particular have been critical of labour legislation and regulations in certain countries, as they see it as inhibiting the capacity of labour markets to adjust to changing circumstances.

Neoclassicists contend that employment and wage matters should be left to the working of market forces as policy interventions will over the longer term only result in inefficiency. Neoclassical economists in developing countries have argued that enforcing "first world" labour standards in developing countries will contribute to protectionism and will markedly reduce export opportunities for these countries. Their main argument is that policy should rather focus on outcomes than on procedures, and that the market mechanism offers the optimal outcome.

Converse to the general World Bank viewpoint, the ILO argues that by acknowledging human rights, social justice and better economic outcomes are ensured. They contend that labour standards are required, provided that the level and kind of regulation that will not impair the functioning of the labour market.

This study has put evidence forward regarding the introduction and impact of collective bargaining, the minimum wage and social security in both industrialised and developing countries. Whereas the former may directly affect the price of labour, the latter has a more indirect effect in that contribution to social security represents additional non-wage labour costs to the employer.

Collective bargaining is viewed by many as one of the core labour standards, based on a moral imperative. Different views have been presented with regard to the effect of collective bargaining, namely that centralised bargaining does not exacerbate the unemployment problem, that the hump-shaped solution of both centralised and decentralised bargaining are advantageous to employment levels (Calmfors and Driffil, as cited in Soskice), or that neither centralisation nor decentralisation but rather the level of coordination is what matters most.

Unfortunately most studies investigating the effect of collective bargaining structures on employment and wages have been conducted in industrialised countries, and not in developing countries where statistical information remains lacking. In industrialised countries evidence has suggested that labour market institutions are in the process of adjusting to the changing global economic conditions. Centralised bargaining structures have to a certain extent been decentralised. Although there are advantages associated with decentralised bargaining, in practice this decentralisation of bargaining could result in lower wage increases for unionised workers and less headway with regard to the improvement of working conditions. Measures such as temporary and short term work contracts have become popular in industrialised countries during recent years, and all form part of a trend to lower wage costs by limiting fringe benefit payments, and reducing job security, thereby increasing flexibility in the labour market.

In Europe institutional arrangements have been blamed for creating rigidities that have reduced the flexibility of the labour market and have made it slower to adjust to economic shocks. Measures to enhance flexibility have included dropping employment security measures (for example by way of taking on only temporary workers), as well as encouraging decentralised bargaining. This has resulted in savings for firms in terms of the non-wage costs associated with employing a worker on a fixed, indefinite term basis, and is credited for allowing firms to shed workers more easily during periods of economic downturn.

In general, the development of collective bargaining structures in developing countries has been hindered by the fact that governments have extensively intervened in the labour markets, and that unions have had limited bargaining power. In Asian countries such as Malaysia and Korea, governments have deliberately controlled union power in order to keep wage levels low, thereby enhancing the competitive pricing of export products. In Latin American countries unions have generally been stronger and better organised than in Asia. However, even here the effect of negotiated settlements has been watered down by the fact that in many countries such as Columbia and Ecuador formal legislation was never introduced to back up the negotiation process, or guide the process itself. For example, employers are not obliged by law to negotiate. What has been found, however, is that although there is also a trend towards decentralisation, collective bargaining has had one big advantage in that it has raised certainty in the labour market. In Africa, government intervention in economic and labour issues has traditionally been high. Unions have historically not been very strong, but have rather cut across tribal lines and in doing so helped the workforce to present a united front when it came to labour issues. There is a perception that union membership in many African countries grew less than expected once countries were taken over by democratically elected governments. This loss of interest in joining unions has to a large extent been attributed to the limited power unions have had to negotiate better wages and working conditions for their members. Ironically, in many countries, the retrenchments and decline in formal sector employment have been attributed to structural adjustment programs and other external economic factors over which unions could have had little control. Another factor has been that, as the result of democratisation, workers have lost their common objective, namely to present political opposition to colonial forces.

With regards to its stance towards the development of labour market institutions, it seems apparent that the Namibian government, although respecting free market principles, has deemed it necessary to intervene both by way of introducing new labour market institutions and by adapting those that already existed at the time of Independence.

Most of the labour policies and legislation enacted by the Namibian government since 1990, and in particular the collective bargaining structures introduced, has been aimed at promoting sound labour relations, the fair and equal treatment of all workers, and, in order to wipe out the significant inequality with regard to income, the wage levels of workers belonging to formerly disadvantaged groups. This has been in response to the fact that, during the decades running up to Independence, labour relations and virtually all aspects of the labour relationship were governed by institutional forces reflecting apartheid policy. These forces in many instances overrode all other factors influencing the labour relationship. Attempts have in general been aimed at drawing formerly disadvantaged and marginalised groups into the mainstream of the economy.

Although no data is publicly available specifically with regard to the impact of collective bargaining on wage levels and employment in Namibia, the general impression is that, similar to the case in countries such as Chile and Uruguay, the legal collective bargaining framework introduced through the 1992 Labour Act has contributed to certainty and greater coordination in the labour market. Collective bargaining, the fact that unions have been legalised, and the fact that membership is open to all workers, have put workers in a position where they have been accorded collective power and can theoretically negotiate better outcomes as regards wages and working conditions than had previously been the case. Given the fact that they did not have access to such mechanisms prior to Independence, the negotiated wage settlements since 1992 may have been lower without workers having access to this mechanism. Although the tripartite concept has not yet been implemented fully, arguably because of the fact that the ruling party and unions are as a result of their close historical ties perhaps still more sympathetic towards each other's causes, Namibia appears to be on the right track. Notwithstanding the fact that some of the aspects relating to collective bargaining and the Labour Act may not carry favour with all interest groups, it is unlikely that government will allow controversial changes

which could result in "bad publicity" internationally. Government has never made a secret of the fact that it understands how important foreign investment is for future economic growth.

Minimum wages have not proved particularly popular in industrialised countries, arguably because collective bargaining structures are well developed and present a more "sophisticated" means of determining wages and working conditions. Generally, in developing countries where collective bargaining has not been well developed, the minimum wage has been treated as an inferior form of collective bargaining. It has been found in many of these countries that the "minimum" as soon as it is introduced in fact becomes the "maximum" wage paid.

The influence of minimum wages has been negligible in many of the industrialised countries, in part some have argued, because it had only been introduced in certain sectors of economies. Nevertheless, one of the industrialised countries where minimum wages have been introduced sectorally is the United States, and even here research has found that the effect of minimum wages has been contradictory. Surveys have generally suggested that it has had little to no impact on employment, while empirical analysis has suggested that it has in fact had a negative effect on employment.

In developing countries there has been a perception that introducing sectoral minimum wages would be the best way to achieve economic stability and reduce inequality. In Africa in particular the minimum wage has proven popular as a means of reducing inequality. It has, however, also been introduced in order to achieve other objectives, as in the case of Botswana where the initial aim was to lift urban wages to the same level as that of rural farmers so as to discourage rural-urban migration. Studies in Botswana suggested that the minimum wage did not present as much of a drawback to economic growth and employment as did other problems such as the transport of produce to markets, etc. With regard to the South African labour market, it was suggested by Standing and Sender in 1996, in a controversial ILO country study, rather to focus on the issue of a social wage, although they also did acknowledge that there were some advantages to introducing a minimum wage. The

idea of focusing on a social wage entails determining a socially acceptable subsistence level of income, rather than a fixed minimum cash wage.

In general, the minimum wage appears to have had little impact on reducing inequalities in Africa and Asia, or on reducing employment. It could be argued that one of the most important reasons for this has been that it had not been the right instrument to achieve the initial objectives of the respective governments. Also, the minimum wage has often been set at such low levels that it could have no significant impact. In Latin American, where the minimum wage has been very popular, its main objective has been to combat the effect of high inflation. However, this has necessitated regular adjustments which have often not taken place. Even in countries where it has been adjusted as often as once or even twice per annum (for example Brazil, Argentina and Chile), the effect of it has been negligible, the reason being that legislation and administration have not been in step. Again, in countries such as Puerto Rico where it has been adjusted regularly and enforced, it has impacted negatively on employment.

It is difficult to determine the effect of the minimum wage on employment in Namibia. Since the introduction of the minimum wage in the construction industry in 1996 in Namibia it has been adjusted twice. As inflation has not had such a significant effect on wages as has been the case in Latin America, these two adjustments seem reasonable. In a telephone survey conducted among construction companies in Windhoek (refer chapter seven) it came to light that most medium-sized and larger companies did not have a problem paying the minimum wage. Most of the companies interviewed employ workers mainly on a contractual / part time basis, and noted that they have continued to take on the number of workers necessitated by the building contracts they have been given, even after the minimum rates were introduced. The different minimum wages for the respective categories of workers was agreed to following a process of tripartite negotiation, hence it comes as no surprise that employers did not feel that wages were unduly high. Also, the construction industry has been hard hit by the high interest rates and the slowdown in economic growth in Namibia during recent years. Hence one could perhaps argue that during negotiations, government, employers and workers have all been aware that employers would not be

in a position to pay unrealistically high wages, and have to a certain extent taken this into account.

In most industrialised countries governments provide extensive **social security** coverage to citizens, including insurance against unemployment. As a large percentage of the population is formally employed and hence able to contribute regularly also to private social insurance funds, income security appears to be much less of a problem than in developing countries. The latter group generally find themselves not in the financial position to afford high levels of social assistance, nor can they provide extensive social insurance benefits.

As is the case in many other developing countries, introducing social security systems modeled on those found in industrialised nations would be an inappropriate choice for Namibia. The reasons for this include that, compared to most industrialised nations, poverty and unemployment is much more common in developing countries, insurance and credit markets are generally not well developed (although this cannot be said for Namibia, where as a result of the country's strong ties to South Africa these markets have developed well), and rural administration is hindered by logistical problems.

Efforts by the Namibian government to address the wrongs of apartheid have included raising social expenditure on health, education and housing, as well as introducing new and adjusting existing social insurance and social assistance. In order to assist marginalised groups, and as part of its commitment to encourage the development of financially independent institutions assisting with income security, government promulgated a Social Security Act in 1994, the application of which is overseen by a Social Security Commission. It is mandatory for all workers and employers to belong to the funds that have been launched by the Social Security Commission. Such funds have been introduced mainly in order to provide an inexpensive option for the poorest group of workers, most of whom would not qualify for the private sector pension funds and medical aid offered by most of the larger private sector institutions in Namibia. Notwithstanding attempts to improve the income security of marginalised groups in Namibia, poverty remains one of the greatest problems facing the country. Generally, the coverage of labour market regulations in developing countries has remained a problem, given the high degree of segmentation in the labour markets.

Namibia is a prime example of such a highly segmented economy, with coverage limited to the relatively small percentage of the population formally employed. As job opportunities in the formal sector in general have been growing at a much slower pace than the number of persons entering the labour market, informal sector activities has grown significantly. However, most labour regulations do not apply to informal sector workers: they are not organised in unions, nor are they protected by regulations pertaining to wage bargaining. Working conditions are not determined according to work contracts, workers are not protected from unfair dismissal, nor do they have any power to improve the health and safety conditions of their working environment, no minimum wage apply and workers younger than 60 years of age have no access to the income security provided by the state, to name but a few examples.

In many developing countries, and in particular Namibia, politics has arguably been the leading factor affecting the development of labour market institutions. A great number of countries in which labour had been exploited prior to new regimes taking over political control, have focused efforts and money on trying to compensate for such exploitation by way of introducing extensive labour market regulations. This holds true for countries such as Namibia and Malaysia where governments have focused on eradicating labour exploitation allowed under previous rule. Although the heavy regulation in some developing countries is associated with high costs, it is very much a moral and political issue, hence the fact that the high costs are often viewed as of secondary importance, should the initial objectives behind the introduction of such instruments be achieved.

All-in-all it appears that although there is merit in intervention on the side of government, such intervention is often not successful as a result of a number of factors. There are not only physical, but also psychological, social, political and economic elements involved when it comes to labour and this makes it all the more difficult to intervene in a way which will be acceptable to society at large. People need to buy into any changes brought on by government. Furthermore, intervention in the labour market is complicated by the fact that there is a financial and monitoring or "policing" aspect to processes, and that without either of these aspects no form of intervention is likely to be fully successful. This appears to be the case in Namibia at present. Although government has tried to accommodate these parties, but in

particular workers, through a new Labour Act, minimum wage legislation and social security coverage, neither employers nor workers have been fully convinced of the merits of tripartism.

One could argue that the fairly high degree of intervention during most the 1990's is acceptable as Namibia is to a large extent still in a "transitional" phase with regard to many political and socio-economic aspects. However, over the medium to longer term it will be imperative to establish a balance between accommodating the needs of workers and the need to ensure sustainable economic growth that would facilitate the creation of more jobs.

It appears that up to the present labour market flexibility has not been very high on the official agenda. During most of the 1990's government has sought to introduce labour market institutions that would address the issues of the humane and fair treatment of all workers, as well the high income inequality. This has to a certain extent taken priority over issues such as the need to increase flexibility in order to adjust to the changing international economy. The first sign of government "acknowledging" the extreme importance of foreign trade and the development of the export sector could perhaps be considered to have been through the introduction of the Export Processing Zone regime.

As noted in chapter three, the initial objectives with introducing labour standards are of great importance. One cannot help but reflect on the statement by Fields (as cited in Plant 1994: 79), albeit also highly controversial, that the lack of labour standards in the Far East has facilitated economic growth, which has in turn created a vast number of new jobs in highly populous regions. In this example a high level of employment appears to have weighed heavier in the eyes of the respective governments than the rights of workers. It could however be argued that workers might be willing to tolerate a certain measure of suppression for as long as they perceive the economic benefits arising from this as being to their advantage. Nevertheless, even if one agrees that a strict stance such as that suggested by Fields has produced the desired results, it will be difficult to apply to Namibia, the reason being that many workers have not only been deprived of their political rights under apartheid, but have also been deprived economically. Government has built a strong support base by undertaking not only to

ensure democratic rights and to eradicate human rights abuses and worker exploitation, but also to improve the economic situation, i.e. mainly the standard of living, of members of formerly disadvantaged groups. It will become increasingly difficult to support a political democracy if, as a result of a lack of economic growth, the burden of financially supporting marginalised groups on government, the private sector and even private household units continues to grow heavier.

It appears that, except for reflecting government's commitment to improving the future of all groups in society, and for the standard setting value, the economic impact of the labour market institutions reviewed in this study has, from a purely economic point of view, been less severe on employment levels than could have been expected, although it seems reasonable to assume that they have contributed to pushing both wage rates and non-wage labour costs upwards. It is, however, not possible to prove empirically that an increase in wage levels has been the main cause of the continued high level of unemployment, as there are numerous other economic factors that have also impacted negatively on employment, and as it is difficult if not impossible to isolate the impact of this on wages. This is an area that requires extensive further research.

As difficult to judge is the issue of whether government has introduced the wrong instruments, given the needs of both society and workers, or whether the instruments have simply not been applied effectively. It should, however, be taken into account that, as the Labour Act was only introduced in 1992, the new Social Security funds in 1994 and afterwards, and the minimum wage in 1996 only, these instruments have at the time of writing been applied for a relatively short period of time: in another decade or two it should be much easier to assess the impact of labour regulations on the Namibian economy. However, by that time international economic forces are likely to have impacted much more severely on the local economy than is the case at present. With some 42% of the Namibian population at present being younger than fourteen years of age, pressure on government to address the issue of unemployment will continue to mount during the next decade. If Namibia's economy is to prosper and generate news jobs by way of developing the service industries and through expanding exports (which seems like the most feasible option at this point in time), it leaves little choice other than adapting the domestic product- and labour markets to fit

into the new economic mould being created through the globalisation of the world economy.

It seems certain that labour market institutions in Namibia will continue to be shaped not only by external and internal economic forces, but also in accordance to government's perception of the needs of Namibian society. In view of this combination, it will remain important to regularly review labour market policies and practices and to effect the necessary changes in order for such policies, regulations and instruments to remain effective.

9. Annexure A : Interviews

ANGULA, L.N.	Social Security Commission of Namibia: June 1999.
BALI, C. R.	Social Security Commission of Namibia: August 1998 and June 1999.
GROENEWALD, C.	Tsumeb Corporation Limited (TCL): October 1998.
HIKALI, E. P.	Social Security Commission of Namibia: June 1999.
KANDJELE, D.	Social Security Commission of Namibia: April 1997.
KASSEN, H.	Office of the Labour Commissioner, Ministry of Labour: April 1997, March 1998, August 1998, July 1999.
MWANAMWINA, S.	Office of the Labour Commissioner, Ministry of Labour: June 1999.
NANUB, W.	Meat Corporation of Namibia (Meatco): January 1999.
PHILANDER, U.	Export Processing Zone Management Company: June 1999.
VISSER, D.	Export Processing Zone Management Company: June 1998.
WIEDOW, J.	The Commercial Bank of Namibia Limited: June 1999.

10. Bibliography

1. Books, Journals, Reports and Government Documentation

AGÉNOR, P., 1996. The Labor Market and Economic Adjustment. International Monetary Fund Staff Paper 43 (2): 261-327.

ARCHER, S., 1992. Strategic Choices in the Labour Market. In R. Schrire (ed.), Wealth or Poverty: Critical choices for South Africa. Cape Town: Oxford University Press: 212 - 236.

ASHFORD, D. E., 1986. The Emergence of the Welfare States. Oxford: Basil Blackwell.

BAUER, G. M., 1992. Namibia's new Labour Act. Windhoek: The Legal Assistance Centre.

BAUER, G. M., 1994. The Labor Movement and the Prospects for Democracy in Namibia. Thesis submitted in partial fulfillment of the requirements for the degree of Doctor of Philosophy in Political Science. Wisconsin: University of Wisconsin-Madison.

BELLMAN, L. and MÖLLER, J., 1995. Institutional influences on Inter-industry Wage Differentials. In F. Buttler, W. Franz, R. Schettkat and D. Soskice (eds.), Institutional Framework and Labour Market Performance: Comparative Views on the US and German economies. London: Routledge: 132 - 137.

BENDIX, S., 1996. Industrial Relations in the new South Africa. 3rd edition. Cape Town: Juta.

BENIE, M. K., 1989. Wage Policy in Côte D'Ivoire. Government Wage Policy Formulation in Developing Countries: 7 country studies. Labour

Management Relations Series. Geneva: International Labour Organisation : 8-13.

BERRY, A., 1987. The Labour Market and Human Capital in Less Developed Countries. In N. Gemmell (ed.), Surveys in Development Economics. Oxford: Basil Blackwell: 205 - 229.

BERRY, A. and SABOT, R. H., 1978. Labour Market Performance in Developing Countries. World Development 6: 1199-1241.

BERRY, A. and SABOT, R. H., 1984. Unemployment and Economic Development. Economic Development and Cultural Change. Chicago: University of Chicago: 99-116.

BRITS, A., FRANZ, J. and UANGUTA, E., 1996. An Assessment of Training Needs in Omaheke. Research Report no. 13. Windhoek: The Namibian Economic Policy Research Unit (NEPRU).

BÜCHTEMANN, C., 1991. Does (de-) regulation matter? Employment protection and temporary work in the Federal Republic of Germany. In G. Standing and V. Tokman (eds.), Towards social adjustment: Labour market issues in structural adjustment. Geneva: International Labour Organisation: 251 – 278.

BURGESS, R. and STERN, N., 1991. Social Security in Developing Countries: What, Why, Who and How? In E. Ahmad, J. Dreze, J. Hills and A. Sen (eds.), Social Security in Developing Countries. New York: Oxford University Press: 41-74.

CARD, D., KATZ, F. and KRUEGER, A. B., 1994. Comment on "Employment Effects of Minimum and Subminimum wages: Panel Data on State Minimum Wage Laws". Industrial and Labor Relations Review 47 (3): 487 – 497.

COLCLOUGH, C., 1991. Wage flexibility in Sub-Saharan Africa: Trends and explanations. In G. Standing and V. Tokman (eds.), Towards social

adjustment: Labour market issues in structural adjustment. Geneva: International Labour Organisation: 211 – 234.

CRONJE, G. and CRONJE S., 1979. The Workers of Namibia. London: International Defence and Aid Fund for Southern Africa.

DANIELS, C., 1995. Resolving Labour Disputes in Southern Africa: The Case of Namibia. In S. Christie and L. Madhuku (eds.), Labour Dispute Resolution in Southern Africa. Cape Town: Institute of Development and Labour Law, University of Cape Town and Friedrich Ebert Stiftung: 51-57.

DRUGGAL, N. K., (ed.), 1989. Wages and other Incomes Policy Options for an independent Namibia. Namibia Studies Series no. 11. Lusaka: United Nations Institute for Namibia.

DUNLOP, J. T., (ed.), 1957. The Theory of Wage Determination: Proceedings of a Conference held by the International Economic Association. London: Macmillan.

ENGLAND, P., 1992. Comparable Worth: Theories and Evidence. New York: Aldine de Gruyter.

ESPING-ANDERSON, G., 1990. The Three Worlds of Welfare Capitalism. Cambridge: Polity Press.

FALLON, P. R., 1987. The Labor Market in Zimbabwe: Historical Trends and an Evaluation of Recent Policy. Discussion Paper no. DRD 296. Washington: World Bank Development Research Department.

FLANAGAN, R. J., HARTOG, J. and THEEUWES, J., 1993. Institutions and the Labour Market: Many questions, some answers. In J. Hartog and J. Theeuwes (eds.), Labour Market Contracts and Institutions: A Cross National Comparison. Amsterdam: Elsevier Science Publishers: 415-445.

FOX, M. L., AMADEO, E. and CAMARGO, J. M., 1994. Case Study: Brazil. In S. Horton, R. Kanbur and D. Mazumdar (eds.), Labor Markets in an Era of Adjustment, Volume 2: Case Studies. Washington D.C.: Economic Development Institute of the World Bank: 143 – 169.

FREEMAN, R. B., 1993. Labor Market Institutions and Policies: Help or Hindrance to Economic Development? In L. H. Summers and S. Shah (eds.), Proceedings of the World Bank Annual Conference on Development Economics 1992. Washington: The World Bank: 117-144.

FURNISS, E. S., 1925. Labor Problems. Massachusetts: The Riverside Press.

GALENSON, W. and LIPSET, S. M., (eds.), 1960. Labour and Trade Unionism: An interdisciplinary reader. New York: John Wiley and Sons: 1 - 55.

GINDLING, T. H. and BERRY, A., 1994. Case Study: Costa Rica. In S. Horton, R. Kanbur and D. Mazumdar (eds.), Labor Markets in an Era of Adjustment, Volume 2: Case Studies. Washington D.C.: Economic Development Institute of the World Bank: 217 - 258.

GOLD FIELDS NAMIBIA, 1996. Annual Report. Windhoek: Own publication.

GRANOVETTER, M., 1981. Towards a Sociological Theory of Income Differences. In I. Berg (ed.), Sociological Perspectives on Labour Markets. New York: Academic Press: 8 - 43.

GUHAN, S., 1994. Social Security Options for Developing Countries. International Labour Review 133(1): 35 - 51.

GUSTAFSSON, B. A. and KLEVMARKEN, N. A., 1989. The Political Economy of Social Security. New York: Elsevier Science Publishers.

HALE, A., 1996. The deregulated global economy: women workers and strategies of resistance. Gender and Development: Employment and Exclusions. 4 (3): 8-15. Oxford: Oxfam.

HANCOCK, M.D., LOGUE, J. and SCHILLER, B., 1991. In M.D. Hancock, J. Logue and B. Schiller (eds.), Managing modern capitalism: Industrial renewal and workplace democracy in the United States and Western Europe. Connecticut: Greenwood : xvi – 6.

HANSOHM, D. and MUPOTOLA-SIBONGO, M., 1998. Overview of the Namibian Economy. Windhoek: The Namibian Economic Policy Research Unit (NEPRU).

HART, R. A., 1984. The Economics of Non-Wage Labour Costs. London: George Allen & Unwin.

HARTOG, J., POLACHEK, S. and THEEUWES, J., 1993. Evaluating Labour Market Performance. In J. Hartog and J. Theeuwes (eds.), Labour Market Contracts and Institutions: A Cross National Comparison. Amsterdam: Elsevier Science Publishers: 9 - 27.

HEATH, J. A. and KAUFMAN, B. E., 1989. The Economics of Labor Markets and Labor Relations. 2nd edition. Chicago: The Dryden Press.

HELM, J., 1991. Workplace democracy in Germany. In M.D. Hancock, J. Logue and B. Schiller (eds.), Managing modern capitalism: Industrial renewal and workplace democracy in the United States and Western Europe. Connecticut Greenwood: 173-194.

HICKS, J. R., 1963. The Theory of Wages. London: Macmillan.

HISHONGWA, N., 1992. The Contract Labour System and its Effects on Family and Social Life in Namibia: A Historical Perspective. Windhoek: Gamsberg Macmillan.

HORTON, S., KANBUR, R. and MAZUMDAR, D., (eds.), 1994. Labor Markets in an Era of Adjustment, Volume 2: Case Studies. Washington D.C.: Economic Development Institute of the World Bank

HORTON, S., 1994. Case Study: Bolivia. In S. Horton, R. Kanbur and D. Mazumdar (eds.), Labor Markets in an Era of Adjustment, Volume 2: Case Studies. Washington D.C.: Economic Development Institute of the World Bank: 99-143.

HUBBARD, D. and CORBETT, A., 1993. A Practical Guide to the Labour Act. Namibia Labour Manual. Windhoek: The Legal Assistance Centre: 1 - 140.

INTERNATIONAL LABOUR ORGANISATION (ILO), 1977. Labour and Discrimination in Namibia. Geneva: International Labour Office.

INTERNATIONAL LABOUR ORGANISATION (ILO), 1993. Newsletter: Interdepartmental Project on Structural Adjustment, December 1993, no. 3. Geneva: International Labour Office.

INTERNATIONAL LABOUR ORGANISATION (ILO), 1981. Minimum Wage Fixing. Geneva: International Labour Office.

INTERNATIONAL LABOUR ORGANISATION (ILO), 1982. Wages: A Workers' Education Manual. Geneva: International Labour Organisation.

INTERNATIONAL LABOUR ORGANISATION (ILO), 1989. Report of Exploratory Mission to Namibia - September 1989. Geneva: International Labour Office.

INTERNATIONAL LABOUR ORGANISATION (ILO), 1991. Namibia: Report of the ILO Employment Advisory and Training Policy Mission. Volume 1. Geneva: International Labour Office.

INTERNATIONAL LABOUR ORGANISATION (ILO), 1995a. World Employment Report 1995. Geneva: International Labour Organisation.

INTERNATIONAL LABOUR ORGANISATION (ILO), 1995b. World Labour Report 1995. Geneva: International Labour Organisation.

ISLAM, I. and CHOWDHURY, A., 1997. Asia-Pacific Economies: A Survey. United Kingdom: Redwood Books.

IWUJI, E. C., 1989. Wage Policy in Nigeria. Government Wage Policy Formulation in Developing Countries: 7 country studies. Labour Management Relations Series. Geneva: International Labour Organisation: 18-26.

IWUJI, E. C., 1995. Manpower and Employment Planning. Discussion Paper. Geneva: International Labour Office.

JACKSON, J. M., 1970. Wages and Labour Economics. United Kingdom: McGraw-Hill.

KARLHOFER, F. and LADURNER, U., 1993. The Austrian labour market – description and analysis of structures and institutions. In J. Hartog and J. Theeuwes (eds.), Labour Market Contracts and Institutions: A Cross National Comparison. Amsterdam: Elsevier Science Publishers: 185-207.

KATZ, H. C., 1993. The Decentralization of Collective Bargaining: A Literature Review and Comparative Analysis. Industrial and Labour Relations Review 47 (1): 1-21.

KOEDIJK, K. and KREMERS, J., 1996. Deregulation: Market opening, regulation and growth in Europe. Economic Policy: 445 – 467.

LACHAUD, J., 1989. Urban labour market analysis in Africa. Labour and Society 14 (4): 333-357.

LOCKE, R. and KOCHAN, T., 1995. The Transformation of Industrial Relations? A Cross-National Review of the Evidence. In R. Locke, T. Kochan and M. Piore (eds.), Employment Relations in a Changing World Economy. Cambridge: MIT Press: 359 - 384.

LOCKE, R., KOCHAN, T. and PIORE, M., (eds.), 1995. Employment Relations in a Changing World Economy. Cambridge: MIT Press: i - xxix.

MARTIN, A., 1995. The Swedish Model: Demise or Reconfiguration? In R. Locke, T. Kochan and M. Piore (eds.), Employment Relations in a Changing World Economy. Cambridge: MIT Press: 263 - 296.

MAZUMDAR, D., 1989. Microeconomic Issues of Labour Markers in Developing Countries: Analysis and Policy Implications. EDI Seminar Paper, no. 40. Washington: Economic Development Institute of the World Bank.

MAZUMDAR, D., 1994. Case Study: Malaysia. In S. Horton, R. Kanbur and D. Mazumdar (eds.), Labor Markets in an Era of Adjustment (2): 459 – 534. Washington D.C.: Economic Development Institute of the World Bank.

MILNE, W.J. and NEITZERT, M., 1994. Case Study: Kenya. In S. Horton, R. Kanbur and D. Mazumdar (eds.), Labor Markets in an Era of Adjustment (2): 405 - 458. Washington D.C.: Economic Development Institute of the World Bank.

MURRAY, R., 1993. Mineral Investment in Namibia. Report prepared by Mining Journal Research Services in cooperation with the Ministry of Minerals and Energy, Government of Namibia. United Kingdom: Mining Journal Research Services.

MURRAY, R., 1998. Namibia: an attractive proposition? African Review of Business and Technology, January 1998: 34 - 42.

NCUBE, M., 1993. Social Dimensions of Wage Strategies and Industrial Relations Policies. Discussion Paper. Harare: University of Zimbabwe, Department of Economics.

NELSON, J. M., 1994. Organised Labor, Politics, and Labor Market Flexibility in Developing Countries. In S. Horton, R. Kanbur and D. Mazumdar (eds.), Labour markets in an Era of Adjustment (1): 347-372. Washington: Economic Development Institute of the World Bank.

NEUMARK, D. and WASCHER, W., 1992. Employment effects of minimum and subminimum wages: Panel data on state minimum wage laws. Labour Relations Review 46 (1): 55 - 80.

NILSSON, C., 1993. The Swedish model: Labour Market Institutions. In J. Hartog and J. Theeuwes (eds.), Labour Market Contracts and Institutions: A Cross National Comparison. Amsterdam: Elsevier Science Publishers: 233 - 266.

OWOYE, O., 1994. Wage Determination and Strike Activity in Nigeria. Journal of African Economics 3(3): 447 - 480.

PAQUE, K., 1993. Germany: Living with tight Corporatism. In J. Hartog and J. Theeuwes (eds.), Labour Market Contracts and Institutions: A Cross National Comparison. Amsterdam: Elsevier Science Publishers: 209-232.

PEKKARINEN, J., POHJOLA, M. and ROWTHORN, B., 1992. Social Corporatism: A Superior Economic System? In J. Pekkarinen, M. Pohjola and B. Rowthorn (eds.), Study prepared for the World Institution for Development Economic Research (WIDER). Oxford: Clarendon Press: 1 - 24.

PHELPS-BROWN, E. H., 1960. Wage Policy and Wage Differentials. In W. Galenson and S. M. Lipset (eds.), Labour and Trade Unionism: An interdisciplinary reader. New York: John Wiley and Sons: 18 - 22.

PHELPS-BROWN, E. H., 1977. The Inequality of Pay. Oxford: Oxford University Press.

PLANT, R., 1993. Labour Standards and Structural Adjustment in Mexico. Occasional Paper no. 10. Geneva: International Labour Organisation.

PLANT, R., 1994. Labour Standards and Structural Adjustment. Geneva: International Labour Organisation.

POHJOLA, M., 1992. Corporatism and Wage Bargaining. In J. Pekkarinen, M. Pohjola and B. Rowthorn (eds.), Study prepared for the World Institution for Development Economic Research (WIDER). Oxford: Clarendon Press: 44-81.

PÜTZ, J. (ed.), 1996. Business Guide to Namibia. Windhoek: Republic of Namibia, Ministry of Trade and Industry, Investment Centre.

REDER, M. W., 1957. Labour in a growing economy. New York: John Wiley.

REPUBLIC OF NAMIBIA, CENTRAL STATISTICS OFFICE, 1996. Living Conditions in Namibia. Windhoek: Central Statistics Office.

REPUBLIC OF NAMIBIA, GOVERNMENT GAZETTE 1992 no. 388.

REPUBLIC OF NAMIBIA, GOVERNMENT GAZETTE 1996 no. 1444.

REPUBLIC OF NAMIBIA, GOVERNMENT GAZETTE 1997 no. 1752.

REPUBLIC OF NAMIBIA, GOVERNMENT GAZETTE 1999 no. 2144.

REPUBLIC OF NAMIBIA, MINISTRY OF FINANCE, 1998. Budget Speech for the 1998/1999 financial year presented by the Minister of Finance. 25 March 1998.

REPUBLIC OF NAMIBIA, MINISTRY OF FINANCE, 1999. Budget Speech for the 1999/2000 financial year presented by the Minister of Finance. 7 April 1999.

REPUBLIC OF NAMIBIA, 1994a. MINISTRY OF LABOUR AND HUMAN RESOURCES DEVELOPMENT, LABOUR ADVISORY COUNCIL. Annual Report, March 1993 – February 1994. Windhoek: Ministry of Labour and Human Resources Development.

REPUBLIC OF NAMIBIA, MINISTRY OF LABOUR AND HUMAN RESOURCES DEVELOPMENT, 1994b. Employment Structure and Wage Levels in Namibia: A Report Based on the Establishment Survey 1992/1993. Windhoek: Ministry of Labour and Human Resources Development.

REPUBLIC OF NAMIBIA, MINISTRY OF LABOUR AND HUMAN RESOURCES DEVELOPMENT, 1995a. Labour Advisory Council: Second Annual Report 1 April 1994 - 31 March 1995. Windhoek: Ministry of Labour and Human Resources Development.

REPUBLIC OF NAMIBIA, MINISTRY OF LABOUR AND HUMAN RESOURCES DEVELOPMENT, 1995b. Labour Statistics Bulletin 1995. Windhoek: Ministry of Labour and Human Resources Development, Directorate of Employment Research.

REPUBLIC OF NAMIBIA, MINISTRY OF LABOUR AND HUMAN RESOURCES DEVELOPMENT, 1995c. Labour Statistics Bulletin. Windhoek: Ministry of Labour and Human Resources Development.

REPUBLIC OF NAMIBIA, MINISTRY OF LABOUR AND HUMAN RESOURCES DEVELOPMENT, 1997. National Employment Policies. Windhoek: Ministry of Labour and Human Resources Development, Directorate of Employment Planning.

REPUBLIC OF NAMIBIA, MINISTRY OF TRADE AND INDUSTRY, 1995. Special Incentives for EPZ Manufacturers and Exporters. Windhoek: Ministry of Trade and Industry, Investment Centre.

REPUBLIC OF NAMIBIA, MINISTRY OF TRADE AND INDUSTRY, 1997. The Namibian Investor. Windhoek: Ministry of Trade and Industry, Investment Centre.

REPUBLIC OF NAMIBIA, MINISTRY OF WORKS, TRANSPORT AND COMMUNICATIONS, 1996. Appendices: Draft paper on labour based works. Windhoek: Ministry of Works, Transport and Communications.

REPUBLIC OF NAMIBIA, MINISTRY OF WORKS, TRANSPORT AND COMMUNICATIONS, 1997. Green paper on labour based works. Windhoek: Ministry of Works, Transport and Communications.

REPUBLIC OF NAMIBIA, NATIONAL PLANNING COMMISSION, 1995. First National Development Plan for Namibia (NDP1): National Development Objectives and Strategy. Part 2. Windhoek: National Planning Commission.

REPUBLIC OF NAMIBIA, SOCIAL SECURITY COMMISSION, 1994. Employees' rights and obligations. 1-11. Windhoek: Social Security Commission.

REPUBLIC OF NAMIBIA, SOCIAL SECURITY COMMISSION, 1995. Contribution tables. Windhoek: Social Security Commission.

REPUBLIC OF NAMIBIA, SOCIAL SECURITY COMMISSION, 1996. Social Security Commission: Accident Fund. 1-29. Windhoek: Social Security Commission

REPUBLIC OF NAMIBIA, WORKMEN'S COMPENSATION COMMISSION, 1994. Annual Report of the Workmen's Compensation Commissioner for the

year ending 28 February 1994. Windhoek: Social Security Division, Workmen's Compensation Commission.

REPUBLIC OF SOUTH AFRICA, MINISTRY OF LABOUR, 1996. Restructuring the South Africa Labour Market - Report of the Presidential Commission to investigate Labour Market Policy (RP 83/1996). Pretoria: Government Press.

RIVEROS, L. A. and SANCHEZ, C. E., 1994. Case Study: Argentina. In S. Horton, R. Kanbur and D. Mazumdar (eds.), Labor Markets in an Era of Adjustment (2): 61 - 98. Washington D.C.: Economic Development Institute of the World Bank.

RIVEROS, L. A., 1994. Case Study: Chile. In S. Horton, R. Kanbur and D. Mazumdar (eds.), Labor Markets in an Era of Adjustment (2): 169 - 216. Washington D.C.: Economic Development Institute of the World Bank.

RODGERS, G., 1991. Labour Institutions and Economic Development. Discussion Paper no. 41 of 1991. Geneva: International Institute for Labour Studies.

ROSE, R. and SHIVATARI, R., (eds.), 1986. The Welfare State East and West. Oxford: Oxford University Press.

ROTTENBERG, S., 1960. On Choice in Labor Markets. In W. Galenson and S. M. Lipset (eds.), Labour and Trade Unionism: An interdisciplinary reader. New York: John Wiley and Sons: 40 - 52.

ROUX, A., 1991. Options for Employment Creation. In P. Moll et al (eds.), Redistribution: How can it work in South Africa? Cape Town: David Philip: 101 - 117.

ROWTHORN, B., 1992. Corporatism and Labour Market Performance. In J. Pekkarinen, M. Pohjola and B. Rowthorn (eds.), Study prepared for the World Institution for Development Economic Research (WIDER). Oxford: Clarendon Press: 82 - 131.

SAMUELSON, P. A. and NORDHAUS, W. D., 1985. Economics. 12th edition. New York: McGraw-Hill.

SCHILLER, B., 1991.The Swedish model reconstituted. In M.D. Hancock, J. Logue and B. Schiller (eds.), Managing modern capitalism: Industrial renewal and workplace democracy in the United States and Western Europe. Connecticut Greenwood: 249 - 260.

SCHMITTER, P. C., 1993. Corporatism as Organisational Practice and Political Theory. In W. M. Lafferty and E. Rosenstein (eds.), The challenge of new technology and macro-political change. International Handbook of Participation in Organisations: The Study of Organizational Democracy, Cooperation, and Self-Management (3): 327 - 343.

SCOVILLE, J. and NYAMADZABO, T., 1988. Report on the impact of minimum wages in Botswana. Gaberone: National Employment, Manpower and Incomes Council.

SENGENBERGER, W., 1991. The role of labour market regulation in industrial restructuring. In G. Standing and V. Tokman (eds.), Towards social adjustment: Labour market issues in structural adjustment. Geneva: International Labour Organisation: 235 - 250.

SOHLMAN, A. and TURNHAM, D., 1994. What can Developing Countries learn from OECD Labour Market Programmes and Policies?. Paris: OECD Development Centre.

SOSKICE, D., 1990. Wage Determination: The changing role of Institutions in Advances Industrialised Countries. Oxford Review of Economic Policy 6(4): 36 - 61.

SQUIRE, L. and SUTHIWART-NARUEPUT, S., 1997. The Impact of Labour Market Regulations. World Bank Economic Review 11(1): 119 - 143. Washington: The World Bank.

STAHLBERG, A. 1989. Redistribution effects of social policy in a lifetime analytical framework. In B. A. Gustafsson and N. A. Klevmarken (eds.), The Political Economy of Social Security. Amsterdam: Elsevier Science Publishers.

STANDING, G., 1991. Structural adjustment and labour market policies: Towards social adjustment? In G. Standing and V. Tokman (eds.), Towards social adjustment: Labour market issues in structural adjustment. Geneva: International Labour Organisation: 5 - 52.

STANDING, G. and SENDER, J., 1996. Restructuring the labour market: the South African challenge – ILO country review. Geneva: International Labour Organisation.

STREECK, W., 1992. Social Institutions and Economic Performance: Studies of Industrial Relations in Advanced Capitalist Economies. London: Sage Publications.

SULLIVAN, M., 1987. Sociology and Social Welfare. London: Allen & Unwin.

SVEJNAR, J., 1993. Labor Market Adjustment in Transitional Economies. In L. H. Summers and S. Shah (eds.), Proceedings of the World Bank Annual Conference on Development Economics 1992. Washington: The World Bank: 157 - 172.

SWEETMAN, C., 1996. Editorial. Oxfam Journal of Gender and Development: Employment and Exclusions 4 (3): 2 - 7.

TAYLOR, G. W. and PIERSON, F.C., 1957. New concepts in Wage Determination. New York: McGraw-Hill Book Company Inc.

TAYLOR-GOOBY, P. and DALE, J., (eds.), 1981. Social Theory and Social Welfare. United Kingdom: The Chaucer Press.

TOKMAN, V. E., 1993. Comment on "Labor Market Institutions and Policies: Help or Hindrance to Economic Development?, by Richard Freeman. In L. H. Summers and S. Shah (eds.), Proceedings of the World Bank Annual Conference on Development Economics 1992. Washington: The World Bank: 145 - 150.

TURNER, H. A., 1965. Wage Trends, Wage Policies, and Collective Bargaining: the problems for underdeveloped countries. Cambridge: Cambridge University Press.

UNITED NATIONS DEVELOPMENT PROGRAMME, 1996. Namibia: Human Development Report 1996. Windhoek: United Nations Development Programme (UNDP).

VAN DE VALL, M., 1970. Labour Organisations: A macro- and micro-sociological analysis on a comparative basis. Cambridge: Cambridge University Press.

VAN HOLDT, K., 1995. The Labour Market Commission - Important Issues for Unions. South African Labour Bulletin 19(4): 47 - 48.

VAN ROOYEN, J. W. F., 1996. Portfolio of Partnership: An Analysis of Labour Relations in a Transitional Society - Namibia. Windhoek: Gamsberg Macmillan.

WEINSTEIN, M. and KOCHAN, T., 1995. The Limits of Diffusion: Recent Developments in Industrial Relations and Human Resource Practices in the United States. In R. Locke, T. Kochan and M. Piore (eds.), Employment Relations in a Changing World Economy. Cambridge: MIT Press: 1 - 31.

WIEHAHN COMMISSION, 1989. Report of the Commission of Inquiry into Labour Matters in Namibia. Volumes 1 and 2. Windhoek: Star Binders.

WINNING INDEPENDENCE WAS THE EASY BIT. The Financial Mail. 3 January 1997: 21.

WORLD BANK, 1995. World Development Report 1995: Workers in an Integrating World. Washington: Oxford University Press.

2. Newspaper articles

AMENDMENTS TO EPZ BILL. The Windhoek Advertiser. 29 February 1996: 2.

EMPLOYEES FORCE SALARY HIKE FROM CHINESE FIRM. The New Era. 14-20 September 1995: 1.

EPZ "OUR BEST HOPE" NUJOMA. The Namibian. 30 May 1995: 1.

EPZ AMENDMENT. The Windhoek Advertiser 28 February 1996:1 .

EPZ DEAL UNDER FIRE – MIXED REACTION FROM UNIONISTS. The Namibian.24 August 1995: 1.

EPZ DEBATE CONTINUES. The New Era. 2-8 November 1995: 16.

HARSH WORDS ON EPZ BILL. The Namibian. 10 May 1996: 1.

KRAAKVARS MAATSKAPPY DALK NUWE TCL-EIENAAR. Die Republikein. 6 Julie 1999: 1.

MEATCO BEUR OOP. Die Republikein. 12 September 1997: 1.

MEATCO KOOK. Die Republikein. 4 September 1997: 1.

MINERS SPEAK: MINEWORKERS' UNION TURNS TEN. The Namibian. Special addition to the Namibian: November 1996.

MINIMUM WAGE BREAKTHROUGH. The Namibian. 15 January 1997: 1.

NINE COMPANIES FOR EPZ. The Namibian. 17 May 1996: 1.

STAKING SE LESSE. Die Republikein. 24 September 1995: 1.

STAKING VERBY. Die Republikein. 20 September 1995: 1.

STRIKE TURNS UGLY. The Namibian 11 September 1995: 1.

TCL LIKWIDASIE UITGESTEL. Die Republikein. 1 Junie 1998: 1.

TCL VOORLOPIG GELIKWIDEER. Die Republikein. 30 April 1998: 2.

UNION POWER IN EPZ?. The New Era. 17-23 August 1995: 1.

UNIONS STRIKE "COMPROMISE DEAL" ON EPZ. The Namibian. 15 May 1996: 1.

VAKBONDE NIE LEKKER OOR EPZ. Die Republikein. 1 Maart 1996: 1.

WORKER SPEAK OUT ON EPZ. The Namibian. 16 June 1995: 5.

WORKERS DOWN TOOLS AT CHINESE PROJECT. The Namibian. 14 May 1996: 1.