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**Economic Commission for Africa  
Southern Africa Office, Lusaka, Zambia**

# **LABOUR MARKETS AND EMPLOYMENT IN SOUTHERN AFRICA**

## **The Empowerment, Poverty and Development Nexus**



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ECONOMIC COMMISSION  
FOR AFRICA**



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**July 2003**



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The first draft was subjected to discussion at an Expert Group Meeting on Labour Markets and Employment in Southern Africa, organized by the ECA-SA in Lusaka, Zambia from 3 to 6 February 2003. The Expert Group Meeting objectives were to:

- Make suggestions to improve the draft prepared by Professor Mhone;
- Improve the guidelines on an Employment Strategy that was annexed to the draft publication; and
- Make specific recommendations on national actions that could be brought to the attention of SADC Member States for further consideration.

The Expert Group achieved all its objectives. It provided suggestions for improving the draft and the Employment Strategy, and made specific recommendations for consideration by SADC Member States.

Both the Recommendations and the Revised Employment Strategy were presented to the SADC Employment and Labour Sector (ELS) Committee of Ministers and Social Partners held in Arusha, Tanzania, from 24 to 28 March, 2003. The Committee of Ministers and Social Partners adopted the Recommendations and the Employment Strategy for inclusion in the SADC Regional Indicative Strategic Development Plan (RISDP). Subsequently, the Recommendations and the Employment Strategy were published in the Report of the Expert Group Meeting and was widely disseminated through hard copies, electronic transmission and postings on websites, including that of the Southern Africa Regional Poverty Network (SARPN).

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## CHAPTER I

### Introduction

This publication discusses labour market and employment issues in Southern Africa as a development problem underpinning the need and the quest for sustainable human development among the countries concerned. Unlike any other economic resource, labour is unique in that it represents a subjective entity that is both a means and an end of economic activity. As a means, it constitutes a critical factor of production whose demand is derived from the economic activities needed to produce goods and services that are aimed at meeting the needs of human beings. As an end, labour (in relation to human activities) is presumed to be the ultimate beneficiary of economic activity. It is also the ultimate arbiter of how well such activity may have been undertaken. In the final analysis, therefore, addressing the status of labour as a means as well as an end best assesses the performance of any economy. In this respect, the ILO's framework of Decent Work provides a useful approach to understanding the key issues concerning the labour market. The ILO has identified as its mission "to improve the economic situation of human beings in the world of work" by promoting "sustainable opportunities for decent work". The notion of decent work in turn entails the need to promote the following objectives:

- Concern for all workers in both formal and non-formal employment;
- Promotion of rights at work;
- Promotion of increased opportunities for productive employment;
- Ensuring decent work and protection of individuals against vulnerable forms of work;
- Promoting social dialogue among social partners (government, employers and businesses) including stakeholders in civil society, non-governmental organizations and community based organisations.

These objectives imply the need to proactively address the various maladies that manifest themselves in the labour markets of African countries. The major maladies in this respect relate to: high and persistent levels of unemployment and under-employment; increasing exposure of workers to vulnerable employment; increasing levels of poverty; non-adherence to labour rights, conventions and recommendations of the ILO; undermining of labour standards and working conditions; and conflictual labour and industrial relations. All of the foregoing problems are common in Southern African countries.

Sustainable development may be defined as a means of executing a growth and development strategy for managing natural, physical, human and financial resources and assets, to enhance long term wealth and well-being of society without compromising the needs of future generations. If we go by this definition, then it is to be accepted that this will require promoting in an integrated manner the environmental, social and economic objectives, while at the same time striking a delicate balance among all the three factors. There is thus a consensus that sustainable development has at least three pillars, namely: environmental conservation, social protection and economic growth and development.

Implicit in the notion of sustainable development is the need for equitable development, to protect the well being of the poorest members of society who constitute the



majority in many developing countries. Since the Rio Summit and the advent of globalization, it has become increasingly evident that the poor are becoming poorer and more marginalized, at both national and international levels, and that this situation has compromised the three pillars of sustainable development. It is in recognition of this eventuality that the UN has, subsequent to the Rio Summit, proceeded to promulgate the International Development Goals, or the Millennium Development Goals, as a reminder of the sustainable development agenda that has yet to be realized. These goals were recently endorsed by African governments in the OAU through their declaration on Employment and Poverty and have also been reasserted at the World Summit on Sustainable Development that recently took place in South Africa.

As noted by ILO in the Global Employment Agenda (2001), the fundamental contradiction of this age of globalization is that some countries and societies are being marginalised at a time when humanity is attaining immense and unparalleled capabilities for eradicating poverty and marginalisation. Unfortunately, this capability is concentrated among a few developed countries globally and within restricted enclaves in individual developing countries, while large numbers of people wallow in poverty and destitution worldwide.

The countries of Southern Africa are confronted by enormous employment and labour market problems which are manifested in the increasing and persistent levels of unemployment, under-employment and poverty; increasing casualisation-informalisation of employment problems with their associated vulnerabilities in working conditions, and undermining of labour standards and working conditions; the mismatch of education and skills; exploitation of women and children; and increasing vulnerability to HIV/AIDS and natural disasters. In particular the nexus of problems surrounding inadequate employment opportunities, increasing under-employment and increasing poverty is becoming increasingly acute and tenacious.

In this respect the World Bank (1996) has observed that the consequences of poverty often reinforce its complex causes, exacerbating the problem. The World Bank's poverty Task Force identified the following as the main causes of poverty:

- Inadequate access to employment opportunities;
- Inadequate physical assets, such as land and capital, and minimal access by the poor to credit facilities, even on a small scale;
- Inadequate access to the means of supporting rural development in poor regions;
- Inadequate access to markets where the poor can sell goods and services;
- Low endowment of human capital;
- Destruction of natural resources, leading to environmental degradation and reduced productivity;
- Inadequate access to assistance for those living at the margin and those victimised by transitory poverty;
- Lack of participation in economic activities, i.e. failure to draw the poor into the design of development programs.

The World Bank continues to observe that achieving high rates of growth is undoubtedly the most important strategy for reducing poverty in Africa. Yet high aggregate



growth, in itself, will not reduce poverty. The pattern of growth must also benefit the poor, either directly through increased employment and incomes, or indirectly through improved social services (World Bank, 1996). The bank has noted that:

- Growth rates for most African countries are simply not high enough to reduce poverty significantly;
- Growth needs to benefit the poor directly;
- The selection of a particular growth pattern or strategy involves choosing among different public and policies and expenditures;
- The impact of growth on poverty varies according to the structure of the economy, how the poor are employed and the nature and degree of inequalities;
- Primary social services need to become more available in sub-Saharan Africa.

The issues being raised by the World Bank pertain to the problem of how economic growth translates into economic and social development. It is within this context that the issues related to the labour market, employment, poverty and gender in Southern Africa need to be posed. Chapter II examines the Economic and Political relationships that emerged in Southern Africa as a result of colonial domination. Chapter III looks at the enclave nature of the Southern Africa economies and the structural underpinnings resulting in employment problems; Chapter IV discusses the labour implications of the settler-dominated economies, while Chapter V analyses the structure and performance of these economics. Chapter VI discusses the nature of employment and under-employment in the region, and Chapter VII focuses on the gender and labour markets. Chapter VIII deals with issues of labour and immigration. Chapter IX addresses the impact of globalization, HIV/AIDS, natural disasters and conflict. Chapter X, which forms the conclusion, presents policy considerations and suggestions on the development of employment strategies. Appendix I presents an employment strategy which was adopted by the SADC Employment and Labour Sector (ELS) Committee of Ministers and Social Partners Meeting in Arusha, from 24 – 28 March, 2003.



## **Chapter II**

### **The Legacy of Constrained Labour Absorption in Southern Africa**

#### **The Colonial Legacy**

All of the countries of the region were at one point colonised. The nature of this colonisation was at the outset racialistic; both with respect to the economic relationships that emerged, and with respect to the political arrangements that obtained. Both the economic and political relationships entailed the subjugation and marginalisation of the majority of the populace comprising Africans and other non-white peoples. The history of racial domination and the nature of its consequences in South Africa and its neighbouring countries are well known and will not be the focus of discussion in this chapter. Rather the interest is on deriving some of the persistent consequences of this legacy that continue to pose intractable problems in the current period.

The initial major consequence of colonial penetration was the evolution of enclave economic structures, which were predicated on the maximising the interests of the colonial powers. As is well known, the primary economic function of the colonies was that of producing primary commodities for the so-called 'mother' countries. In Zimbabwe and South Africa, settler interests emerged and entrenched themselves to levels where they modified the nature of imperial or mother country dominance by asserting their own interests vis-à-vis the colonial powers and local population, without fundamentally redefining the overall economic structures. Essentially, colonialism entailed an advent of capitalism in societies which had hitherto been non-capitalist. In the case of Southern Africa, this resulted in specific relationships between each of the countries and Britain (and Portugal in the case of Mozambique) and between South Africa, which had the largest settler population and which subsequently developed at a greater pace than its neighbours. In Southern Africa, capitalism emerged as a racial capitalism, which was superimposed over pre-capitalist social relations, entailing unequal relations of domination and subjugation that were racially based.

#### **Domination and Subjugation**

Relations of domination and subjugation in the context of the market imply unequal power positions in which initial positions are unequal and in which the ability to exploit and manipulate market forces is unequal. In addition, the dominant group is able to resort to non-economic means to ensure that the market operates to its benefit. Most crucially, a situation of domination and subjugation results in structurally embedded conditions of dominance and subordination especially with respect to access to, control over, and the distribution of economic assets; relations of dominance –dependency between the dominant and subordinate groups respectively; and unequal flows of benefits from participation in the economic system that is emerging. A racially based of tinged capitalism therefore can be said to manifest racially conditioned domination and dependency effects in the context of the market. This



implies that under such circumstances the ontological status of the social facts which are assumed given by the neo-liberal economist are inherently biased against that they are unequal, based on racial considerations. This bias and inequality will be manifested in differential material conditions of livelihood perpetually reinforced and reproduced by unequal access to, control over and deployment of physical, financial and human resources and the returns to them.

In these circumstances market power, which is racially based, as reflected in rational behaviour of the economic actors, will result in a reproduction of unequal economic conditions among the various groups involved. Further, the group with greater economic power will resort to non-economic means to ensure that its interests in the economic sphere are maximised at the expense of the interest of the subordinate group. The major structural manifestations of discrimination which were the outcome of relations of subjugation and domination, which evolved in Southern Africa are discussed below.

### **Enclave Economies**

Colonial domination implied an exclusive capitalism based on race right from the beginning. As a consequence the majority of the African population were reduced to marginal participants in the new economic system. Initially, this was based on incorporation of Africans as cheap labour with limited rights of residence in formal enclaves, which were primarily geared for the production of primary products for export. Formal market based economies developed to include production of secondary products and tertiary services which primarily serviced colonial and settler needs and to a degree the unavoidable needs of the small class of Africans that were increasingly being drawn into market relations as cheap labour or as suppliers of cash crops. The result was that the majority of the Africans were seen as a residual category that eked out a living in the communal and tradition bound rural economy and that could be relied upon, compelled by various overt or covert means to provide cheap labour to the emerging formal economy. In addition the communal sector was seen as the repository for spent labour from the formal economy. Consequently, economies evolved in which the formal economy was driven by the capital of foreign and settler capital and skills, both of which came from those classified as white, and by cheap African labour. In addition, an informal economy evolved as an intermediary between the formal and communal sectors which also began to absorb some of the African labour that could not be absorbed into the formal economy and that was compelled to leave the communal sector.

The resulting economic structures were not so much dualistic as much of early development literature was prone to characterise them, but as tri-modal consisting of a relatively dynamic formal economy driven by its economic relations with the metropole, the erstwhile coloniser, and inter-linked in an unequal relationship with the communal and informal sectors internally. The relationship between the three sectors was characterised by various market discontinuities, gaps, failures with respect to the distribution of economic assets such as land, capital and human capital; the flow of and returns to labour, and goods and services; the provision of economic infrastructure and social services, and the nature of institutional support and the regulatory environment. Now all of the countries in Southern Africa inherited tri-modal economic structures dictated by colonial imperatives along the



lines described above. The resulting structures were exclusionary and marginalising of the majority on the basis of race. Today these structures tend to underpin various problems associated with the inability of these countries to plan effective and inclusive development paths.

### **Discrimination as form of Cheap Labour**

The racial basis of the remaining capitalist relations was further entrenched by conscious attempts to manipulate the market to ensure unequal outcomes through what may be termed primary discrimination and secondary discrimination, both of which are significant in each of the countries to one degree or another. In Southern Africa, Africans were incorporated into capitalism as cheap labour in commercial agriculture, manufacturing and service sectors. Initially, this appeared as a 'rational' response to the presence of potential labour whose standard of living was low, and whose social reproduction cost was also low, and seen to warrant low wages close to subsistence. It did not take long before it was realised that not enough labour would be forthcoming voluntarily solely on the basis of market incentives so that resort was made to extra-market stimulants and control to ensure the requisite amounts of labour on the farms, in the mines and in urban areas. Such measures are well known and range from the infamous 'hut taxes' to dispossessing Africans of their land, banning income generating endeavours among Africans, the forced recruitment and deployment of African labour through agencies such as the Employment Bureau of Africa (TEBA). During the colonial period, both rural and urban areas were converted into controlled environments which were continuously manipulated to ensure adequate flows of cheap labour and the expulsion of what was seen to be redundant labour in urban areas. Access to education and training and entrepreneurship was systematically controlled to ensure that a critical mass of Africans did not emerge to challenge colonial and settler interest in the economy and the polity.

What we have labelled as primary discrimination consisted of discriminatory measures aimed at ensuring that Africans were available as cheap labour in the formal economy, while simultaneously also ensuring that they continued to be subordinate in economic and political status. In essence, primary discrimination ensured that Africans remained marginal to the merging economic system trapped in the communal and informal sectors as a residual category of the system. This primary discrimination was underpinned by various policies ranging over access to and the nature of the education given to Africans, the denial of basic infrastructure and social services to Africans, spatial segregation in rural and urban areas, and unequal access to productive assets such as land and capital. The full impact of such policies was that labour flows to and from the formal economy was barely able to amass enough resources over time to challenge the dominance of colonial and settler interests.

As a consequence, the labour market manifested a discriminatory allocation of labour in which Africans were the subordinate group that received low returns for their economic efforts. Firstly, in all the sectors Africans were the dominant group in unskilled and low skilled occupations while whites were in the higher skilled and material occupations. This allocation became self-justifying since it was self-reproducing given the structural control factors in place. Secondly, given the influx of cheap labour and the ability to have it controlled at the will of the users of such labour, various forms of cheap labour utilisation emerged which included the extensive use of African labour for primarily paternalistic



consumptive and seemingly productive purposes such as house work, messengers, guards tenancy arrangements and so on. Thirdly, when such cheap labour was not forthcoming from within the confines of a particular territory in which formal sector demands were more buoyant such as South Africa, Zimbabwe and Zambia the control measures were extended to include cross border recruitment thereby precipitating the phenomenon of cross border labour migration to and from neighbouring territories that were less endowed with primary commodities of value to the 'mother countries'.

The phenomenon of primary discrimination was further complemented by the emergence of second type of discrimination which may be referred to as secondary discrimination. As the Southern African countries evolved and in particular as settler interests were entrenched in countries such as South Africa and Zimbabwe, class differentiation among the dominant white class began to also emerge. Essentially in countries in which there was a sizeable settler class, a white working class began to emerge as well as a class of locally based narrowly nationalistic entrepreneurs. The former were interested in ensuring that their interests were protected as the formal economy grew since it was becoming obvious in the course that demand for skilled labour would increase to such an extent that there would be little choice other than to begin to recruit African labour in higher occupations as well. Since African labour was relatively more plentiful and could be manipulated as such, and that it was also seen to have a lower reservation wage given its lower standard of living, African labour was viewed as a potential threat to white labour. Secondary discrimination emerged as conscious attempts by white labour to protect its monopoly over skilled labour at the exclusion of African labour. As a consequence in countries with large settler or white populations such as Zimbabwe, Mozambique, South Africa and Zambia during the early years segregation in occupations was formally entrenched to ensure that the primary labour consisting of skilled, technical and managerial jobs was reserved for whites while Africans were relegated to low level secondary occupations. This segregation was formally protected through the exclusionary access to education and training as well.

### **Labour Relations in Post-independence Era**

At the dawn of political transition to independence or majority rule, the newly independent Southern African countries inherited labour markets that were either characterised by the cheap labour syndrome of primary discrimination such as Malawi, Zambia, Lesotho, Swaziland and Mozambique or that were characterised by a combination of primary and secondary discrimination such as South Africa and Zimbabwe. In the former countries the economic environment was such that the majority of the Africans were under-employed in residual sectors in the communal and informal sectors while a small percentage was employed as cheap labour in various endeavours in the domestic formal economy primarily in agriculture and mining or as migrant labour in South African mines. In the latter countries (South Africa and Zimbabwe), Africans were distributed over depleted and overpopulated communal areas, and as cheap labour in mining, agriculture, domestic service, industry and the service sectors. In these latter sectors the control mechanisms ensured that the informal sector was relatively underdeveloped during the colonial period, hence a small



proportion of the labour force was involved in this sector at the dawn of majority or democratic rule.

The consequences of primary and secondary discrimination in the labour market actually underpinned various outcomes in the economies of the various countries, which continue to pose insurmountable problems of development in the post colonial and indeed the post apartheid period. At the outset it may be noted that the racially based exclusionary and marginalised nature of the incorporation of Africans into the modern day capitalist economy essentially limited the development of virtuous cycles of interaction which could rebound to the benefit of the Africans themselves though that might be understood to be a process of development. In this event the structural legacy was such that it reinforced and reproduced enclave based growth which only marginally benefited the majority of the Africans, but which primarily continued to marginalise and impoverish them.

A more renounced analysis of the interface of secondary and primary discriminatory practices would yield a complex situation in which dominant groups that had interests in either form of discrimination attempted to influence the political and economic environment to their advantage. The major interests in this respect comprised foreign representatives of multinational corporations, local white entrepreneurs, and the white working class. The foregoing interests could also be further disaggregated according to whether they participated in tradable or non-tradables. In addition, the situation of the Africans should not be seen to have evolved in a homogenous manner either. In the course of time this group was becoming differentiated as well with some Africans able to penetrate the higher occupational rungs of labour market hierarchy and others able to become entrepreneurs in their own right as well in rural and urban economies.

More importantly was the failure of the colonial regime to prevent the growth and the development of small but influential urban African population. Essentially, the stark consequences of the primary and secondary discrimination became gradually eroded and muted as the countries evolved, and in countries in which the colonial power diminished interest, such as Malawi, the intensity of the racial legacy diminished faster, while in those in which both colonial and settler interest were important, the fundamental issues at stake continued to hold paramount. More generally, the smaller the settler class the more muted became the legacy of racial discrimination. The point to stress is that in all of the countries the legacy of the initial impact of primary and secondary discrimination as outlined above has continued to have important implications for economic policy at a number of levels. Essentially, the implantation and growth of a racial capitalism bequeathed a number of structural distortions which continue to compromise the economic prospects of the majority of Africans in spite of the formal absence of discrimination.

### **Rationalisation of Racism**

In the majority of cases, colonialism tends to have an ethnocentric or racial rationalisation so that the capitalism that emerges on the basis of such colonialism especially where the colonised majority tends to be enclave in the interest of the dominant minority and exclusionary and marginalising of the subordinate majority who are colonised. The first major distortion of such economies is their proneness to growth without development if the economy is left to market forces without the intervention of a majority controlled state to change the structural legacy. By growth is meant increases in gross domestic product and



indeed per capita income which does not necessarily imply the upliftment and involvement of the majority and poorest segments of a given country. And by development is implied a process whereby increases in gross domestic product and precipitate income growth go hand in hand with the upliftment and participation of the majority of the populace and indeed the poorest groups in a given country on sustainable basis. Within this overall context of economies prone to growth without development or to marginalizing and impoverishing growth, a number of secondary problems also manifest themselves which can be traced back to the legacies of primary and secondary discrimination during the earlier period of minority rule. A discussion of the aftermath of primary and secondary discrimination follows next.

Because of the manner in which racial capitalism developed in the countries of the region, the modern capitalist economy has generally been seen as the 'others' economy in which Africans are temporary or marginal participants. In none of the countries can Africans truly say they feel, as capitalists or as the state in power to be in control of their economies. A fundamental reason for this is the enclave nature of the formal economies. This enclavity is manifested in a number of structural distortions, which militate against inclusive growth implying economic development. The major sectors in which the majority African labour force may be distributed continue to interact in a non-virtuous manner. The formal sector in which a minority of the African labour force works is unable to grow laterally at a pace fast enough to absorb the residual labour force and net increases to the labour force. The informal sector continues to be saturated with underemployed labour and to grow laterally in a non-productive manner. And the communal sector continues to persist, while being gradually unravelled as a residual sector with very low levels of productivity. This latter sector is increasingly unable to support the livelihoods of its populace as it is ravaged by out migration of the able-bodied, drought, civil and political conflict, (much of which has diminished in Southern Africa following the advent of peace in Mozambique, South Africa and Angola) and the HIV/AIDS epidemic, and natural disasters.

The non-virtuous nature of the linkages and interactions between the formal, informal and communal sectors is a result of a number of inefficiencies such as the following. First, there are allocative inefficiencies which militated the virtuous interaction of the three sectors to the mutual benefit of all of the participants in these sectors. Second, there are distributive inefficiencies with respect to the unequal nature of the initial resource endowments in each of these sectors which incapacitate those that are lesser endowed. Third, there are microeconomic inefficiencies which compromise the nature of the value channels with respect to entrepreneurship and human capital formation and participation. And fourth, there are dynamic inefficiencies, which prevent virtuous cycles from emerging in various major markets of the economy. These inefficiencies are not by their nature racially based. The claim being made here is that the culmination of a colonial inherited enclave economic environment which has been further influenced by a racially based capitalism has resulted in major distortions which are generally further accentuated by operation of market forces at the national and global levels.



## Chapter III

### Structural Underpinnings of the Employment Problem

Southern African economies have historically evolved as enclave economic structures in which the main engine of economic growth has been the formal sector which employs a minority of the labour force while the majority, or a large proportion of the labour force, has been relegated to marginal low-productivity activities in non-formal sectors [Mhone, ILO, 1996]. The enclave nature of the economies implies that the economies have structural market failures or discontinuities which constrain the rate at which those in non-formal activities or those that are unemployed can be absorbed into activities that are more productive and more dynamic. The enclave nature of the economies in Southern Africa is largely a legacy of colonialism, but has been reinforced by various policies of omission and commission, resulting in the current crisis of unemployment and under-employment.

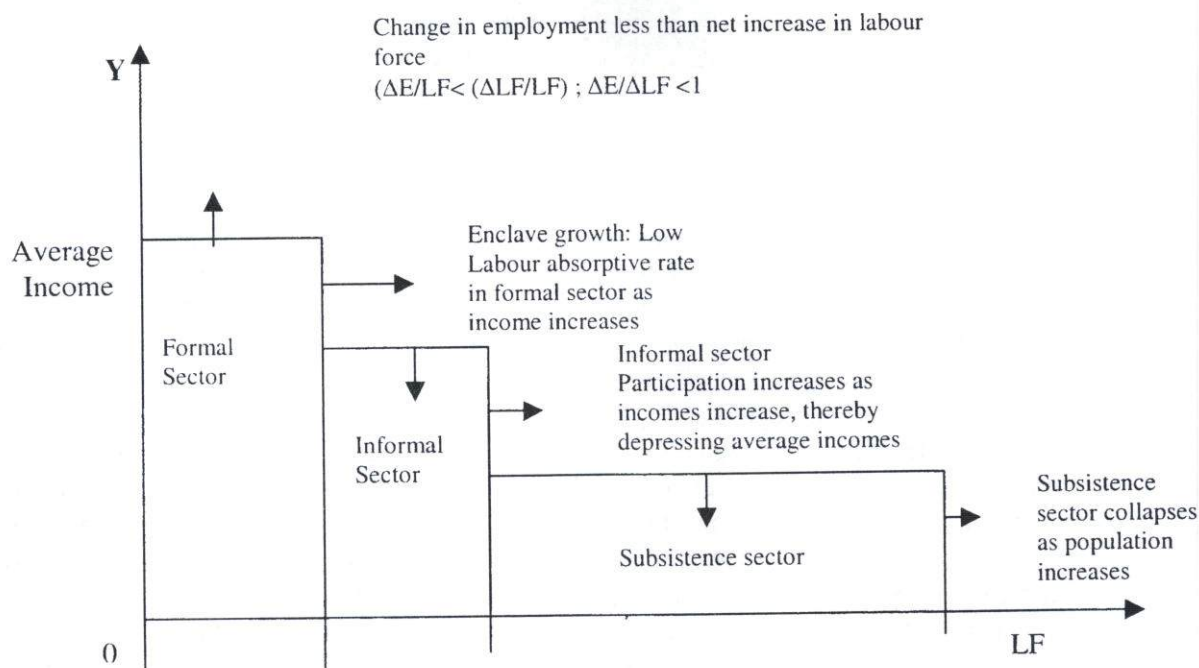
These structural distortions that have persisted over time which underpin the nature of SADC economies are many and include the following which are of direct relevance to the labour market and the nature of the employment problem: the nature of the economic sectors (distribution of economic activities among primary, secondary and tertiary activities) and the degree of diversification of the economies, the structure of trade, the structure of the labour market, the structure of financial markets, the structure of income distribution and poverty and the structure and quality of the institutional development.

The dominant and relatively enclave formal sectors account for the greater part of the gross domestic product, while accounting for a small proportion of employment and the livelihoods of the labour force. Thus, in many Southern African countries, the economies are trimodal with a small proportion of the labour force in the formal sector, except for South Africa in which about 45% of the labour force works in this sector, while the majority of the labour force is engaged in various forms of livelihoods in the urban informal and rural non-formal sectors. A simplified characterisation of the nature of labour utilisation in enclave economies is depicted in Fig. 1.

Essentially the three major sectors while linked to some degree also represent major market discontinuities in terms of their dynamism and potential for virtuous growth. More generally, the combination of slow formal sector growth, with increasing population results in the lateral or involutionary growth of the non-formal sectors. In this model formal sector growth is not adequate to 'eat away' at the non-formal sectors, nor are the non-formal sectors able to transform themselves vertically by lifting themselves up by their 'bootstraps' due to a number of internal and external constraints. With slow growth in the formal sector and increasing population, and thus an expanding labour force, surplus is generated which is absorbed into the non-formal sectors, while some of the labour finds itself openly unemployed. If and when the formal sector actually shrinks due to such shocks as deteriorating terms of trade, the negative consequences of trade liberalisation, public sector retrenchment, and rationalisation of public enterprises, the foregoing evolutionary and lateral expansion of the non-formal sectors is exacerbated.



**Figure 1. The Growth Process of a Typical Enclave Economy**



These latter sectors are characterised by low levels of productivity and incomes and are essentially survivalist in nature, and closely linked to the endemic poverty that afflicts the majority of the population. In addition, the enclave formal sectors are closely linked to developed countries for their exports, imports, and sources of investment and technology. In effect the enclavity implies that economic growth in these countries is not endogenously driven, but rather dependent on exogenous factors related to the behaviour of developed country economies and their relation to Southern African economies. In many member countries, not only are the economies disarticulated internally, but also they tend to be asymmetric regionally as well. These two characteristics of the regional economies (internal disarticulation and regional asymmetry) pose enormous challenges at both the national and regional levels especially with respect to the issue of attempting to address the problems of unemployment and under-employment, which afflicts the majority of the labour in the SADC region.

### 1. Distortions in the Labour Markets

Of importance to labour markets have been the disentitlement of large proportions of the labour force of their land entitlements resulting in the following: the discriminatory allocation and utilisation of labour; the inadequate access to finance among aspiring micro, small and medium level entrepreneurs; the inadequate access to human capital development and entrepreneurship opportunities for the majority; and the inequitable access to social and economic infrastructure for the majority of the population. As a result, large segments of



labour in many Southern African economies appear redundant or superfluous to the economic system. In the absence of development strategies aimed at restructuring the economies such that they are more inclusive of the majority of the labour force, the high rates of economic growth and the inadvertent impacts of globalisation, economic reforms and regional co-operation have aggravated and reinforced this marginalisation of individuals relegated to non-formal sectors of the economy. From the point of view of the labour market the major structural distortions or inefficiencies may be identified as:

### *Allocative inefficiencies*

The major distortion in this respect is the coexistence of high levels of under-employment in the non-formal sectors (communal and informal) with a formal sector with high levels of productivity and a rational approach to resource utilisation. This refers to the misallocation of resources across the economy as a whole. The mere existence of a significant proportion of the labour force that is unemployed and under-employed suggests that this proportion of the resources of the country is under-utilised and therefore wasted. Structural unemployment and under-employment are degenerative in that over time human capital and its productivity is wasted as it depreciates in value, especially as manifested in the phenomenon of the educated unemployed. The allocative inefficiency is reflected in the fact that this under-utilised, seemingly surplus labour which is involuntarily unemployed or under-employed represents foregone productive potential and incomes, which in turn imply foregone effective demand for goods and services, savings and investment resources and revenues for the state. Thus an inclusive growth path that transforms this non-productive labour force into productive employment or self-employment is likely to unblock a number of structural bottlenecks in all the markets and unleash a growth path that is more dynamic and self-reinforcing.

Within this context, market linkages with respect to final goods and services, financial capital inputs such as labour capital goods and intermediate goods are discontinuous and muted such that the virtuous cycles tend to be restricted to the formal sector with minimal spillover effects to the other sectors. In effect, the trickle down effects and lateral expansion scale effects of the dynamic formal sector are severely constrained for a number of reasons, which will not be, addressed in this paper. Within this context, the overall allocation of capital, land, finance, infrastructure, technology, education and training is such that it is biased in favour of the formal economy and against the non-formal sectors.

The formal economy tends to be over-endowed with the foregoing resources and assets while the non-formal sectors tend to be relatively deprived of them. For instance, with respect to capital, the formal sector tends to utilise relatively capital intensive methods of production determined by exogenous considerations even in the face of huge supplies of under- and unemployed labour. By the same token major economic, social and infrastructure policies have been geared to favour the formal sector to the disadvantage of the non-formal sectors. The allocative inefficiencies that arise in the face of enclave growth and development can be technically captured in distorted factor utilisation ratios across the economy and in the low elasticities of employment with respect to investment and output.



### *Distributive inefficiencies*

These refer to the unequal or restricted access to key economic assets such as land, education and training, and finance which constrain the participation of the majority of the labour force in productive economic activities. In Southern Africa as noted earlier, inequalities with respect to access to productive assets are historical in nature, but have been perpetuated and exacerbated by policies of commission and omission by post colonial governments in Africa, and have been reinforced by the interplay of market forces at the national and global levels. Since access to productive assets fundamentally determines the nature of economic participation and the nature of the benefits to be derived from economic participation in the market, distortions in this regard have to be addressed squarely and directly. Any policy package has to show how it directly remedies such deficiencies other than through trickle down effects. The structure of the asset base is crucial in defining the nature of the growth path that ensues. Thus, at one extreme, a narrow asset base that is concentrated among a few, will inevitably result in a growth path that is driven by a few and benefits a few, hence the phenomenon of *jobless growth*, for instance. At the other extreme, a broad based asset structure will generally result in an inclusive growth path that is driven by the majority and benefits the majority, with respect to the nature of the effective demand for goods and services, economic participation in the production of goods and services, the contribution to the mobilisation of savings and investment funds and the structure of the distribution of incomes. Again the functioning of unfettered markets in an enclave economy tends to bring inequalities and their resulting allocative inefficiencies.

### *Microeconomic inefficiencies*

These relate to the distortions at the enterprise and industry levels which militate against economic efficiency, enhanced productivity, international competitiveness and increased employment absorption. Of importance to broad based development are the inefficiencies that obtain at the enterprise level with respect to the self-employment of the majority of the under-employed in the informal sector, rural non-farm enterprises and small-holder agriculture. Here, the compromised nature of human resource capabilities, value channels (work, production, management and marketing processes and capabilities) and value chains (virtuous linkages in distribution of inputs and outputs, marketing structures, financial intermediation, clusters and access to social and economic infrastructure) severely undermine the productive potential of the participants. This limits the efficiency of the enterprises and the benefits that can be derived from participating in the domestic and international markets, while they also constrain capital accumulation, effective demand and overall growth and development.

The microeconomic inefficiencies in formal sector enterprises are reflected in a number of eventualities that grossly limit employment absorption such as the bias toward capital intensive forms of production, and thus the low elasticities of employment with respect to investment and output, the low rates of new investments among new and old firms, and the low growth elasticities with respect to poverty reduction. More generally, the inefficiencies in the non-formal sectors of the economy in which the majority of the labour force ekes out a living are directly related to those in the formal sector in that the enclave nature of the formal



sector and the marginal and residual nature of the non-formal sectors are mutually determining structurally. This represents a major structural bottleneck that directly impinges on employment promotion. For, not only is the promotion of productive employment in the two sub-sectors limited, but also their effective productive interaction is constrained. This further reinforces the allocative and distributive inefficiencies discussed above. In other words, individuals in the non-formal sectors cannot enhance their productive participation in the economy by 'picking themselves up by their boot straps', nor can they precipitate the virtuous cycles of interaction within their industries or localities and with the formal economy needed to promote growth and development in a sustainable manner

### *Dynamic inefficiencies*

As a consequence of the various inefficiencies discussed above, an economy is unable to precipitate beneficial cycles of inclusive and sustainable broad-based economic growth. In effect, the economy is caught in a number of vicious traps, the most important of which are the following: the low level of domestic effective demand which is exacerbated by contractionary tendencies; the constrained mobilisation of domestic savings and investment; the constrained availability of financial revenues for government in the face of rising demand for public expenditures; and distorted pattern of growth and of the relationship between primary, secondary and tertiary sectors both in terms of outputs and labour utilisation. Thus, for instance, the skewed income distribution that accompanies a narrow production and employment base may bias demand in favour of tertiary services and high import content consumption goods, both of which may not be compatible with the need to absorb low skilled labour that is in plentiful supply. A broader employment base may on the other hand increase demand for domestically manufactured goods that also have major employment multipliers in the economy, especially regarding the linkage between agriculture, agro-processing and manufacturing. In addition, if the broader employment base is based as a consequence of the increased absorption of low or semi-skilled labour into export sectors, it may assist in conserving foreign exchange both through increased demand for local goods and through the increased capacity to export goods and services. In this way, a broader economic base redefines the growth path by changing the structure of production and domestic demand, as well as the structure of exports and imports such that a dynamic and more inclusive growth path is established.

The dynamic distortions endemic to an enclave economy can also be identified in the following manner. First, as Arthur Lewis demonstrated in the 1960s, such economies have their own built-in biases against inclusive growth (Mhone, 2000). Essentially, faster growth in the formal economy in the absence of some structural change in the non-formal sectors eventually hits a structural barrier of formal sector pseudo 'full employment' in the face of high levels of under-employment. Second, low employment elasticities with respect to investment and output imply that relatively high rates of growth in gross domestic product are needed to begin to eat away at the high levels of under-employment and unemployment while at the same time being able to absorb net additions to the labour force. In many countries, rates of growth above 6% would be needed in this respect, and as the experience of Botswana (with growth rates of 6% and higher over the past three decades) has demonstrated even higher rates of growth than this may not be enough if the economy is enclave in nature and dependent on external drivers for growth. Finally, in the context of the above inefficiencies and distortions, most of the major labour market and employment related problems can be located.



## **2. Implications of Poverty on Employment Structures**

The first set of problems relates to the constrained ability of the economies to create adequate productive employment opportunities which makes the economies prone to various forms of unemployment and under-employment closely linked to the prevalence of poverty in many of the countries. This inability is increasingly appearing to be endemic and relatively intractable. The fundamental issues in this respect relate to policy failures and most importantly the inability of Southern African countries to address the legacy of enclavity and its associated constraints. This first set of problems concerns the need for a development agenda and associated initiatives which can precipitate an inclusive endogenously driven growth path toward sustainable human development. A second set of problems concerns factors which underpin the following forms of unemployment and under-employment:

### ***Structural Unemployment and Under-employment***

These are consequences of various deficiencies and distortions in an economy which on the one hand increase the supply of labour (such as demographic and labour force participation factors), and, on the other hand, constrain the demand for labour (such as low rates of economic growth, low employment elasticities with respect to output and investment, the skewed distribution of assets, the structure of aggregate and effective demand, and the low levels of domestic and foregone savings and investment). The resolution of structural unemployment and under-employment requires major structural changes in the economies of many Southern African countries. Such changes need to be aimed at redefining the growth path in order to facilitate the increased absorption of those that continue to be unemployed and under-employed for long periods. The majority of those who are structurally unemployed and under-employed comprise those who have been unemployed for long periods (those that have been unemployed for periods of more than one year, for instance), those in survivalist informal sector activities and those engaged in rural livelihoods. When rates of unemployment absorption are lower than the additions to the labour force, and when there is a secular trend to shed labour or for employment to increase slowly or not at all in the formal economy, structural unemployment and underemployment will increase. This is a phenomenon that is currently plaguing many Southern African countries.

### ***Cyclical Unemployment***

This refers to the unemployment arising from downward cyclical trends in an economy, resulting from changes in external demand (e.g. changes in the prices of major export commodities), weather patterns (e.g. drought), international shocks (e.g. the recent Asian crisis) and so on. Such unemployment will tend to increase during recessionary business cycles and will tend to decrease when the economic shocks subside and the economy revives. A number of Southern African countries have been subjected to all of the foregoing types of negative shocks in recent years so that cyclical unemployment has tended to reinforce structural unemployment, thereby exacerbating the problem of unemployment and under-employment in the long term.



### *Frictional Unemployment*

This refers to the unemployment caused by short term or immediate changes in the operation of firms and the economy as they attempt to adjust to changing conditions such as those brought about by stabilisation and economic reform measures. At the microeconomic level, this may arise as consequence of rationalisation endeavours by firms that seek to enhance their competitive advantage, and the economy-wide level this may be a result of the decline of inefficient firms and the emergence of new firms that are able to compete in the new liberalised and outward-oriented economic environment. The resulting unemployment is frictional when it is short term in nature and is such that the labour can be reabsorbed in new activities. However, if the rate at which labour is made frictionally unemployed is greater than the rate at which such unemployed labour can be reabsorbed in new activities, it will tend to add to the structurally unemployed, an eventuality that has been afflicting many Southern African economies since the advent of economic reforms in the early 1990s.

### **3. Implications for the Gender Division of Labour**

Southern African countries have evolved labour markets characterised by a racial and gender division of labour. In order to discuss the full implications of gender with respect to poverty and the world of work it is necessary to define work to include both market activities directed at the production of exchange values and non-market activities directed at the production of use values. The economic participation and status of men and women in Southern Africa as elsewhere varies with respect to both market and non-market activities. In addition, relationship between the differentiated roles of males and women in the broad two types of economic activities serves to reinforce and reproduce the gender differentiation with respect to access to economic opportunities between men and women.

In the event women find themselves severely disadvantaged in terms of economic participation and status in comparison to men: They invariably bear multiple burdens; they are socially excluded from fully realising their maximum potential as human beings in society, by being subordinated to men and being discriminated against; and they are disadvantaged in terms of asset and exchange entitlements in both the formal and non-formal sectors. The disadvantaged and vulnerable nature of the status of women as workers is aggravated by the lack of development, the poor economic performance, and the concentration of women in the rural economy.

Nevertheless, while there are commonalities among the countries, there are also differences, which are influenced by historical and economic factors, many of which are related to the structure and performance of their economies. Women perform various important roles. They are reproducers and rearers of the human species; they are household managers and caregivers of sick or those that are incapacitated for one reason or another. They are community workers, and producers in the rural economy. They are participants in the urban informal sector, wage workers in the formal sector, as well as professional, managerial and technical personnel. It is noted that women of necessity combine the first set of roles, which have been assigned to them by tradition, with any one or more of the other roles, hence the multiple nature of the roles and burdens that they bear.



The roles women undertake based on legacies of traditional and modern practices of patriarchy have resulted in a social division of labour that permeates the economies of the sub-region. This social division is a consequence of supply-side and demand-side determinants. The former relate to induced or autonomous choices that are made by men and women in terms of economic participation; and the latter relate to the considerations that employers primarily take into account in demanding the employment of women and men differentially. The resulting gender division of labour in each country will reflect the interaction of supply-side and demand-side considerations.

The differentiated economic roles of women and men, and accordingly, the disadvantaged or compromised economic status of women can be traced to the following eventualities arising from the interface of traditional, patriarchal and modern economic imperatives:

- Even if some aspects of African tradition did not specifically disadvantage women with respect to access and use of economic assets such as land, the combination of the adoption of western forms of patriarchy and modern forms of economic organisation has resulted in systemic limitations of a women's access to economic assets such as land, education, finance and formal entrepreneurship.
- The non-market roles are often required to subsidise the market roles of both men and women, hence lowering the private costs of commodities activities while the part of the actual cost of executing such activities remains hidden as part of non-market sector dominated by women. The multiple roles of women have been seized upon by the market and by various regimes to define a social division of labour that in part compels women to cross subsidise males and the larger society by providing a number of unpaid services that would normally be provided for through social services, and in part to be directly exploited as cheap labour because of their special circumstances. This subsidisation and exploitation can be found in both formal and non-formal sectors in all the enclave types discussed above. Thus on the one hand women's non-market activities act as an indirect input into market activities of men and women; and, on the other hand, women, by virtue of their non-market obligations, are often compelled to offer their economic services at compromised rates or returns, hence making themselves available as cheap labour relative to men
- As a consequence women and men are often utilised variously as complementary or competing inputs depending on the economic activity or sector and depending on the economic circumstances that have evolved in a given country as will be discussed further below.
- Finally women have also acted as reserve army that has been resorted to depending on the exigencies arising in the economy. Thus women have had to queue for formal sector opportunities.

Thus in all of the countries in Southern Africa a gender based division of labour has evolved that manifests itself at the household, community, enterprise, and economy-wide levels.



This division of labour has also been compounded by the differentiation on the basis of race in some of the countries. The gender based social division of labour in Africa manifests allocative inefficiency at the macroeconomic level, technical inefficiency at the microeconomic level, and distributive inefficiency with respect to asset and exchange entitlements. Nevertheless, the gender based social division of labour is part and parcel of the structure and level of development of individual countries of the region. The overriding problematique in this respect is that of attaining economic growth and economic (and social) development, both of which have remained relatively elusive for many of the countries of the region.

The manner in which the enclave legacy has historically manifested itself in Southern Africa can be summarised by grouping the countries into the following categories, which, while posing unique labour market and employment related issues within each category and country, also have problems and issues common to all of the categories.



## **Chapter IV**

### **Typology of Enclave Economies in Southern Africa**

#### **1. The Settler Dominated Economies of South Africa, Zimbabwe and Namibia**

These economies represent the epitome of enclavity in which immigrant settlers formally institutionalized economic dualism. These economies have been characterized by a number of features such as the following: Their enclave economies evolved on the basis of institutionalizing the exploitation and marginalization of the majority of the labour force as a source of cheap labour. This was assured by dis-entitling the majority of their land entitlements, restricting their access to human capital development through education and training, restricting their access to skilled and professional jobs and occupations except the most menial, and generally ignoring the development of the non-formal sectors which increasingly became non-viable as a consequence of increasing population in the face of shrinking land resources. Thus formal mechanisms were put in place to depress the subsistence wage while simultaneously denying the non-formal labour adequate access to formal employment. It should be noted that this appeared a necessary strategy for the exploitation of primary resources in the form of agriculture and mining. The dualism was formally institutionalized by strictly regulating the flows of labour between the formal and non-formal sectors and within the formal sector itself. In effect these economies, prior to majority rule actually formalized the long-term development of an enclave economy.

While during their early years of development these economies tended to follow the traditional path of colonized economies that dependent on primary production with minimal import substitution and a high dependency on external export markets and imports of industrial and consumer goods, they quickly embarked on an economic nationalism that began to challenge the role assigned to their countries in the imperial division of labour. They eventually systematically embarked on inward looking or import substitution strategies aimed at diversifying their formal sectors.

This they attempted with a high degree of success through a number proactive state policies ranging from control management of the exchange rate, management of interest rates and prices, provision of fiscal subsidies, protective tariff and customs policies, targeted human development strategies for the settler community, provision of subsidized infrastructure and facilities and all the time ensuring that the majority were relatively marginalised. The resulting enclavity was structured in a way that made the formal sector relatively self-contained for growth purposes with mutually complementary primary, secondary and tertiary sectors that catered to the settler segment of the population and that segment of the indigenous labour force that was engaged in formal employment generally as unskilled labour.

The rest of the labour force, amounting to about fifty percent in South Africa and about seventy percent in Zimbabwe was for all practical purposes seen as redundant, except



in so far as it reproduced the portion that was needed in the more dynamic part of the economy. This latter part of the labour force was important only in so far as it acted as a reservoir for spent labour from the formal sector. In South Africa and Namibia to some extent attempts were made to actually define the redundant non-formal sector localities as foreign countries in the form of Bantustans and alter as Homelands, thereby externalizing the economic problem.

In addition, since the mutually interactive process of primary or internal accumulation was precluded, the secondary sector could not act as the main absorber of labour, as this labour was being dispossessed of its primary assets. These countries are rapidly shrinking their primary sectors as a proportion of gross domestic product while expanding their tertiary sectors while not having fully exhausted the development of the secondary sector as the basis for employment absorption. One of the major concerns of these economies even in the face of economic reform is the phenomenon of jobless growth, or the low rate of job creation in the face of an expanding labour force.

The settler economies, given their higher levels of development and diversification have the greatest potential for exploiting the benefits of outward orientation and globalization, but the problem of economic dualism and enclavity poses a major constraint for the realization of balanced and equitable growth. In Zimbabwe and South Africa if the lateral expansion of the formal sector is to be the basis of labour absorption these countries would need annual growth rates in output of at least 5% to merely absorb net increases to the labour force leaving present levels of unemployment and under-employment unchanged. Major interventions to make the economy more labour intensive and to empower the marginalised part of the labour force with asset and income entitlements more or less along the same lines were used to empower the settler community relying on pro-active and promotional policies initiated by the state.

### *Implications for Gender*

The settler dominated economies have unique forms of poverty and inequality, which are primarily defined by the fact that the majority of the population does not have adequate access to land, employment, education and social services; a situation that has historically been conditioned by inequities based on race and gender. The internal migration phenomenon and spatial patterns of de facto residential segregation have also led to special forms of vulnerability for women, while also making the consolidation of social capital extremely difficult for female headed households. More generally, the situation has been compounded by the low rates of labour absorption and the minimal impact that growth has had on the livelihoods of the poorest members of the society. These manifestations of gender inequities in access to assets and income generating opportunities are discussed further below in the context of Southern Africa as a whole.

## **2. Economies of the South African Periphery: Botswana, Lesotho, Swaziland and Namibia**

These are economies that have been historically dependent on the South African economy and are part of the Southern Africa Customs Union, perhaps the most developed and oldest form of regional co-operation in Africa. These economies (except for Botswana) are also part of the Common Monetary Area dominated by South Africa. The countries in this



group are Botswana, Lesotho, Namibia and Swaziland (also known as the BLNS countries). Initially the dependency of these countries was in the form of employment opportunities offered by South Africa for citizens of these countries. This was undertaken through a migrant labour system that treated the imported labour as temporary migrants who were periodically transported back and forth between the mines of South Africa and the non-formal sectors of these countries. The nature of this relationship is well-known and need not be repeated here. It is necessary, however to point out the implications this and the other relationships with South Africa had on the marginalization of the labour force in the non-formal sectors.

The dependency on the migrant labour system has been rationalized on the basis of the benefits it yielded to the individuals and the state. Individuals benefited from the incomes they earned which were higher than those in the subsistence sectors from which they were drawn in their own countries. But as many studies have shown the incomes earned were not enough to provide long term sustenance for these individuals beyond being merely able to sustain the worker and his household for the period of his working life. In later years, right up to the present, real wages have increased but not enough to make a major difference in the standards of living of the workers in their areas of origin. The main point to make here is that the migrant labour system denuded rural areas of the adult male population without, in return, enhancing the viability of these areas. Indeed, the general outcome has been that the rural areas have severely been depressed and undermined as a consequence.

The migrant labour system essentially transformed these countries into peripheries of South Africa in which the main part of the formal sector was external to the economy. From the point of view of economic dualism the migrant labour system had the effect of obviating the need for rural development within these countries since migration was more profitable under the circumstances. Even governments have had difficulties trying to promote rural development in the face of predominantly female labour and a male labour force more intent on working outside these countries. By the same token, this same process obviated the need for the development of secondary industries since the Customs Union ensured that South African goods were dominant in all these countries. Thus there is a legacy in these countries of the failure of rural transformation and industrial development, and of the possibility of initiating a virtuous interaction between these sectors.

The other aspect of the dependency on South Africa concerns the effect of membership in the Customs Union. This relationship was initially designed to widen the market for South Africa and protect South African goods, which it has done quite effectively since all the trade creation benefits have gone to South Africa and the negative trade diversion effects have been absorbed by the BLNS countries. The direct and indirect employment effects of the Union have accrued to South Africa but this country has attempted to make up for the trade diversion consequences by reallocating some of the customs union revenues to the BLNS countries where they have been seen as bonanzas by the states, particularly Lesotho and Swaziland which are less endowed in terms of natural resources.

These revenues together with the remittances of mine worker migrants have had the effect again of obviating the need for some of the states to find independent means from



productive activities from within their own economies. In many respects the revues and incomes have acted as pure rents to the countries which have distorted resource allocation within these countries in favour of service activities with quick returns. Given the superiority of South Africa in providing employment opportunities and producing the capital, intermediate and consumer goods within the context of the Customs Union relative returns to capital are so distorted in favour of South Africa that investment in these economies is relative unattractive. This effect is a mild form of the "Dutch Disease" to be discussed further below with respect to the Rentier economies.

Botswana and Namibia have been fortunate in that they are endowed with mineral resources, which have proved to be a boon to their economies such that these economies have per capita incomes equivalent to that of South Africa. Nevertheless as will be discussed below these countries, in spite of high rates of growth in gross domestic product which have been sustained over a number of years due to the lucrativeness of their main exports have been unable to resolve the problem of the economic dualism as manifested primarily in the under-development of their rural non-formal economies. Indeed these countries, which are market oriented and which have had high rates of growth epitomize the problematique of enclave development and economic dualism. This is especially so given that they have relatively small populations at under four million. The nature of peripheral development is however most accentuated in Lesotho.

### *Implications for Gender*

The gender differentiations with respect to access to assets and income generating opportunities and the gender incidence of poverty in the economies of the South African periphery have primarily been conditioned by the consequences of the labour migratory system and the generally extreme economic dependency of these economies on South Africa. The historical migration of males from rural areas has gone hand in hand with the relative under-development of agriculture in these countries. Since females tend to predominate in rural areas, they remain highly vulnerable to a fragile and impoverished agricultural economy which is primarily subsistence oriented. Attempts to diversify the economies, particularly in Botswana, Lesotho, and Swaziland, by attracting labour intensive forms of foreign investment led to an increase in female labour participation and the absorption of rural females into low wage employment. However, female participation in formal employment has generally been relatively higher in these countries compared to that of other countries in Africa, given that a large number of males have been engaged in migrant labour. By the same token females have tended to have relatively better access to education than their counterparts in other countries in Africa. Indeed in a country like Lesotho, it is the boys, who, in their youth, tend to be steered into husbanding cattle, and when older they tend to migrate to South Africa, that are relatively disadvantaged with respect to access to education. Nevertheless, higher access to and control over land and finance, and access to higher level employment opportunities have been dominated by men, as in all other countries of the region. The incidence of poverty, although generally high for both men and women has tended to be particularly high for women.

The tenacity of the constraints posed by the legacies of enclave development and dependence on South Africa are easily seen in that even countries such as Botswana and Namibia which are well endowed with highly lucrative mineral sectors, and which have had high rates of growth for a number of years are still unable to resolve the persistent



unemployment and poverty in their countries that afflict both men and women, and particularly the latter.

### **3. The Resource-based Rentier Mono-cultural Economies: Zambia, Botswana, Namibia and Mauritius**

These are economies that are dependent on a single major resource, which has been the driving engine of the formal economy. The enclavity and economic dualism of these economies are defined by the extreme dependency on a single sector and commodity. Many of the secondary and tertiary activities in these countries are also dependent on the viability of the major production which for all the there countries are mining. For these economies the mining sectors evolved relying on cheap indigenous labour drawn from the non-formal sectors, but without requiring the transformation of these latter sectors. Since the growth of the mining industries was only dependent on markets external to these economies and only on cheap labour from within these countries, the demand imperative for internal transformation was again forestalled. The returns to labour were only enough to support minimal degree of agrarian and industrial development within the formal sector without requiring the wholesale transformation of the economy. Indeed, the export bonanzas provided the means to import the capital, intermediate and consumer goods that the formal sector needed beyond wage goods.

These economies have generally been plagued by "Dutch Disease" in that periodic or sustained booms in export prices result in economic rents that distort resource allocation as follows. First the returns to the booming industry overwhelm the returns in alternative activities such as manufacturing and agriculture and thereby discouraging investment in these latter sectors. Second, the incomes are so high that the purchase of imports is not a painful way of acquiring capital, intermediate and consumer goods and services thereby making it extremely difficult for such alternative industries to emerge without substantial subsidies. Third, the excess liquidity in the sectors is generally channeled into quick return service and speculative activities with few employment benefits. And fourth some of these states have resorted to taxing the export sector to over-expand the state bureaucracy or to invest in unnecessary excess capacity in infrastructure or social service.

When recessions occur the effects on these economies are often quite disastrous, as the experience of Zambia has shown given the absence of other activities that are not dependent on the primary export commodity given the low levels of diversification of these economies. Both in times of boom and recession these countries have continued to manifest high levels of enclavity for the mono-culture dependent formal sector and high degrees of depression in their respective rural sector where the majority of the labour force still resides. Recent economic reforms have not been able to reverse this legacy. If anything they have continued to reinforce this distorted structural legacy, even if at higher levels of efficiency in the enclave formal sector.

The country of Mauritius provides a good example of mono-cultural economy that has been able to diversify away form dependence on sugar production. This country deliberately promoted outward orientation based on labour intensive manufacturing which absorbed



female labour primarily. In due course it has been able to also develop a viable service sector primarily based on tourism and is now currently attempting to move into high level niche services. In the course of this diversification female labour participation has increased markedly while the labour market has become tighter. A conscious and serious strategy of diversifying the economy has resulted in high rates of growth sustained over a number of years such that the country now ranks among the few high income countries of the region.

### ***Implications for Gender***

A characteristic feature of the mono-cultural economies has been the underdevelopment of agriculture in which the majority of labour force still resides and works, and the expansion of the relatively fast rate of expansion of the service of the formal and informal sector. Women have tended to be concentrated in these sectors, both of which have been characterised by low returns. Males have tended to dominate the formal sector and rentier sectors, while women have been relegated to relatively low productivity sectors and activities. The gender incidence of poverty has tended to reflect the foregoing division of labour. While for Mauritius the increased participation and employment of women has done much to alleviate poverty, females have been unduly concentrated in low paying occupations of the labour intensive industries.

#### **4. The Agrarian Economies: Malawi, Mozambique and Tanzania**

The final set of countries comprises Malawi, Mozambique and Tanzania which are primarily poorly endowed in terms of natural resources, and which during the colonial periods were seen to be the backwaters of the British and Portuguese empires respectively. In the past these countries have shared the fate of Lesotho in being part of the periphery of South Africa, depending on this country for employment opportunities and industrial goods without being part of the Customs Union. They also have the smallest formal sectors in the region with the majority of the labour forces engaged in subsistence farming. Now Mozambique has only recently seen peace and has thus not been able to experiment on economic transformation to any degree. During the colonial period these economies had limited formal agricultural activities developed but were effectively benignly ignored developmentally. Internal employment conditions were such that they did not provide enough of an incentive for rural fold to leave their subsistence activities, hence enclavity was sustained primarily by the limited nature and non-viability of the formal sectors in these countries. For a while during the colonial period the rural labour force remained uncultured by capitalism. Following the independence of these countries governments were intent to reverse the legacy they had inherited from the colonial past but with little success.

Following the attainment of independence, Malawi embarked on an agrarian transformation that saw the country develop a viable but limited estate and small-scale agriculture based on tobacco and cotton farming. This strategy, pursued in the late 1960s and early 1970s saw a marked the proletarianisation of the rural labour force through what initially was a form of primary accumulation based on the cheap labour. And a marked increase in formal sector agriculture employment. The strategy was however not accompanied by a similar industrial strategy so that it soon reached its limits in terms of labour absorption. This was further reinforced by the exhaustion of fertile land for formal agriculture expansion. The abortive and one-sided transformation strategy in Malawi not only succeeded in unraveling the rural economy without creating substitute employment



opportunities, but also generally resulted in a depressed economy for which the export oriented agriculture sector was not enough to resuscitate, hence there has been a tendency for the economy to be informalised given the declining formal sector employment opportunities.

Malawi has neither had the attractive infrastructure or industrial base nor the capacity to take full advantage of the opportunities offered by the economic reforms it has been pursuing over the past decade and a half so that the economy still remains in dire straits unable to absorb net increases to the labour force nor to create productive employment opportunities for its extensive rural under-employed.

Tanzania on the other hand attempted a form of socialist transformation based on cooperative agriculture, which never really took off. Not only was the strategy ill conceived but also it experienced a number of difficulties within the rural sector. The failure to link rural transformation to an industrial strategy further constrained the possibilities of transforming the economy from its agrarian legacy. The strategy succeeded in expanding the role of the state without markedly having an impact on productivity and living standards in rural areas. The enclavity in Tanzania is similar to that in Malawi, defined by the limited nature of the formal sector and the tendency toward the general informalisation of the economy through the sharing of poverty. On the attainment of independence Mozambique promulgated to pursue a socialist path but was immediately plunged into civil war, which was exacerbated by South African destabilization. The government never had the opportunity to experiment on the reversal of its colonial legacy and even in times of relative peace and with a declared market orientation the country has found it difficult to resuscitate the economy, which had remained primarily agrarian with only a small formal sector.

### *Implications for Gender*

The inability of the agrarian economies to fully develop their agricultural sectors and to diversify into manufacturing and services has been a major determinant of the gender based access to assets and income generating opportunities and of the nature of the incidence of poverty based on gender. Since the majority of the labour force resides in rural areas gender implications of access to assets, employment and income have been intimately connected to the nature the differentiated roles of women and males in rural activities. The general underdevelopment of agriculture, the policy biases against agriculture and smallness of the formal sector have all tended to underpin highly levels of poverty among both women and men. The resulting gender based inequities have been reinforced by social and cultural norms that unduly disadvantage women, particularly in rural areas.

The problems discussed above related to the various categories of countries suggest that in some of the countries, and at one extreme, that of the settler economies the enclavity and the low labour absorption rate have been exacerbated by the successful but constrained growth of a relatively self-contained formal sector. And at the other extreme, that of the agrarian economies it has been aggravated by the failure of the formal sector to emerge in a viable manner. The adoption and implementation of economic reforms since the late 1980s have not been able to resolve the economic plight of many of these countries. The exception



in this respect has been Mauritius which has been develop and diversify its economy remarkably over the past three decades with reasonable benefits redounding to its populace.

In addressing issues of poverty access to assets and income generating and earning opportunities, it is important to recognise the overall structural determinants and constraints within gender targeted measures that are likely to be located. It is necessary to be aware of the macroeconomic or developmental policy requirements for a sustainable execution of policies aimed at alleviating the plight of both men and women, and of the latter in particular. The crucial question is first, whether economic reforms are adequate in precipitating this kind of a transformation solely based on market forces and the limited role of the state. And second, whether there is enough impetus internally and globally for the long term expansionary consequences of economic reform and restructuring to actually emerge and outweigh the short and medium term but sustained contractionary effects of the measures themselves.

This is essentially the question posed by Toye (1995) in his review of the relationship between structural adjustment programs and employment. So far, the experience in Africa has been such that the positive effects have not been adequate to precipitate such a transformation nor to generate adequate employment opportunities to absorb net increases to the labour force, let alone to eat way at the pervasive non-formal under-employment in the informal and rural sectors. If anything, economic reform measures appear to be resuscitating the formal sectors in such a way that the enclavity is accentuated, thereby further reproducing the very factors that have sustained poverty and under-employment among men and women in Southern Africa.

In many Southern African countries, employment promotion has been seen as an outcome of growth, rather than as a crucial component for reviving and redefining the growth path. It is to be accepted that labour absorption is dependent on the effective demand for final goods and services as realised in domestic and external markets. From this perspective, sustainable employment promotion can only occur when there are viable markets to sustain the goods and services produced by those employed. Thus, it is noted that the domestic market is limited by the high rates of unemployment and under-employment, the low per capita incomes and the low levels of productivity, hence the need to take full advantage of the external market through increases in exports. Further, it is emphasised that there has to be an enabling environment to encourage domestic and foreign entrepreneurs to invest, hence the need for stabilisation and structural adjustment policies.

The conventional approach (a passive approach predicated on the enabling environment as the prime driver of economic and employment growth) meets with a number of constraints. First, it underestimates the structural impediments to restructuring and resuscitating economic growth and generating increased productive employment. Thus, even if the need for structural adjustment and stabilisation policies were to be accepted, it is now patently obvious that while they may be necessary, they are also not sufficient in themselves to revive many Southern African economies and place them on a developmental path that entails equitable and inclusive growth. Second, the implementation of some economic reform measures has resulted in a situation in which the contractionary and negative economic and social consequences continue to outweigh the anticipated positive or expansionary outcomes, thereby resulting in the loss of productive employment in the formal



sector at the same time that prices of consumer goods have been increasing. Third, it may be admitted that there have been shortcomings and inconsistencies in the implementation of prescribed economic reforms that have compromised the realisation of their presumed benefits. There are enough cases within Southern Africa to show that the assiduous implementation of economic reforms is not enough to begin to address issues related to high levels of unemployment and under-employment.

Within the foregoing context, regional cooperation has tended to reinforce the above tendencies and constraints or has been unable to resolve them. In part this has been due to the fact that regional flows in trade, investment and labour have not been sizeable enough to have major impacts on structural outcomes. By the same token, for almost all of the Southern African countries North-South linkages in trade and investment flows still predominate as a the basis for growth and as a major determinant of the structure of their economies.

Nonetheless, assuming that the economic reforms were the requisite policy package, and that they were implemented as assiduously as required, the projections are that their outcome in terms of the growth in gross domestic product and employment would not effectively deal with the problems of unemployment and under-employment as they currently manifest themselves in many Southern African countries. The case of Botswana has amply demonstrated that good macroeconomic fundamentals and high rates of growth in gross domestic product are not enough to address the problems of unemployment and under-employment the country has been facing for decades. On the other hand, a country such as Malawi has been under the tutelage of the Bretton Woods institutions since the early 1980s, yet its economic situation has not demonstrated much progress, indeed, unemployment and under-employment have been increasing. The issue at stake primarily relates to the relationship between growth and development. While conventional economic reforms may be adequate to revive growth, they may not be enough to initiate broad based and inclusive growth that would begin to reduce rates of unemployment, under-employment and poverty. The fundamental policy issue concerns the manner in which the employment problem is posed vis-a-vis growth and vis-a-vis development.

So far, policy documents have tended to pose the problem as one of derived demand. As such it has been seen as a problem whose solution lies in the stimulation of economic growth. The advent of economic growth has been relegated to a number of policy areas such as the need for increased investment and exports among others. This approach, while appropriate for dealing with cyclical and frictional unemployment, especially in developed countries, is fundamentally self-limiting for developing economies such as those that constitute SADC.

The problems of structural unemployment and under-employment need to be posed in a developmental context in which the structural disarticulations that underpin the problem are appreciated and targeted for policy purposes. To a large degree, that has been done in a number of policy and research documents, but their policy implications have not been followed through systematically, especially for purposes of implementation. Essentially, for a developing country the labour surplus should be the vehicle and instrument for economic transformation and restructuring, since it is the most abundant resource and it exists as both a



means and end in itself. Thus, the growth strategy and employment strategy should really be one and the same thing, with the aim of effecting economic development (generalised and sustainable increases in per capita incomes over time with, at least, a modicum of equity). Such an approach is not necessarily incompatible with stabilisation and structural adjustment imperatives, especially their call for stabilisation of macroeconomic fundamentals, liberalisation, the increased role for the market and outward orientation.

It is necessary that in the pursuit of the agenda of promoting economic growth, employment and overall economic transformation toward economic development should be seen as mutually necessary and supportive components. Put simply, this requires the need to unlock the productive potential of the labour force by making it the basis for the generation of effective demand and the mobilisation of savings for investment. This can be achieved by enhancing its asset and exchange entitlements through productive participation in the economy. Such an approach could be undertaken where macroeconomic fundamentals are viewed as guidelines for national and global resource allocation, while proactively ensuring that market development, liberalisation and outward-orientation directly facilitate the economic participation of the majority of the labour force as wage earners or as self-employed. The growth process then becomes one that is driven by the economic participation of the majority, rather than being predicated primarily on external factors.

There is thus a need for a paradigmatic shift in the manner in which the problems of reviving economic growth, promoting employment and effecting economic development are *problematised* for purposes of policy formulation and implementation. It is one thing to have an employment promotion policy or programme that is an appendage of a stabilisation and structural adjustment programme (as an economic growth strategy would demand) and quite another to have one that is a key, necessary and essential component of structural transformation itself (as would be required of an integrated economic development strategy). From the latter perspective, all key markets, namely the goods and services market, the savings and investment market, and the labour market are intimately interrelated and predicated on each other so that structural constraints in one aspect directly impact on the viability of the other markets. Thus, none of the markets can be seen as a residual, hence the observation by the World Bank (1995) with respect to Zimbabwe, that:

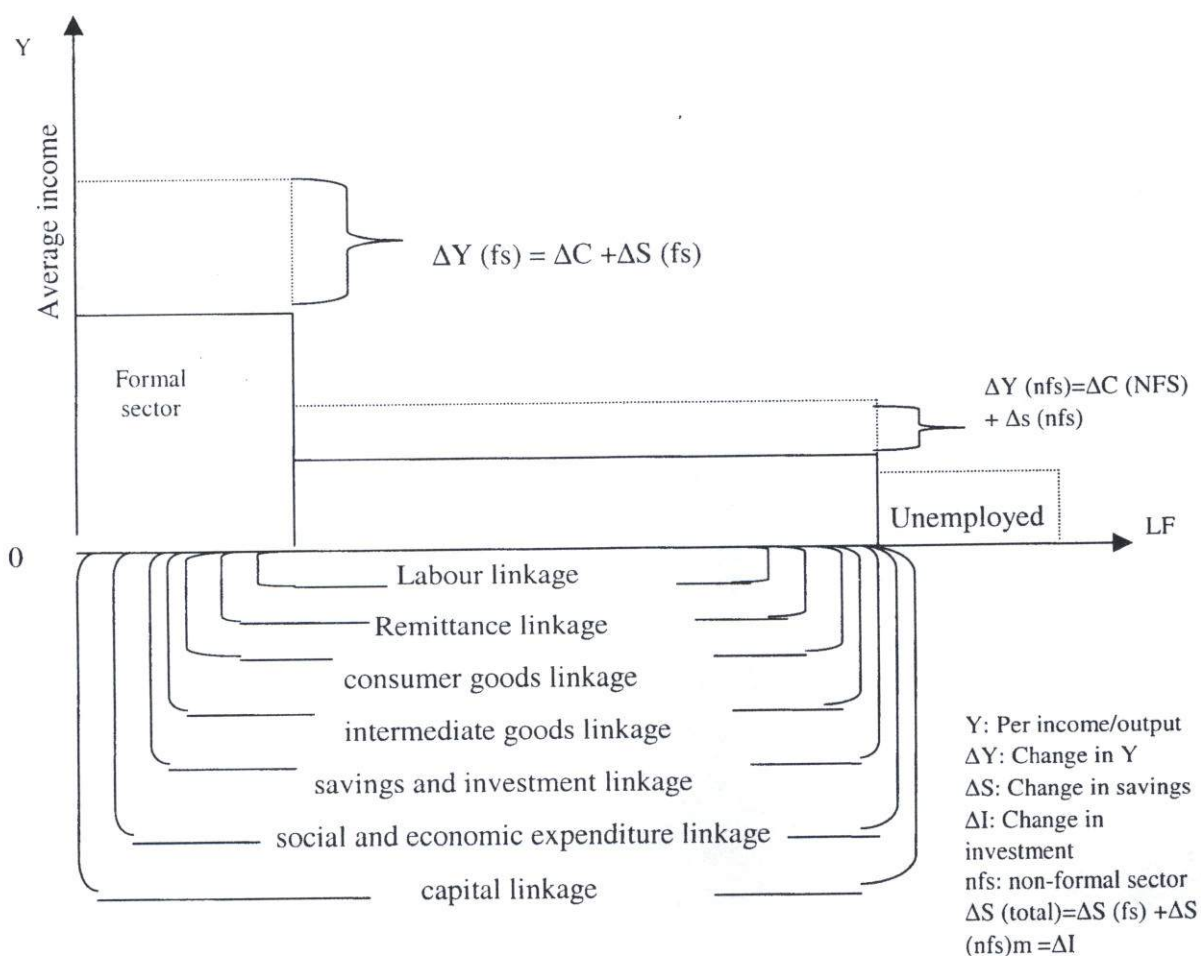
Zimbabwe's experience underscores a lesson emerging from around the world, especially the high-performing economies of East Asia. Broad-based development requires the pursuit of certain key objectives which, much like pistons in an engine, work in tandem to drive an economy toward sustained growth and poverty reduction (Country Economic Memorandum, p.2).

The World Bank identifies four objectives as being central, namely, more rapid growth, the nature of growth (e.g. labour absorbing and outward orientation), the development of assets held by the poor (e.g. human resources and land), and a social safety net. The Bank notes that "none alone is adequate, because all are mutually reinforcing". These objectives together hint at some of the more fundamental considerations for an employment strategy. The point is to view them in an interrelated manner in the context of a comprehensive and integrated package of measures aimed at steering the economy toward increased labour absorption in the long term.



The requirements for transformation can be depicted as in Figure 2. Essentially a number of eventualities are needed: first there is a need to transform the non-formal sectors so that their productivity is enhanced; second, there is a need to precipitate virtuous linkages between the formal and non-formal sectors; third, there is a need to make the formal economy more labour absorptive through scale effects and/or increased labour intensity; and fourth, there is a need for all sectors to be virtuously linked to the external sector. When the foregoing eventualities are initiated a dynamic internal momentum of broad-based growth and transformation is precipitated which tends to be self-reinforcing, there greatly enhancing the potential for equitable growth and development. In this scenario, the non-formal sectors are no longer seen or treated as residual sectors but rather as key drivers of growth and development by transforming a hitherto underemployment part of the labour force into a productive force. But this process can not occur on its own. It requires a conscious attempt by the state to steer the market towards the desired outcomes as will be discussed further later in this report.

**Figure 2. Transforming the Closed Enclave Economy: The Ideal Model**





The foregoing suggests that an employment policy will have to be part of a broader range of policy instruments aimed at unlocking the growth and development potential of the economy by resolving the various structural inefficiencies discussed above. It should be noted that those inefficiencies do not exhaust the structural deficiencies of many of the SADC economies. There are issues related to human resource development, technology capabilities, social welfare and development of key sectors that need to be addressed as well in a broader strategy. Rather, the aim here has been to stress those inefficiencies that have direct implications for employment promotion. In this respect, the discussion has been aimed at underscoring the need not to view employment promotion as a residual or secondary problem, but rather as a key policy area that should be a necessary component of the overall restructuring and transformation strategy and policy matrix.



## **Chapter V**

### **Structure and Performance of the Economies**

It is necessary to begin by noting that the countries of Southern Africa are confronted with the problem of both growth and development. The problems of economic growth primarily concerns the need to increase gross domestic product, while that of development can be viewed as concerning the need to increase gross domestic product in such a manner that the per capita incomes of the poorest members of the society also increase over time. Thus while the attainment of economic development necessarily implies the reduction in the depth and breadth of poverty, economic growth can occur without necessarily reducing poverty.

In Southern Africa, only Mauritius and to a degree Botswana can be said to have attained both growth and development over the past three decades or so in the sense defined above. Other countries have experienced cyclical trends in economic growth over the past three decades, and lengthy periods of secular decline, while levels of poverty have remained unchanged or increased over the years. The adoption of structural adjustment programmes may have ameliorated the situation but has been unable to resolve the development problem.

The problems of poverty and the lack of adequate productive employment opportunities are directly linked to the problems of growth and development. However, in the African context, it would be erroneous to assume these problems can be resolved primarily through growth only. It is not enough either to assume that growth is a necessary condition for their resolution, without adequately specifying what the other conditions are in a coherent manner. It may be contended in this paper that both problems require that the growth path be redefined so that it entails development, and that the problem so far has been that the structure of African economies has militated against the ability of modest economic growth to translate into meaningful development. The nature of this problem requires brief comment since it provides the context within which both poverty and inadequate employment generation are manifested. And in which gender related inequalities and poverty are manifested and reproduced.

Essentially, the countries of the sub-region have evolved what may be labelled as enclave economies in which growth has been predicated on a narrow economic base represented by the formal sector. This formal sector while accounting for the greater proportion of gross domestic product and economic growth only accounts for a very small proportion of employment. Thus the fundamental problem the countries are confronted with is that, for almost all of the countries except South Africa and Mauritius, the majority of the labour force still ekes out a living in the non-formal sectors of economy comprising small holder agriculture, rural non-farm activities and urban informal activities.

Now, while there is poverty in formal wage employment as well, much poverty is associated with livelihoods in the non-formal sectors of the economy, as will be shown below. Further, the nature of the relationships within the formal and non-formal sectors and between



the formal and non-formal sectors has been such that market forces on their own have been unable to precipitate a sustainable path toward economic development which would entail the transformation of the non-formal sectors and the absorption of its participants into productive activities. In Southern Africa the economy of Mauritius has, for a number of reasons, been able to undergo a transformation that has entailed some degree of both growth and development. By contrast, the economy of Botswana has experienced enviable economic growth over the years but has yet to adequately undergo a similar transformation. All the other countries have been experiencing elusive or modest economic growth while their non-formal sectors have been expanding in part due to population growth.

The problem of enclavity is a consequence of a number of factors, some of which are the following. First, it is a legacy of the manner in which many of the countries were colonised. Colonial economies evolved on the basis of the exploitation of primary forms of production (agriculture and mining) for export markets in a manner that did not require the total transformation of the communities or indeed their absorption into productive activities. Economic policies were generally biased toward the growth and development of the primary sectors and minimal manufacturing and service sectors that naturally grew in the process. The settler dominated countries of Zimbabwe and South Africa later also embarked on an import substitution strategy that further developed their non-primary sectors, but again primarily to service the needs of a minority. In the process formal economies evolved that had a narrow economic base.

Economic policies pursued immediately following the attainment of independence in many of the countries of the sub-region failed to transform this inherited legacy and merely reinforced it for a number of reasons. Of direct relevance to gender has been the fact that in many countries, policy distortions have resulted in adverse terms of trade for rural economy and constraints for small and micro enterprises in which women are concentrated.

A second factor relates to the fact that the nature of enclave predicament has been such that if left to its own or to market forces only, strong forces act to reproduce it, unless phenomenally high growth rates, perhaps above 6% per year are achieved and sustained over a number of years to outstrip the growth in population. Even such growth rates would have to be accompanied by some structural changes within the economy to facilitate the absorption of the majority of the labour force into productive employment and other economic activities.

Third, constrained economic growth has meant an increased economic burden for women in both urban and rural areas. This burden has been exacerbated by increased population and dependency rates and the burden of caring for victims of the HIV/AIDS epidemic.

A fourth set of factors relates to the fact that many African countries have been unable to implement economic policies as needed and that a number of them have also been plagued by governance problems which have diverted energies away from concern and resources away from the preoccupation with growth and development issues. In the wake of such developments and the persistence of civil strife in some countries has aggravated the situation.

A number of other factors may be cited such as recurrent droughts, inadequate sources of domestic and foreign investment, the debt burden, high transport costs, cyclical or declining terms of trade and so on. It is important to stress that some factors militate against



development while others constrain growth and that the ability to resolve the latter factors may not be enough to resolve the former problems.

Tables 1, 2, 3, and 4 give some data, which illustrate aspects of the nature of the economies of the region. Table 1 shows the sectoral composition of gross domestic product for the countries of Southern Africa. And Table 2 shows the distribution of the labour force according to economic activity. The nature of enclave development can be derived from the relationship between the nature of the sectoral distribution of gross domestic product and that of the sectoral distribution of the labour force. Thus overall while agriculture accounts for 9% of GDP (in 1995), this sector accounts for 63% (in 1990) of the labour force. By the same token while industry accounts for 32% of GDP (in 1995) it only accounts for 14% (in 1990) of the labour force.

A disaggregation of the data by formal and non-formal economic activities would show that the majority of the labour force is in non-formal economic activities while the formal activities which account for the bulk of GDP only absorb a minority of the labour force. In many countries of the region the majority of the labour force is engaged in residual or survivalist activities in urban and rural non-formal sectors which have low productivity and low incomes. This is a phenomenon and an eventuality which many of the countries have been unable to reverse over the past three decades. Many of the problems related to inadequate productive employment and income generating opportunities and poverty can be traced to this legacy. The nature of the burden placed on the adult labour force and women in particular can be derived from Table 2 where it can be seen that the proportion of the adult population in the labour force is low.

Table 1 shows the various indicators related to gross domestic product for the countries of the sub-region. First, it may be noted that the gross domestic products and per capita incomes of the various countries differ markedly. The per capita incomes of the poorest countries, Malawi and Mozambique are less than one tenth those of the per capita incomes above US\$3,000 such as Botswana, and South Africa. In the period 1980 to 1995 only Botswana, Mauritius and Seychelles had positive per capita growth rates. The comparative data on gross domestic product shows that there are gross inequalities among the countries of the region with respect to per capita incomes. It can also be deduced that in many of the countries per capita incomes have also been declining in recent years. Second, it may be noted that the performance with respect to economic growth was better prior to 1980 than subsequent to this year. Only Seychelles, Mauritius and Botswana had consistent positive and high rates of economic growth in the period from 1980 to 1995. To be sure growth has picked up in many of countries since 1995.



**Table 1: Trends in Economic Performance**

SADC HDI		GNP (US\$ billions)	GNP per capita (US\$)	GNP annual growth rate (%)	GNP per capita annual growth rate (%)		Average annual rate of inflation (%)	
Rank	Country	1995	1995	1980-95	1965-80	1980-95	1985-95	1995
1	Seychelles	0.5	6 620	3.3	4.6	2.3	..	..
2	Mauritius	3.8	3 380	5.7	3.7	4.6	8.8	4.2
3	South Africa	130.9	3 160	1.3	3.2	-1.0	13.9	10.2
4	Swaziland	1.1	1 170	4.2	3.7	1.0	..	7.1
5	Namibia	3.1	2 000	..	0.6	..	10.4	4.7
6	Zimbabwe	5.9	540	2.8	1.7	-0.2	20.9	23.4
7	Botswana	4.4	3 020	8.8	9.9	5.4	11.5	9.2
8	Lesotho	1.5	770	3.4	6.8	0.9	13.4	7.9
9	Angola	4.4	410	..	0.6	..	169.5	1184.1
10	Zambia	3.6	400	0.6	-1.2	-2.4	91.5	46.2
11	Tanzania	3.7	120	..	0.8	..	32.3	34.0
12	DRC	5.3	120	-2.7	-1.3	-5.8	..	542.0
13	Malawi	1.6	170	2.4	3.2	-0.7	22.1	76.0
14	Mozambique	1.4	80	1.1	0.6	-0.8	52.2	44.2
SADC		171.2	1 892	1.5	3.0	-0.7	25.0	28.5

SADC HDI		Exports as a % of GDP (% annual growth rate)	Tax revenue as % of GDP (% of annual growth rate)	Overall budget surplus/deficit (as % of GDP)	
Rank	Country	1980-94	1980-92	1980	1995
1	Seychelles	..	..	-6.62a	-4.32a
2	Mauritius	1.6	1.2	-10.3	-1.40
3	South Africa	0.8	2.0	-2.30	-6.20
4	Swaziland	..	..	6.1	-0.60
5	Namibia	..	..	0.29b	-4.80
6	Zimbabwe	0.6	3.0	-10.90	-10.90a
7	Botswana	..	1.1	-0.20	1.84a
8	Lesotho	1.0	4.1	-12.16a	3.00a
9	Angola	..	..	-10.42a	-35.20a
10	Zambia	-0.4	..	-18.50	-2.90
11	Tanzania	..	..	-7.00	-3.90a
12	DRC	..	..	0.90a	-10.14a
13	Malawi	-1.7	..	-15.90	-5.00a
14	Mozambique	-2.6	..	-17.72	-5.00
SADC		0.7	..	-3.0	-6.6

a. Source: African Development Bank, Selected Statistics on African Countries, 1998

b. Refers to 1985

Source: SADC: Human Development Report, 1998.



**Table 2: Labour Force and Employment**

SADC HDI		Adult labour force (as % of total population)	Labour force participat ion rate	Women's share of adult labour force (% age of 15 years and above)		Percentage of labour force in					
						Agriculture		Industry		Services	
Rank	Country	1995	1990	1970	1995	1970	1990	1970	1990	1970	1990
1	Seychelles	..	..	..	..	..	..	..	..	..	..
2	Mauritius	42	28.4	20	31	34	17	25	43	41	40
3	South Africa	39	24.4	33	37	31	14	30	32	39	55
4	Swaziland	36	20.0	34	37	65	39	13	22	22	38
5	Namibia	41	24.9	39	41	64	49	15	15	21	36
6	Zimbabwe	46	26.2	44	45	77	68	11	8	12	24
7	Botswana	44	23.5	55	46	82	46	5	20	13	33
8	Lesotho	41	25.8	40	37	43	40	36	28	21	32
9	Angola	46	24.9	47	46	78	75	7	8	15	17
10	Zambia	41	23.0	44	45	79	75	7	8	14	17
11	Tanzania	51	26.0	51	49	90	84	3	5	7	11
12	DRC	42	23.8	45	43	75	68	11	13	14	19
13	Malawi	48	27.4	50	49	91	87	4	5	5	8
14	Mozambique	52	27.4	50	49	86	83	6	8	8	9
SADC		44	25	40	43	61	63	8	14	13	24

SADC HDI		Under 14 year olds in the labour force (as a % of pop, aged 10-14 years)	Age dependency ratio	Unemployment rate %		
				Female	Male	Total
Rank	Country	1995	1995	1991-96		
1	Seychelles	..	..	..	..	
2	Mauritius	3.0	0.5	9.9b	3.9b	5.9b
3	South Africa	..	0.7	38.0	22.5	..
4	Swaziland	13.8	0.9	23.3	20.7	21.8
5	Namibia	21.7	0.9	21.0	18.0	19.0
6	Zimbabwe	29.4	0.8	15.0	15.0	15.0
7	Botswana	16.9	0.8	..	..	21.0
8	Lesotho	22.1	0.8	..	..	..
9	Angola	27.1	1.0	..	..	..
710	Zambia	16.3	1.0	16.0	15.0	15.0
11	Tanzania	39.5	0.9	..	..	..
12	DRC	29.6	1.0	..	..	..
13	Malawi	35.2	1.0	..	..	..
14	Mozambique	33.8	0.9	..	..	..
SADC		15.0	0.8			

a. unemployment rate data are from the National Statistical Offices; b. Data is for 1997

Source: SADC Regional Human Development Report Development



Tables 2 and 3 show the structure of the labour force. It may be noted that in 1990s while agriculture accounted for more than 60% of the labour force in all of SADC, this sector's contribution to gross national product was less than 10%. By the same token industry and services, accounting for about 30% of the labour force accounted for about 90% of gross domestic product. This vast discrepancy in the sectoral percentages in employment and contribution to gross domestic product is a graphic illustration of the enclave nature of the economies. It shows that the majority of the labour force is under-employed. It is this aspect that underpins much of the mutually reinforcing nature of poverty, low growth and the enclave pattern of any growth that takes place. When the marginalisation of women in both the formal and non-formal sectors is super-imposed over such trends, the economic and social vulnerability of women is clearly hinted at.

**Table 3 : Distribution of Labour Force**

Country	Agriculture		Industry		Services	
	Women	Men	Women	Men	Women	Men
Angola	87	58	2	17	11	25
Botswana	78	41	3	31	19	27
Lesotho	86	79	3	7	11	13
Malawi	92	63	3	17	5	19
Mauritius	24	21	16	26	60	53
Mozambique	97	68	1	16	2	15
Namibia	47	32	3	32	50	36
South Africa	13	11	17	48	70	40
Swaziland	78	60	4	16	18	24
Tanzania	89	73	2	10	9	17
Zambia	82	65	3	14	15	21
Zimbabwe	80	62	4	17	16	21
Average	71	53	5	21	24	26

Source: UN 1995

**Table 4: Structure of National Income**

Table 4: Structure of National Income							
SADC HDI		GDP (US\$ billions)	Agricultur e (as a % of GDP)	Industry (as a % of GDP)	Services (as a % of GDP)	Consumption	
						Private (as a % of GDP)	Governm ent (as a % of GDP)
Rank	Country	1995	1995	1995	1995	1995	1995
1	Seychelles	0.5	7b	16b	77b	..	
2	Mauritius	4	9	33	58	65	12
3	South Africa	136	5	31	64	61	21
4	Swaziland	1	14b	45b	41b	64	27
5	Namibia	3	14a	29a	56a	..	..
6	Zimbabwe	7	15a	36a	48a	..	..
7	Botswana	4	5	46	48	45	32
8	Lesotho	1	10	56	34	85	23
9	Angola	4	12	59	28	9	47
10	Zambia	4	22	40	37	88	9
11	Tanzania	4	58	17	24	97	10
12	DRC	6.1	30b	36.5b	33.5b		..
13	Malawi	1	42	27	31	76	20
14	Mozambique	1	33a	12a	55		..
SADC		177	9	32	59	59	20



SADC HDI		Gross domestic investment (as a % of GDP)	Gross domestic savings (as a % of GDP)	Tax Revenue (as a % of GDP)	Central government expenditure (as a % of GDP)	Exports (as a % of GDP)	Imports (as a % of GDP)
Rank	Country	1995	1995	1995	1995	1995	1995
1	Seychelles	..	..	..	..	..	..
2	Mauritius	25	22	18	23	58	62
3	South Africa	18	18	..	33	22	22
4	Swaziland	17	9	..	..	83	91
5	Namibia	..	..	..	41	..	..
6	Zimbabwe	..	..	..	..	..	..
7	Botswana	25	23	..	38	49	52
8	Lesotho	87	-9	..	33	21	117
9	Angola	27	43	..	..	74	58
10	Zambia	12	3	13	17	31	40
11	Tanzania	31	-7	..	..	30	68
12	DRC	..	..	..	..	..	..
13	Malawi	15	4	..	..	29	40
14	Mozambique	..	..	..	..	..	..
<b>SADC</b>		<b>18</b>	<b>16.8</b>		<b>30.5</b>	<b>24.7</b>	<b>26.3</b>

a. Data refer to a year other than that specified in the column heading

b. Data refers to 1990

Source: SADC Human Development Report, 1998.

The cases of Mauritius and Botswana are illustrative in that both have similar per capita incomes yet Mauritius has a higher contribution of agriculture and a smaller proportion of the labour in force in agriculture than Botswana, implying that the latter's economy is enclave in nature while that of Mauritius is more balanced.

Table 4 shows the structure of national income. The high dependency on external trade may be noted as well as the low levels of savings and investment. The relative importance of the public sector may be gauged from the high level of revenues as proportion of national income. Botswana and Mauritius have the highest rates of savings and investment and also have the highest growth rates in the region.

The overall incidence of poverty as shown in Table 5 and Table 6 gives the desegregation of the quality of life according to various human development indicators. And Table 7 presents more information on poverty and inequality. From Table 5 it can be seen that for countries for which data is available, levels of poverty are relatively quite high. The core human development indicators also show that the quality of life is relatively quite low in many of the countries. It is illustrative to compare the situation obtaining in the high-income countries of the region with that of the low-income countries, whilst noting that the situation in the former countries is still relatively low by international standards.

The life expectancy rates for Zimbabwe, Angola, Zambia, Malawi, and Mozambique are below 50 years, and those of Swaziland, Namibia, Tanzania, Botswana and Lesotho are between 50 years and 60 years. The rates are not only low by international standards, but they



are being further threatened by the spread of the HIV/AIDS epidemic in almost all of the countries. Internationally, the goal of achieving universal adult literacy and primary education is well accepted and being achieved by a number of developing countries while the data in Table shows that the rates are relatively low in Southern Africa. These two indices are useful measures of poverty and empowerment especially in rural areas. They therefore suggest that large segments of the population are still relatively poor and disempowered.

**Table 5: Poverty in the 1980s and 1990s**

SADC HDI		% of population below income poverty line		% of population below 2/3 of national per capita income		Gini coefficients
		US\$1 a day (1985 PPP\$)	National poverty line	Urban	Rural	
Rank	Country	1989-94	1989-94	1991-95		1991-95
1	Seychelles	..	..	..	..	..
2	Mauritius	..	11.0	..	..	..
3	South Africa	23.7	..	41.0	82	0.58
4	Swaziland	..	..	..	..	..
5	Namibia	..	..	..	..	0.70
6	Zimbabwe	41.0	26.0	0.6	..	0.63d
7	Botswana	34.7a	..	..	..	0.55
8	Lesotho	50.4	26.0	..	..	0.56
9	Angola	..	..	..	..	..
10	Zambia	84.6	86.0	16.0	75	0.46
11	Tanzania	16.4	50.0	20.0	52	0.38
12	DRC	..	..	..	..	..
13	Malawi	42.1	..	..	..	0.60c
14	Mozambique	..	..	..	..	..

- Data refers to a year or period other than that specified in the column heading, differ from the standard definition or refer to only part of the country
- UNICEF 1998: The state of the World's Children 1998, New York: Oxford University press
- Estimated by SARIPS / SAPES Trust
- Central Statistical Office, Zimbabwe, poverty in Zimbabwe 1995/96, Zimbabwe Government Printer, Harare, forthcoming

Source: SADC Regional Human Development Report, 1998



**Table 6: Levels of Poverty Southern Africa**

SADC HDI		HPI (rank)	Human Poverty index (HPI-1) value (%)	People not expected to survive total age 40 (as % of total population)	Adult illiteracy rate (%)	Population without access to		
						Safe water (%)	Health services (%)	Sanitation (%)
Rank	Country	1995	1995	1995	1995	1990-96	1990-95	1990-96
1	Seychelles	..	..	..	22.0	3.0	1.0	..
2	Mauritius	1	12.1	4.0	17.1	2.0	0a	0
3	South Africa	..	..	13.0	18.2	1.0	..	47.0
4	Swaziland	..	..	21.0	23.3	40.0	55.0	30.0
5	Namibia	5	30.0	26.0	24.0b	43.0	41.0	66.0
6	Zimbabwe	2	25.2	34.0	14.9	21.0	15.0	48.0
7	Botswana	4	27.0	31.0	30.2	7.0a	11.0a	45.0
8	Lesotho	3	25.7	23.0	28.7	38.0	20.0a	62.0
9	Angola	..	..	38.0	58.0	68.0	24.0	84.0
10	Zambia	6	36.9	42.0	21.8	73.0	25.0a	36.0
11	Tanzania	7	39.8	31.0	32.2	62.0	58.0	14.0
12	DRC	8	41.1	30.0	22.7	58.0	74.0a	82.0
13	Malawi	9	47.7	46.0	43.6	63.0	65.0	94.0
14	Mozambique	10	48.5	38.0	59.9	37.0	61.0a	46.0
<b>SADC</b>			<b>39.9</b>	<b>28.8</b>	<b>29.2</b>	<b>41.6</b>	<b>56.9</b>	<b>54.5</b>

SADC HDI		Under-weight children under age five (%)	Children not reaching grade 5 (%)	Refugees by country of asylum (thousands)	Real GDP per capita (PPP\$)	
					Poorest 20 %	Richest 20 %
Rank	Country	1990-97	1995	1996	1980-94	1980-94
1	Seychelles	6a	3	..	..	..
2	Mauritius	16	1	..	..	..
3	South Africa	9	35	22.6	516	9 897
4	Swaziland	10a	22	0.6	..	..
5	Namibia	26	18	2.2	..	..
6	Zimbabwe	16	24	0.6	420	6 542
7	Botswana	15a	11	0.2	..	..
8	Lesotho	16	21	..	137	2 945
9	Angola	..	..	9.4	..	..
10	Zambia	24	16	131.1	216	2 797
11	Tanzania	27	17	498.7	217	1 430
12	DRC	34	36	676.0	..	..
13	Malawi	30	..	1.3	..	..
14	Mozambique	27	53	0.2	..	..
<b>SADC</b>		<b>19</b>	<b>26</b>	<b>1342.9</b>		



**Table 7: SADC Specific Human Development Index**

SADC HDI		Life expectancy at birth (years)	Adult literacy rate (%)	Combined 1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> level gross enrolment ratio (%)	Real GDP per capita (PPP\$)	Adjusted GDP real per capita (PPP\$)	Adjusted real GDP per capita for income inequality
Rank	Country	1995	1995	1995	1995	1995	1995
1	Seychelles	72.0a	88.0a	61	7 697	1 955	..
2	Mauritius	70.9	82.9	61b	13 294	2 041	..
3	South Africa	64.1	81.8	81	4 334	1 907	793
4	Swaziland	58.8	76.7	77	2 954	1 874	..
5	Namibia	55.8	76.0a	83	4 054	1 901	570
6	Zimbabwe	48.9	85.1	69	2 135	1 842	682
7	Botswana	51.7	69.8	71b	5 611	1 929	866
8	Lesotho	58.1	71.3	56b	1 290	1 223	538
9	Angola	47.4	42.0a	30b	1 839	1 818	..
10	Zambia	42.7	78.2	52b	986	986	532
11	Tanzania	50.6	67.8	33	636	636	394
12	DRC	52.4	77.3	41b	355	355	..
13	Malawi	41.0	56.4	76b	773	773	311
14	Mozambique	46.3	40.1	25	959	959	..
SADC		52.1	70.8	51.8	1 800	1 099	598
SADC HDI		Life expectancy index	Adult literacy index	Combined 1 <sup>st</sup> , 2 <sup>nd</sup> & 3 <sup>rd</sup> level gross enrolment index	Educational index	GDP per capita index	GDP per capita adjusted for income inequality index
Rank	Country	1995	1995	1995	1995	1995	1995
1	Seychelles	0.783	0.880	0.610	0.790	0.903	..
2	Mauritius	0.765	0.829	0.610	0.756	0.935	..
3	South Africa	0.652	0.818	0.810	0.815	0.878	0.341
4	Swaziland	0.563	0.767	0.770	0.768	0.856	..
5	Namibia	0.513	0.760	0.830	0.783	0.876	0.229
6	Zimbabwe	0.398	0.851	0.690	0.797	0.841	0.281
7	Botswana	0.445	0.698	0.710	0.702	0.890	0.374
8	Lesotho	0.552	0.713	0.560	0.662	0.576	0.227
9	Angola	0.373	0.420	0.300	0.380	0.830	..
10	Zambia	0.295	0.782	0.520	0.695	0.429	0.209
11	Tanzania	0.427	0.678	0.330	0.562	0.260	0.143
12	DRC	0.457	0.773	0.410	0.652	0.124	..
13	Malawi	0.267	0.564	0.760	0.629	0.326	0.101
14	Mozambique	0.355	0.401	0.250	0.351	0.416	..
SADC		0.465	0.708	0.518	0.642	0.484	0.243

It is clear from the above data and discussion that the economic and social circumstances in each of the countries in Southern Africa differ markedly as can easily be seen from the differences in the per capita incomes. These differences are, variously, a result of their resource endowments, the specific colonial legacies and their manner of insertion into the global economy, the nature of the economic policies pursued following the attainment of independence, the manner in which economic reforms have been implemented since the 1980s and through the 1990s, and overall approach to economic management and governance in



individual countries. While there are differences among the countries of the region, there are also commonalities both of which are best appreciated by classifying the various countries according to their economic legacies.

More recent data provided by the United Nations Development Programme in its Human Development Report show that the trends discussed above have continued into the new millennium as shown in Tables 8 to 12.

**Table 8 : Socio-economic Indicators in SADC**

Country	GDP per Capita (ppp US\$) 2000	Annual Growth rate in GDP per capita 1990-2000	Life Expectancy at birth (years)	Education Index	HDI	GDP Index	Adult Literacy (% age 15 and above)
Seychelles	12,508	1.1	72.7	.83	.811	.81	88
Mauritius	10,017	4.0	71.3	.77	.772	.77	84.5
South Africa	9,401	...	52.1	.88	.695	.76	85.3
Namibia	6,431	1.8	44.7	.81	.61	.69	82
Botswana	7,184	2.3	40.3	.75	.572	.71	77.2
Lesotho	2,031	2.1	45.7	.76	.535	.50	83.4
Swaziland	4,492	0.2	44.4	.77	.577	.64	79.6
DR of Congo	765	-8.2	51.3	.51	.431	.34	61.4
Mozambique	854	3.9	39.3	.37	.322	.36	44
Malawi	615	1.8	40	.65	.400	.30	60.1
Zambia	780	-2.1	41.4	.68	.433	.34	78.1
Zimbabwe	2,635	0.4	42.3	.81	.551	.55	88.7
Angola	2,187	-1.8	45.2	.36	.403	.51	42
Tanzania	523	0.1	51.1	.61	.44	.28	75.1

Source: UNDP Human Development Report, 2002.

**Table 9. Human Development Index Trends**

Country	1975	1980	1985	1990	1995	2000
Seychelles						.811
Mauritius	.630	.656	.686	.723	.75	.772
South Africa	.649	.550	.600	.639	.714	.724
Namibia						.622
Botswana	.494	.556	.613	.653	.653	.620
Lesotho	.478	.518	.547	.574	.572	.534
Swaziland	.512	.543	.569	.615	.620	.577
DR of Congo						.431
Mozambique		.302	.290	.310	.313	.322
Malawi	.316	.341	.354	.362	.403	.403
Zambia	.449	.463	.480	.468	.432	.433
Zimbabwe	.547	.572	.621	.597	.563	.551
Angola						.403
Tanzania				.422	.427	.440

Source: UNDP Human Development Report, 2002.



**Table 10. Gender Related Development Index**

Country	Life Expectancy at Birth 2000		Adult Literacy rate 2000		Combined primary, secondary and gross tertiary enrolment ratio 2000		Estimated income(ppp US\$) 2000		Gender Development Related Index
	F	M	F	M	F	M	F	M	
Seychelles									
Mauritius									
South Africa	53.9	50.2	84.6	86.0	96	89	5888	13024	.689
Namibia	44.7	44.6	81.2	82.8	80	77	4413	8498	.604
Botswana	40.1	40.2	79.8	74.5	70	70	5418	9025	.566
Lesotho	45.6	45.8	93.6	72.5	65	57	1223	2853	.521
Swaziland	45.1	43.7	78.6	80.8	70	74	2557	6479	.567
DR of Congo	52.6	50.1	50.2	73.1	26	37	548	986	.420
Mozambique	40.2	38.4	28.7	60.1	19	26	705	1007	.307
Malawi	39.8	40.2	46.5	74.5	69	78	506	726	.389
Zambia	40.9	41.8	71.5	85.2	46	52	562	995	.424
Zimbabwe	42.5	43.2	84.7	92.8	63	67	1946	3324	.545
Angola	46.6	43.9			21	25			
Tanzania	52.1	50.0	66.5	83.9	32	33	436	611	.436

Source: UNDP Human Development Report, 2002.

**Table 11. Share of Income or Consumption**

Country	Survey year	Richest 20%	Poorest 20%	Richest 20% to poorest 20%	Gini Index
Seychelles					
Mauritius					
South Africa	1993-94	2.9	64.8	22.6	59.3
Namibia					
Botswana					
Lesotho					
Swaziland	1994	2.7	64.4	23.8	60.9
DR of Congo					
Mozambique	1996-97	6.5	46.5	7.2	39.6
Malawi					
Zambia	1998	3.3	56.6	36.6	52.6
Zimbabwe	1995	4.7	55.7	11.9	50.1
Angola					
Tanzania	1993	6.8	45.5	10.8	38.2

Source: UNDP Human Development Report, 2002.



**Table 12: Poverty indicators from the 2002 UNDP Human Development Report**

Country	Population Living below \$1 per day	Population Living below \$2 per day	Population below national poverty line
1. Seychelles			
2. Mauritius			10.6
3. South Africa	11.5	35.8	
4. Namibia	34.9	55.8	
5. Botswana	33.3	61.4	
6. Lesotho	43.1	65.7	49.2
7. Swaziland			40.0
8. DR of Congo			
9. Mozambique	37.8	78.4	
10. Malawi			54.0
11. Zambia	63.6	87.4	86.0
12. Zimbabwe	36.0	64.2	25.5
13. Angola			
14. Tanzania	19.9	59.6	41.6

Source: UNDP Human Development Report, 2002.

**Table 13: Demographic Indicators**

Country	Total population 1975 in millions	Total Population 2000 in millions	Total Population 2015	% Urban Population 1975	% Urban Population 2000	% Urban Population 2015	Populati on growth rate(200 0-2015)
Seychelles	0.1	0.1	0.1	33.3	63.8	72.3	
Mauritius	0.9	1.2	1.3	43.4	41.3	48.6	0.8
South Africa	25.8	43.3	44.6	48.0	56.9	67.2	0.2
Namibia	0.9	1.8	2.3	20.6	30.9	39.0	1.8
Botswana	0.8	1.5	1.7	12.8	49.0	56.0	0.6
Lesotho	1.2	2.0	2.1	10.8	28.0	38.0	0.3
Swaziland	0.5	0.9	1.0	14.0	26.0	32.7	0.7
DR of Congo	23.1	50.9	84.0	29.5	30.3	39.3	3.3
Mozambique	10.3	18.3	23.5	8.7	32.1	48.2	1.7
Malawi	5.2	11.3	15.7	7.7	14.7	21.3	2.2
Zambia	5.0	10.4	14.8	34.8	39.6	45.2	2.3
Zimbabwe	6.1	12.6	16.4	19.6	35.3	45.9	1.7
Angola	6.2	13.1	20.8	17.8	34.2	44.1	3.1
Tanzania	16.2	35.1	49.3	10.1	32.3	46.2	2.3

Source: UNDP Human Development Report, 2002.



The manner in which the enclavity has evolved historically, and has persisted over the years, has differed among the countries of the sub-region. In this respect, the countries of the sub-region can be classified into the following: the settler economies of the Zimbabwe and South Africa; the economies of Lesotho, Swaziland and to a lesser extent Botswana and Namibia, which have been peripheries of the South African economy; the mineral driven economies of Zambia, Botswana, and Namibia and Angola; and the agrarian based economies of Malawi, Tanzania and Mozambique.

The distinction is important since while there are a number of commonalities with respect to the nature of the enclave nature of the economies and attendant problems of under-employment and poverty that afflict the majority of the labour force, there are also differences. The differences are especially significant when the gender division of labour is interrogated within each type of enclave economy.



## Chapter VI

### Employment and Under-Employment in Southern Africa

In most countries in Sub-Sahara Africa, the majority of the labour force still works in agricultural pursuits. The proportion in agriculture is low in Mauritius because of higher rates of industrialization and in Lesotho for reasons of dependence on migrant labour to South Africa. Table 4 shows the distribution of the workforce by industry in Southern African countries as of 1995. The table does not distinguish between formal and non-formal employment but it can be generally assumed that employment in agriculture is primarily non-formal in most of the countries except South Africa and Mauritius; that most of those in industry are in formal wage employment and those in services are primarily in the informal sector in many of the countries. For most of the countries except for South Africa and Mauritius the majority of the labour force is employed in non-formal agriculture and non-formal services.

For Sub-Saharan Africa, the majority of the labour force is in subsistence agriculture. Zambia, which has a high degree of urbanization, has a relatively small proportion (at 30%) of its labour force engaged in subsistence agriculture, with about 60% in wage employment and 10% in non-wage non-agricultural employment (in services and industry). By contrast, on the one hand, Malawi, which is typical of the poorest countries in Africa has about 81% of its labour force engaged in subsistence agriculture with only 9% in wage employment and another 10% to 11% in non-wage industry and services; and on the other hand, South Africa which is perhaps the most developed economy on the continent has 45% of its labour force in wage employment with about 25% in non-wage employment in services and industry (primarily informal sector employment) and about 30% in subsistence agriculture. But again even for this latter country the majority of the labour force is in non-formal employment.

#### *Declining Employment Rates*

Generally, the proportion of the labour engaged in the dynamic part of the economy - the formal sector - is quite low in Sub-Saharan Africa with the majority of the labour force engaged in low productivity pursuits in the subsistence and informal sectors. The presence of the majority of the labour force in non-wage low productivity employment represents under-employment or disguised employment since the activities that the labour force is engaged are either residual in nature, as in subsistence farming, and or survival in nature, if it is in the informal sector. In both cases the redundant labour force, which is that which cannot find employment in the formal wage sector resorts to the subsistence and informal sectors for sustenance. It is for this reason that open unemployment is difficult to estimate in many African countries. With rates of urbanization in Africa at about 5% per year while employment opportunities have been stagnating if not decreasing, rates of open unemployment should be expected to be high. Where statistics are available, open unemployment tends to be quite high by international standards in South Africa where it is close to 29%, Zimbabwe where it is between 15% and 20%, Botswana where its about 21%, Mozambique where it is about 10% and Lesotho where it is about 15%[SADC, 1997].



Nevertheless the more significant labour market phenomenon for Africa is that of under-employment which afflicts the majority of the labour force.

It was noted earlier that in the face of low rates of growth in gross domestic product and high rates of growth in population, the per capita incomes have generally been declining in Africa. An important aspect of this decline has been low rate of growth or stagnation in formal sector employment over the past decade. In turn, the low rate of growth in formal employment has been a consequence of the low rates of growth in output. Between 1965 and 1973, Africa experienced consistent positive growth rates in gross domestic product [World Bank, 1988]. During this period all of Africa experienced a weighted annual average rate growth in output of more than 4%. Indeed during this period, the majority of the countries experienced growth rates that were above rates of population growth. It may be expected, therefore, that between 1965 and 1973 formal sector employment was expanding in Africa. This expansion was propelled by a number of factors among which were the growth in the public sector, the exploitation of easy import substitution which was pursued by a number of countries, favourable terms of trade, positive flows on foreign investment in many of the countries, and purposive developmental strategies in agriculture primarily that were pursued by a number of countries such as Kenya, Malawi, and Cote d'Ivoire.

With the onset of the worldwide recession in the mid 1970s, formal sector employment growth particularly in the private sector came to a halt and began to decline in many of the countries. In some of the countries that had statistics or socialist governments, formal sector employment growth continued through the expansion of the public sector fuelled by deficit spending, but even then overall formal employment tended to stagnate or decline. This situation has not been completely reversed for a number of countries in spite of the adoption of structural adjustment programmes. The situation in Southern Africa may serve as an illustration. One of the very few countries in the SADC region, and indeed in Africa to experience consistent employment growth has been Mauritius which is now close to full employment with formal employment in 1996 equal to about 466,100 out of a labour force of about 492,800 persons. This country has pursued a consistent strategy of promoting labour absorbing growth while simultaneously transforming the productivity of all its sectors and how they relate to each other. Swaziland is another country that has experienced employment growth with employment between 1993 and 1996 having increased by about 6.5 % but the rate of unemployment was estimated to be about 40% [SADC, 1997].

A country such as Botswana with relatively high rates of economic growth by any standards only had a 1.5% growth in formal employment between 1993 and 1995 while growth in output was about 6% per annum. The unemployment rate in Botswana, even after consistent high rates of growth for more than a decade and a half was 21% [SADC, 1997]. This is a country that is plagued by the distortionary effects of reliance on one commodity for its prosperity without effecting complementary strategies to transform the rest of its economy to create alternative productive employment opportunities for those not directly engaged in the prosperous sector (diamond production) or the state sector, which depends heavily on rents from the diamond industry. Indeed, Botswana serves as a good example of the limits of trickle down growth in the face of a growing economy that is outward oriented and well managed, but which does not have conscious strategies to absorb the majority of its labour into productive activities. This is an experience that has been replicated by a number of countries that have had oil or mineral bonanzas in recent years such as Nigeria, Zambia, Angola and others.



Another interesting illustration in this respect is South Africa, which is one of the more developed countries on the continent, being relatively diversified. Growth in formal employment in South Africa peaked in the early 1980s and has seen a downward trend since then. With the opening up of the economy and liberalization of the trade regime, the destruction of jobs has appeared to exceed the rate of new job creation in the formal sector in spite of the expansion of the public sector in recent years. There is the possibility, however, that job creation may be taking place in the form of atypical forms of employment such as casual, part time, and temporary work. Nevertheless, with unemployment rates estimated at over 20%, it is clear that that formal sector employment growth is not keeping pace with the growth in the labour force.

Other countries in Southern Africa have also experienced actual declines in formal sector employment in recent years and even much lower rates of growth in output than that of Botswana. The SADC Employment and Labour Sector report [1996/1997] notes that formal sector employment in Malawi has declined and that at best it can only generate from 15,000 to 35,000 new employment opportunities while new entrants to the labour force amount to about 145,000. Malawi has been one of the early implementers of economic reform programmes since it began doing so in the early 1980s and was in the past touted as an example of a private sector driven and managed economy, but still remains one of the poorest countries on the continent, and has failed to replicate the growth it experienced from the mid 1960s to the mid 1970s. This is a country that managed to effect a relatively successful, even if inequitable agricultural strategy during the early years of independent rule, but did not manage to undertake a similar strategy to transform its industrial sector in order to generate increased employment opportunities for the labour force displaced from subsistence agriculture.

For Zambia, formal sector employment declined by 3.4% between 1995 and 1996, while unemployment was estimated to comprise 2.2 million persons or about 68% of the labour force of 3.2 million persons [SADC, 1997]. Zambia is a country that has a viable mining sector with plenty of land and a low population density. This is a country that has been implementing economic reforms since the beginning of the 1990s but still fails to find a viable growth path. Zimbabwe is a country that is relatively developed and diversified by African standards. Between 1992 and 1995 formal employment declined by about 3.4%, while the informal sector expanded from 39.2% to 41% of the labour force and the rate of unemployment stood at 10% when narrowly defined and at more than 20% when unpaid family workers are included [SADC, 1997]. Both Zimbabwe and Zambia had attempted state led redistributionist strategies justified under socialism in the case of the former and Humanism in the case of the latter. As a consequence, their public sectors expanded phenomenally over the years until they became unsustainable. With the adoption of economic reforms in both countries, there have been systematic but reluctant attempts to reduce the size of the largest employer in the formal sector, which has been the public sector. This coupled with the contractionary impact of some of the stabilization macroeconomics measures have resulted in declines in formal employment in both the public and private sectors.



In many ways the situation in Southern Africa represents a microcosm of what is happening in the rest of Africa. For many of the African countries, formal sector employment is either declining or increasing too slowly to absorb net increases to the labour force. In many of the countries the short to medium term contractionary consequences of implementing economic reforms advocated by the Bretton Woods Institutions have been greater than their anticipated expansionary consequences for a number of reasons which will be discussed below. From countries which have been experiencing successful results from the economic reforms such as Ghana and Uganda, the employment consequences have probably been positive but it is not clear whether employment growth has been enough to out-run the growth in the labour force so as to begin to reduce the rates of open unemployment and under-employment in the informal sector and the subsistence sector. More generally, two issues arise from the nature of the current dismal trends in formal sector employment growth. The first relates to why it is that even in the face of economic reforms being implemented by a number of countries for more than five years in most cases economic resuscitation does not appear to be taking place. The second relates to the fact that even when economic growth does take place, with the exception of Mauritius, the employment consequences of the resulting growth are minimal. In other words, in much of Africa the responsiveness of employment to increases in output and investment is relatively low. These issues will be pursued further below.

Finally, it is important to comment on the gender aspects of the employment in Africa. Women continue to be over-represented in agriculture, services and the informal sector; and they tend to be under-represented among production workers, except in Tunisia where they are over-represented, and among the professional, technical and managerial personnel. Generally women tend to be concentrated in the more vulnerable forms of employment and in the traditional forms of female employment in production and services. Interestingly, women appear to be well represented in the higher-level occupations among the North African countries and in Lesotho where the internal labour market is to a degree dominated by females given the high rate of male migration to South Africa.

### ***Wage Employment***

In the formal sector women are disadvantaged through occupational and job segregation, and income inequalities in relation to men. The factors underpinning the employment of women in a discriminatory manner relate to supply-side and demand-side considerations that reflect both patriarchal and structural biases. From a narrow perspective of neo-classical economics, the gender based utilisation of labour can be seen to be 'rational' from both the point of view of the supply of, and demand for labour, if the patriarchal and structural factors are taken as 'given,' and thus unquestionable. Considerations of queuing, risk minimisation, and auto-steering are shown to be rational responses on the supply side of the labour of women, given their multiple tasks and social constraints; and those related to statistical discrimination, risk-aversion and collusive behaviour are shown to be important on the demand side.

The combination of the supply and demand considerations in the face of the structural factors of underdevelopment and enclave development and growth leads to occupational and job discrimination in favour of men, and to the disadvantage of women. As noted at the beginning of this paper, women get absorbed into wage labour partly because they appear to be relatively cheaper than males for certain activities; partly because they act as a reserve labour



force when labour markets are tight or when there are activities that males are reluctant to undertake; and partly because they can be employed in activities which are seen to be extensions of their households roles.

As a consequence, women not only comprise smaller proportion of wage employment in most of the countries, they also find themselves in casual, insecure and low paying forms of employment in which conditions of employment are severely compromised both absolutely and in relation to internationally accepted standards. Issues related to unsafe working environments, inadequate maternity benefits, child care facilities, and social security schemes, differential access to education and training, and poor representation in unions or the absence of worker organisations, reinforce the disadvantaged status of women as workers in the formal sector. Table 14 shows the proportion for children between the ages of 10 years and 14 years who work. Except for South Africa and Mauritius these figures are alarmingly high for most of the countries and they attest to prevalence of child labour as a major labour market problem. Interestingly, child labour appears more rampant in countries, which are relatively poor in which employment, incomes and education are all inadequately provided for.

**Table 14: Proportion of Child Labour in Southern Africa (for age group 10-14 years) 1990**

Country/ Gender	Angola	Botswana	DR of Congo	Lesotho	Malawi	Mauritius	Mozambique	Namibia	Seychelles	South Africa	Swaziland	Tanzania	Zambia	Zimbabwe
Female	18.7	4.3	14.0	9.9	29.0	1.4	36.4	3.7	-	-	20.8	33.3	13.9	21.3
Male	28.4	24.8	24.3	28.2	33.2	2.2	41.3	5.9	-	0.02	29.9	36.8	18.4	31.6

Source: DBSA 1998

Finally, the record of African countries in ratifying and actually translating into reality the various international (ILO) conventions and their associated recommendations of relevance to women workers is reviewed, and it is concluded that substantial room for improvement still remains in order to safeguard the strategic and practical interests of women in the formal sector.

From the above, it can be seen that the majority of African women are steeped in poverty to one degree or another in a manner that differs from that of men both in kind and degree. The critical factor, in this respect, is the fact that women bear the burden of undertaking multiple roles and the responsibility for ensuring a modicum of survival for their families under adverse economic conditions in the economy as a whole, and within their own households.

The status of women as workers in Africa is largely disadvantaged and vulnerable, rooted in their subordination, multiple roles, social exclusion and inadequate access to asset and exchange entitlements. This eventuality not only undermines their well-being but also accounts for their under-utilisation as a human resource, hence the fact that their role and status as



workers manifest allocative inefficiency in how all labour resources are utilised in the economy as a whole, technical inefficiency, in that resources are not operating optimally at the microeconomic level; and distributive inefficiency, in that grave issues related to equity remain outstanding, thus requiring some external intervention in terms of policies aimed at neutralising women's disabilities in the marketplace.

The most optimistic growth scenarios of the economic reform programmes (for instance those based on 5% to 10% rates of growth in gross domestic product) currently under way, would not be enough to absorb into productive employment net additions to the labour force, let alone be able to transform the pervasive under-employment in the subsistence and informal sectors in which women predominantly, and the majority of the total labour force are situated as workers. It is concluded that the economic reform measures have not been able to ameliorate the plight of women workers and that more generally, they have extended and intensified their multiple roles and the associated disadvantages that these roles entail in terms of conditions of work. It is accepted, however, that a small proportion of the women may have benefited from the reforms, but not enough to make a significant dent on the overall vulnerability of women as workers.

The countries of the sub-region have yet to benefit from the increased globalisation of the economy since direct foreign investment has been slow in coming in, so that Africa is largely a late-comer to the most contemporary forms of these trends as reflected in the growth of export processing zones. On the basis of recent experiences elsewhere in the Third World, new foreign investment inflows associated with the current global trends are likely to call for increased demand for cheap labour to undertake routine tasks, and that in this respect, female labour is found to be the most convenient and cost effective from the point of view of the enterprises. Indeed, the point is made that women within an African country stand very much in the same relationship to the formal economy as the countries do vis-à-vis the developed world in the international economy. This is to say that the comparative advantage of women, like that of African countries lies in their availability, as a source of cheap labour services. This eventuality is made worse by the desire among African countries to rely on beggar-thy-neighbour policies to attract foreign investments, by attempting to exempt such foreign employers from complying with labour standards that may apply to the rest of the formal economy within these countries.

Access to wage employment for women is fundamental to development, to the elimination of poverty, and potentially, to the achievement of greater gender equality. However, in many cases wage employment for women amounts to the replacement and/or addition of one form of oppression (unpaid domestic labour) with another (low paid, low status, flexible wage employment). The realisation of the right to full employment for women is constrained by various factors, including inequalities in access to education and training, inequalities in access to productive resources, reproductive responsibilities and the stereotyping of gender roles. Where women are employed they face discrimination and disadvantages in economic structures and policies. Women experience pay discrimination and tend to be concentrated in sectors and occupations that are undervalued, insecure and poorly organised. Women in self-employment encounter discrimination in access to economic resources, including land, capital, credit and technology. Women's contributions to the economy, particularly in terms of unpaid labour and other types of non-market activity, remain unmeasured, undervalued and unrecognised.



The following recommendations have been suggested in the background paper as a way of increasing women's participation in wage employment:

- Massive public works programmes targeting women and providing education and training opportunities for future employment;
- Gender-sensitive macro-economic policies to prioritise women's employment and minimise job losses for women;
- Public sector expansion to create employment opportunities for women and extend social services;
- Technology policy geared towards using technology to facilitate women's employment, develop infrastructure and meet basic needs – not to eliminate jobs;
- Access to productive resources (land, natural resources, capital, credit, technology) for women;
- Access to gender-sensitive education and training for women which breaks down occupational segregation, skills for women for new employment opportunities and recognise prior learning;
- Parental rights to harmonise work and family responsibilities;
- Protective legislation – not deregulation;
- Employment security and improved working conditions in atypical forms of employment;
- Organising of women (especially those in vulnerable employment) into trade unions and union leadership.

### *Earnings in the Formal Sector*

Between 1980 and 1994 per capita incomes declined or stagnated in most African countries. The exceptions were Chad, Egypt, Mauritius, Botswana and Tunisia. In light of the sluggish trends in the growth in domestic product and in formal sector employment accompanied by the tendency for unemployment and informal activities to expand the negative overall trend in per capita incomes over the period is to be expected. The scanty data that are available [UNDP/WB, 92] suggest that the responsiveness of wages to changes in output and employment has been quite high. Declines in growth in gross domestic product are associated with significant declines in wages in industry and agriculture.

In general, the structure of earnings has been such that the lowest wages have been in agriculture, personal services and wage labour in the informal sector. Government has generally been a trendsetter in wages while industry has tended to have higher sectoral wages in the private sector. In countries which have lucrative export sectors such as those related to mining and oil, these sectors have tended to have relatively higher wages as well. The overall trend has been for real incomes to decline with the slow rates of economic growth and the liberalization of the economies even if rates of inflation have been reduced drastically in many of the countries. An indication of what has been transpiring in the labour market is illustrated by the fact that in almost all of the countries for which data are available, the value of minimum wages in US dollar equivalents declined or stayed the same the first half of the 1980s [UNDP/WB, '92]. Minimum wages tended to be higher than per capita GNP in all the



countries for which data are available. The exceptions were Cameroon, Congo, Gabon and Somalia where they were lower and Malawi and Madagascar where they were equal to per capita GNP.

Some indication of trends in earnings is illustrated by data from some of the SADC countries. In Botswana between 1993 and 1994 earnings increased by 3% while between 1994 and 1995 they increased by about 5%. Similarly for Mauritius wages increased by about 10.5% between 1993 and 1994 and by about 7% between 1994 and 1995. The trends for these two countries are an exception. These countries have continued to experience relatively high rates of growth, which have been sustained over lengthy periods. In South Africa real earnings have kept pace with increases in productivity and at times have out-distanced them by small amounts. This trend in South Africa has largely been attributed to the high degree of unionisation compared to the situation in other African countries. Real earnings in the other countries of the SADC region have tended to decline in the recent period in line with the experience of many of the other African countries. For about 58% of the countries in Africa, real earnings in government increased between 1980 and the most recent period which was 1992, the rest of the countries experienced drastic declines.

Finally, it needs to be mentioned with respect to earnings that gender differentials continue to persist. These differentials are primarily explained by gender differentials in the sectoral distribution of the labour force and work force as well as by outright discrimination in pay and earnings. The Human Development Report of 1995 for instance shows that female wages as percentage of male wages in non-agricultural activities were 92% in Tanzania, 85% in Kenya, 81% in Mauritius, 78% in Zambia and 73% in the Central African Republic. Overall female earnings in these sectors averaged about 75% of male earnings.

An interesting aspect of gender income differentials is that identified by Knight [1996] who, in analysis of gender wage differentials in Ethiopia, Cote d'Ivoire and Uganda concludes that since women are better represented in the public sectors than would otherwise be the case given the normal biases against women, public sector retrenchments may unduly affect women both in terms of employment and incomes.

### ***Self Employment***

In the informal sector, women represent the second largest concentration of workers. As a consequence of the enclave phenomenon, the informal sector in Africa is largely residual and marginal in almost all African economies, and that, in this respect, it represents a high degree of underemployment due to its proneness to lateral expansion and evolutionary growth in the face of the expanding labour force, stagnant growth in the formal sector, and a deteriorating subsistence economy. It is shown that women are invariably engaged in easy entry activities that have low returns, and that they experience severe constraints to enhancing their productivity and incomes due to inadequate training, lack of credit, poor work facilities, safety, health and sanitary conditions, and a non-conducive regulatory environment. In recent years a growing phenomenon of cross-border trade dominated by women has also emerged primarily with women shuttling goods such as crafts from the lesser developed economies (Malawi, Mozambique, Zambia and Zimbabwe for instance) to the more developed ones, and taking back manufactured and industrial goods from the latter countries to their home countries.



**Table 15: Informal Sector Activities in Southern Africa**

Country	Year	Number	Percentage of labour force	Source
Lesotho	1996	310 000	17	Liedholm & Mead 1997
Malawi	1992	1 100 000	30	ILO/UNDP Employment Policy Project Phase 1 (includes immigrant workers from South Africa)
Mozambique	1990	2 900 000		Gemini/USAID 1992 Ngwira 1996
Namibia	1996	150 000		UNDP 1996
South Africa	1995	1 700 000	12	OHS, CSS 1995 Census 1996, CSS 1998
Swaziland			26	Liedholm & Mead 1997
Zambia	1986	500 000	23	CSO 1989 Banda & Nyirongo 1996) 1996, 1997,
	1993	2 020 000		Social Dimensions of Adjustment, Lusaka Central Statistical Office
	1996	2 400 000	70	Labour Commissioner, Banda & Muneku 1996
Zimbabwe	1991	1 600 000	27	Ndoro 1996
	1995	1 898 000	43	(CSO, Zimbabwe 1992, 1994 Indicator Monitoring-Labour Force Survey report)
Tanzania	1993	955 64715		Labour Force Survey 1990-91

This phenomenal growth in informal sector activities may partly reflect different ways of defining and making operational informal sector activities, but will also to a large extent reflect a real decrease in formal sector employment. In addition to which, 18% of the labour force is involved in unpaid family labour and a substantial proportion work in subsistence farming. In addition to which, 9.2 million people work in traditional agriculture (Kapinga & Shahidi 1996, Labour Force Survey 1990/91). Of these approx. 847 000 who have informal sector activities as their secondary activity, about 796 000 are primarily engaged in agriculture (Gilbert 1997).

Table 15 shows the relative size of the informal sector in some of the countries in Southern Africa. Much of the data is not reliable as a census of activities but the data suggests that when the number of self-employed is added to the number of unpaid workers in the informal sector, large segments of the labour force are absorbed into the informal sector.



**Table 16: Sectoral breakdown of small and micro enterprises in Southern African countries (Liedholm and Mean 1997)**

Country (urban areas only)	Sectors (%)	
	Manufacturing	Commerce
Botswana	15	71
Lesotho	35	41
Malawi	29	62
Swaziland	33	56
Zimbabwe	64	30
South Africa	17	70

**Table 17: Proprietorship and Labour Force**

	Botswana	Lesotho	Malawi	South Africa	Swaziland	Zimbabwe
Gender of proprietors (% of all enterprises):						
Females	75.2	73.0	45.5	62.1	84.3	66.6
Males	18.6	25.2	51.9	31.5	11.6	31.7
Mixed	6.2	1.8	2.6	6.4	1.1	1.7
Labour force (% of all workers, including proprietors):						
Females	67.1	76.2	39.8	52.8	78.1	57.1
Children	2.6	0.4	6.1	5.1	4.8	3.4
Part-time workers	4.5	2.0	2.7	7.3	2.1	2.8

Sources: GEMINI. 1993.

Table 16 shows that most of the activities in informal sector are service oriented and Table 17 shows the participation by gender. These are activities characterised by ease of entry and low returns, which make them mere survivalist in nature. Within the sector there is a gender division that generally relegates women to activities stereotyped for women, and these tend to be activities with low returns and primarily in the service sectors or in food related forms of production or traditional crafts.



**Table 18: Perceived Problems of Micro and Small Enterprises (percentage of enterprises in supplementary questionnaire)**

	Botswana	Lesotho	Malawi	South Africa	Swaziland	Zimbabwe
Size of sample in supplementary questionnaire	256	630	9,866	256	360	423
Percentage of enterprises reporting problems	76.2	65.0	89.2	68.8	59.1	84.3
Percentage of enterprises that listed 2 major problems	37.5	n.a.	n.a.	44.1	18.1	56.5
Of those that report problems, what is the most important one?						
Problems of markets and demand	24.1	38.1	24.9	23.8	29.6	20.5
Problems of working capital	25.1	n.a.	17.5	13.6	32.6	19.9
Other problems of credit and finance	23.1	28.6	7.2	17.0	6.0	5.4
Problems of tools and machinery	1.5	4.8	2.1	2.9	2.0	6.7
Problems with space / location	2.1	3.2	0.5	10.8	4.5	4.9
Problems with taxes, licences and other government regulations	0	0	5.3	10.3	4.0	3.2
Problems relating to inputs	8.2	6.3	30.4	1.2	7.5	27.4
Problems relating to the transport system	7.2	4.8	4.9	9.7	5.0	6.2
Labour problems	4.6	3.2	0.8	1.7	0.5	1.7
Problems with utilities	0.5	1.6	0.2	1.2	0	0.9
Problems relating to the entrepreneur, misc. Problems	3.6	9.5	6.2	8.0	8.0	4.6

Sources: GEMINI, 1993

Table 18 gives the constraints often indicated by participants in the informal sector. It can be seen that the economic factors related to lack of demand, credit, working capital and inputs are dominant. The saturation of the sector with participants in the face of overall rates of employment absorption in the formal sector together with pervasive poverty in both rural and







## Chapter VII

### Gender and the Labour Market

It is within the overall context of the above social and economic situation that the circumstances pertaining to men and women may be located. In order to discuss the full implications of gender with respect to poverty and the world of work, it is necessary to define work to include both market activities directed at the production of exchange values and non-market activities directed at the production of use values. The economic participation, and the status of men and women in Southern Africa as elsewhere, varies with respect to both market and non-market activities. In addition, relationship between the differentiated roles of men and women in the broad two types of economic activities serves to reinforce and reproduce the gender differentiation with respect to access to economic opportunities.

In the event women find themselves severely disadvantaged in terms of economic participation and status in comparison to men. First, they invariably bear multiple burdens; second, they are socially excluded from fully realising their maximum potential in society, by being subordinated to men and being discriminated against; and third, they are disadvantaged in terms of asset and exchange entitlements in both the formal and non-formal sectors. The disadvantaged and vulnerable nature of the status of women as workers is aggravated by the lack of development, the poor economic performance, and the concentration of women in the rural economy.

Nevertheless, while there are commonalities among the countries there are differences too, influenced by historical and economic factors, many of which are related to the structure and performance of their economies. Women perform various roles as workers such as: reproducers and sustainers of the human species; household managers and care-givers of the sick or those that are incapacitated for one reason or another; community workers; producers in the rural economy; participants in the urban informal sector; wage workers in the formal sector; professional, managerial and technical personnel. It is noted that women of necessity combine the first set of roles, which have been assigned to them by tradition, with any one or more of the other roles, hence the multiple nature of the roles and burdens that they bear.

The roles women undertake based on legacies of traditional and modern practices of patriarchy have resulted in a social division of labour that permeates the economies of the sub-region. This social division is a consequence of supply-side and demand-side determinants. The former relate to induced or autonomous choices that are made by men and women in terms of economic participation; and the latter relate to the considerations that employers primarily take into account in demanding the employment of women and men differentially. The resulting gender division of labour in each country will reflect the interaction of supply-side and demand-side considerations.

The differentiated economic roles of women and men, and accordingly, the disadvantaged or compromised economic status of women can be traced to the following



eventualities arising from the interface of traditional, patriarchal and modern economic imperatives:

- Even if some aspects of African tradition did not specifically disadvantage women with respect to access and use of economic assets such as land, the combination of the adoption of western forms of patriarchy and modern forms of economic organisation has resulted in systemic limitations of women's access to economic assets such as land, education, finance and formal entrepreneurship.
- The non-market roles are often required to subsidise the market roles of both men and women, hence lowering the private costs of commodities activities while the part of the actual cost of executing such activities remains hidden as part of non-market sector dominated by women. The multiple roles of women have been seized upon by the market and by various regimes to define a social division of labour that in part compels women to cross subsidise males and the larger society by providing a number of unpaid services that would normally be provided for through social services, and in part to be directly exploited as cheap labour because of their special circumstances. This subsidisation and exploitation can be found in both formal and non-formal sectors in all the enclave types discussed above. Thus on the one hand women's non-market activities act as an indirect input into market activities of men and women; and, on the other hand, women, by virtue of their non-market obligations, are often compelled to offer their economic services at compromised rates or returns, hence making themselves available as cheap labour relative to men.
- As a consequence women and men are often utilised variously as complementary or competing inputs depending on the economic activity or sector and depending on the economic circumstances that have evolved in a given country as will be discussed further below.
- Finally women have also acted as reserve army that has been resorted to depending on the exigencies arising in the economy. Thus women have had to queue for formal sector opportunities.

Thus in all of the countries in Southern Africa a gender based division of labour has evolved that manifests itself at the household, community, enterprise, and economy-wide levels. This division of labour has also been compounded by the differentiation on the basis of race in some of the countries. The gender based social division of labour in Africa manifests allocative inefficiency at the macroeconomic level, technical inefficiency at the microeconomic level, and distributive inefficiency with respect to asset and exchange entitlements. Nevertheless, the gender based social division of labour is part and parcel of the structure and level of development of individual countries of the region. The overriding problem in this respect is that of attaining economic growth and economic (and social) development, both of which have remained relatively elusive for many of the countries of the region.

Table 19 gives some of the salient features of the social and economic situation of the women and men in southern Africa in comparison with Sub-Saharan Africa, East and South Asia.



**Table 19: Gender Profile in SADC, Sub-Saharan Africa, East and South Asia 1995**

<b>Socio-economic Profile of Women</b>	<b>SADC</b>	<b>Sub-Saharan Africa</b>	<b>East Asia</b>	<b>South Asia</b>	<b>All Developing Countries</b>
<b>Education</b>					
Adult Literacy (%)	62.3	47.9	74.1	36.9	61.7
1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> level gross enrolment ratio	49.2	42	65	52	57
<b>Health Profile</b>					
Female life expectancy	54.5	52.2	71.5	62.1	63.6
Maternal mortality rate per 100 000	467.7	975	95	551	488
Total fertility rate	4.9	6	1.9	3.5	3.2
Contraceptive prevalence rate (%)	27.2	16	82	41	56
<b>Economic Opportunities</b>					
Earned income share	35	36.2	37.7	24.8	32.4
Women's share of adult labour force (%)	42	47	46	34	41
Administrators and managers, 1993	11.23	10	5	3	10
<b>Political Participation</b>					
Share of females in parliament (%)	9.2	10 <sup>a</sup>	2 <sup>a</sup>	6.3	8.6
Women in government at ministerial level (%)	6	7	6	4	5
<b>Human Development Indices</b>					
GDI	0.442	0.376	0.665	0.430	0.564
GEM, 1993	0.360	0.279	0.282	0.233	0.351

Source: UNDP, (1998) and Human Development in South Asia, (1997)

a: data for 1994

The GDI and GEM are from the global Human Development Reports and are therefore not comparable to the SADC-specific GDI and GEM.



## *Access to Assets*

The returns to economic participation are crucially determined by access to and control over economic assets such as land, education and training, social capital and finance. As indicated earlier, a number of factors influence the differential access by women and men to such assets. Moreover, while the constitutions may be gender neutral, women have been defined or treated as legal minorities (Stewart Armstrong, 1990) in many of the countries. This has limited their access to and control over land and credit, although in some countries these constraints on women are being addressed. The disadvantages that women face in access to and control over economic assets is further exacerbated by the constraints women are confronted with in attempting to put to economic use the assets that they may have or control. The combination of inadequate access and control over economic assets and their constrained utilization due to various forms of sex discrimination, results in low economic returns accruing to women as they participate in the economy.

## *Access to Land*

The most central and basic of all economic assets, land, has been a problem for women to own. Women's ownership of land as a means to generating income for themselves and their families has over the years been difficult. Land ownership in the SADC region is generally patriarchal in nature and therefore discriminatory against women as access to land is through ownership of land by their husbands, sons or brothers. As a result, women's progress and the ability to generate revenue through agricultural means are impeded by such practices. The increasing commercialisation and differentiation of customary land has further reinforced the disadvantages that women face. In general tri-modal structure of access to land is developing in many countries along the following lines:

- (a) Prime land is concentrated among a commercial class of large-scale land users primarily for production of cash crops for export, domestic sale in the urban sector and for inputs into manufacturing. Such land is often reserved for such commercial production and is generally monopolised by the white community in settler-dominated economies, and by foregoing multinational enterprises in the other countries. Women and children comprise a large segment of the labour force working on such ventures.
- (b) In the non-settler dominated countries there has been a fast development of medium scale farms owned by indigenous entrepreneurs, who are predominantly male. Much of this development has been at the expense of customary land so that even where as in Southern Malawi, the maternal system bestowed control over land on women, such control has been dissipated as the land has been commercialised and controlled by men under modern legal systems of ownership. The poorer families, many of who have found themselves dispossessed of land have ended up working on such medium sized farms.
- (c) In the wake of the above developments inadequate access to land and landlessness have been systematically evolving in many of the countries of the region. Within this context women and female headed households have been found to be the most disadvantaged.



The foregoing processes have accelerated with the adoption of economic reforms which have emphasised the role of the market in resource allocation and that have reversed some of the biases against commercial agriculture. It should be noted that unlike the situation that prevails in many Western African countries, in Southern Africa commercial smallholder agriculture did not develop significantly during the colonial period and the countries that have attempted to promote such agriculture to any significant degree have only been able to empower a small group of elite male farmers. This is the case in Malawi, Botswana and Zimbabwe for instance.

The case of Malawi may serve as an example. The Development Policy (1986-1996) report of the government distinguishes between the following groups of rural farming households:

The 35 per cent of small holders with less than 0.7 hectares who cannot, with present technology, satisfy their own subsistence requirements from their holdings and even with modern technology, these will remain dependent on off-farm income; the 40 per cent of smallholders with between 0.7 and 1.5 hectares who, with current technology, normally satisfy their subsistence requirements and have potential for modest cash crop sales; and the remaining 25 per cent with over 1.5 hectares who are commonly already involved in cash cropping.

The government proceeds to note that for the first two groups, which together comprise 75% of small holder households the policy emphasis will be on improving food security while for the most endowed group the emphasis would be on commercial and diversified farming. Women are generally minimally represented in the top group, which is controlled by males, and are more concentrated in the bottom two groups. The bottom two groups are insulated from macroeconomic trends, except in so far as they may rely on remittances of migrant workers in and on wage income from offering labour to the top group, but are subjected to increased land pressure and environmental degradation. This tri-modal differentiation of the rural households is increasingly becoming typical in many countries of Southern Africa and in the area of economic reform is characterised by increased inequalities between the bottom two groups and the first group, which tends to benefit from economic reforms. In the course of such developments the poorer women from the bottom two groups are compelled to work on the better endowed farms for pittance and under poor working conditions. This differentiation has been adequately documented through the various poverty studies being undertaken in many countries in Southern Africa by the World Bank and UNDP.

The dynamic implications of the impact of economic reforms and globalisation in almost all the countries of Southern Africa have led to the increased concentration and differentiation of land while not absolutely expanding the employment opportunities available so that both landlessness and unemployment have been increasing, both of which have affected women disproportionately.

In the settler dominated economies the need for land reform and redistribution still remains an imperative and within this context the empowerment of women with respect to



accessing and controlling land for income generating purposes needs to be addressed. The SADC Regional Human Development Report for instance notes that whites compared to blacks have 300 times the amount of land that blacks have in Namibia, 480 times the amount of land that blacks have in South Africa and 146 times the amount of land that blacks have in Zimbabwe. Such land distribution poses grave constraints on the income generating potential of blacks and especially on women in these countries. For the economies of the periphery of South Africa major issues relate to the need to address the negative impact of the minority status of women on access to and ownership of land at the same time that there is a need to develop agriculture on a more equitable basis. In the agrarian and rentier economies the development of agriculture still remains a major policy issue and within this context the empowerment of women.

### *Access to Credit*

Not only have women found themselves disadvantaged with respect to land, but they have also been similarly constrained in terms of access to the key resource of financial credit. Now women are virtually excluded from participating in medium and large-scale formal activities and to the degree that if they participate in income entrepreneurship at all, they are concentrated in small and micro enterprises mostly of a survival nature. The World Bank has estimated that fewer than 2% of the financial credit is allocated to low-income entrepreneurs (in which women are concentrated) in developing countries. In Africa women receive a very small proportion of the formal sector loans given to entrepreneurs and when such loans are given to women, they are often much smaller than those given to men.

Women are constrained from having adequate access to credit for a number of reasons. First, their ambiguous de facto or de jure legal status makes it difficult for conventional financial institutions to give loans to women without the endorsement of males. Second, even when their legal status has been resolved as in Zimbabwe their inadequate access to and control over assets such as land means that they often lack the collateral they need to access financial credit. Third, the concentration of women in low income generating activities also implies that they cannot save enough funds that would allow them to leverage additional funds from financial institutions. Generally small groups of women have benefited from credit funded by donor agencies and non-governmental organisations. Most women have had to rely on own funds, and borrowing from friends and informal lending institutions, the latter of which are notorious for the high interest rates that they charge.

In discussing the nature of women's access to credit it is necessary to separate the demand side and supply side constraints that women face. On the demand side women in southern Africa and other developing countries as well have been constrained with respect to the following:

- **Needs:** the poor generally, and women in particular, who have primarily been engaged in small and micro activities, have not had adequate start up capital, and once in operation, they have been constrained by the lack of operational capital when needed. While individual needs for capital may be small, given the large number of women engaged in non-formal activities, the absolute size of the need is fairly large.
- **Risks:** the above constraint has been exacerbated by the lack of collateral as discussed above. Consequently, women have been seen as risky borrowers by



formal institutions, and this is in spite of the viability of various innovative non-formal savings mobilisation and lending mechanisms that have evolved in many countries at the community level.

- **Costs:** the transaction requirements and costs of accessing formal credit have been unduly demanding for women in terms of the degree of literacy needed to fill out forms, the distance to be travelled to access the institutions and time needed to process the applications for funds.
- **Price:** the price in terms of interest has also tended to be prohibitive especially for women engaged in activities with low returns.

On the supply side women have been confronted by the following constraints:

- **Needs:** financial institutions have intended to rely on the availability of collateral and ability to repay in assessing credit worthiness. The first requirement very much depends on the resource endowments of the individual, and women, as noted, are disadvantaged in this respect. The second requirement depends on the nature of the economic activity undertaken. Again as noted women tend to be concentrated in low return activities. Thus from the point of view of the supply of funds formal institutions are reluctant to proffer funds for what they see as a segmented risky market; hence credit lines are to a large degree unavailable for women.
- **Risks:** Given the above perception, formal institutions have needed state subsidies to be enticed to lend to low-income borrowers and women in particular.
- **Costs:** they could not afford the costs associated to lending to the poor; they therefore needed operational subsidies.
- **Price:** they could not afford to reduce interest rates to levels affordable to the poor; they therefore needed low-interest funds.

The interaction of the demand and supply side considerations indicated financial credit to women has been limited. A number of innovative programmes have been attempted to address the situation based on lessons from Asia and from the experiences of community lending groups in individual countries of the region. In particular the lessons gained from the impact of the Grameen bank has not been lost. In Bangladesh it was found that increased access to financial services for women improve net worth of beneficiaries by about 46%; it improved non-agricultural production by 22% and agricultural production by 16%; it reduced moderate poverty by about 13%, extreme poverty by 7%, and total fertility by 7%; and it improved girls schooling by about 5%. The accompanying Box describes some innovative programmes that have been attempted in Southern Africa.



BOX 1: Balance Sheet of Human Development and Governance in SADC

Progress	Deprivation
<b>HEALTH</b>	
<ul style="list-style-type: none"> <li>❑ Average life expectancy increased by 10 years from 42 to 52 years between 1960 and 1995.</li> <li>❑ In the SADC region, more than 60% of the population had access to health services and nearly 50% of the population has access to sanitation in 1995.</li> </ul>	<ul style="list-style-type: none"> <li>❑ The 1997 estimates show that about 12% of the SADC population ages 15 to 49 years was HIV positive.</li> <li>❑ About 10 million people die every year from infectious and parasitic diseases, such as diarrhoea, malaria and tuberculosis.</li> <li>❑ Maternal mortality in the SADC averages 888 per 100 000 births.</li> </ul>
<b>FOOD AND NUTRITION</b>	
<ul style="list-style-type: none"> <li>❑ Between 1970 and 1995, almost all SADC countries met and maintained their daily per capita calorie requirements.</li> </ul>	<ul style="list-style-type: none"> <li>❑ Between 1980 and 1996 food production per capita decreased by 15%.</li> <li>❑ 36% of children under age five are stunting.</li> </ul>
<b>EDUCATION</b>	
The adult literacy rate increased in the past three decades, from less than 45% to well over 70%	<ul style="list-style-type: none"> <li>❑ The gross enrolment ratio for all levels remains stable at 30% during the past 15 years due to the decrease of this component for at least five SADC countries.</li> </ul>
<b>CHILDREN</b>	
<ul style="list-style-type: none"> <li>❑ During the past 30 years, infant and under-five mortality rates decreased dramatically</li> </ul>	<ul style="list-style-type: none"> <li>❑ 30% of children aged 10 – 14 are still in the labour force.</li> </ul>
<b>WOMEN</b>	
<ul style="list-style-type: none"> <li>❑ The number of female tertiary students doubled during the past two decades.</li> <li>❑ Women's participation in the service sector has expanded.</li> </ul>	<ul style="list-style-type: none"> <li>❑ More than two-thirds of illiterates are women.</li> <li>❑ Women do not have an equal share of land, employment, credit and political power in comparison to men.</li> <li>❑ There are still widespread incidences of violence against women.</li> </ul>
<b>INCOME AND POVERTY</b>	
<ul style="list-style-type: none"> <li>❑ There has been general improvement in the average income of the working people over the past three decades.</li> </ul>	A reduction by one-half in SADC poverty by 2015 is estimated to require a significant acceleration in growth rate for the five countries that represent two-thirds of the SADC population, for which the average per capita income in 1995 was less than US\$500. In order to reduce relative poverty by half by 2015, per capita income for those countries will have to double over the next 20 years. This translates into a need to



<p><b>DEMOGRAPHY</b></p>	<p>increase annual per capita rate of growth per capita from the -3.5% experienced over the past 15 years to at least 3.5% over the next two decades. For the other countries, the improvement needed is less dramatic, but still substantial (an increased per capita growth rate from 0,5% to 3.5%)</p>
<p>❑ The fertility rate has declined slightly from 5,1 live births per women to 4,88 in five years (between 1990 and 1995).</p>	<p>❑ The population of SADC increases by four million every year. Over 35% of SADC citizens live in urban areas.</p>
<p><b>HUMAN SECURITY</b></p> <p>❑ There are more and more integration policies in terms of solving the SADC countries internal conflicts at the level of the region.</p> <p>❑ There are improvements in the balance between military and social spending, and defence expenditure was halved in the last 10 years.</p>	<p>❑ Internal conflicts affect some SADC countries and the number of refugees or internally displaced population is increasing in some parts of the region.</p>
<p><b>ENVIRONMENT</b></p> <p>❑ The percentage of rural families with access to safe water has increased from less than 10% to almost 60% during the past two decades</p>	<p>❑ The rate of deforestation was about 0.7% during the period 1990 – 95. At present rates of deforestation, one-third of the SADC forests will disappear by the middle of the next century.</p>
<p><b>GOVERNANCE</b></p>	



<ul style="list-style-type: none"> <li>❑ By 1998, 12 of the 14 SADC countries had adopted multi-party constitutions, which also enshrined the supremacy of the rule of law.</li> <li>❑ By 1995, 12 of the 14 SADC countries had conducted multi-party elections. In addition, Swaziland held a 'special election type', which was adopted since the suspension of a multi-party electoral system in 1973.</li> <li>❑ In 1995, SADC countries established a Security Organ, which has brought about major progress in the fight against crime and generated a general positive security condition in the region.</li> </ul>	<ul style="list-style-type: none"> <li>❑ In the multi-party democracies of Namibia and Zambia constitutional reforms generated major political and legal controversies. These reforms made a major reversal to earlier achievements on plural politics and rights of individuals to stand for elections.</li> <li>❑ Elections in SADC continue to be ridden with disputes, poor administration and low participation by citizens and their organisations. The Zambian and Lesotho second multi-party elections since the beginning of the 1990s resulted in major controversies and boycotts, which do not augur well for peace and stability in the region.</li> <li>❑ Most parliaments and local councils in SADC are characterised by a weak and ineffective political opposition.</li> <li>❑ Inter-country and intra-country conflicts are still evident in a number of SADC countries. Particularly, the internal conflicts in the DRC and Lesotho, in which SADC has had to adopt military solutions, do not augur well for peace in the region.</li> </ul>
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### *Education and Training*

Together with access to land and finance, access to education and training represents another key asset that greatly influences income generating potential and the ability to escape poverty. These form the three broad factors that constrain women's equal access to education and training in the case studies. These are socio-cultural and economic, school and training environments, and political and institutional factors. To these must be added the requirement that a conducive economic environment is needed to actualise the investment in education and training and to ensure that reasonable returns to acquiring such assets accrue. In general most countries of the sub-region, except for poorest agrarian countries have almost achieved equal education for male and female children at the primary education level and to a large degree at the secondary level as well. Differences begin to emerge at the tertiary level education and training and with respect to vocational training. By 1983 the World Bank had noted that enrolment ratios in Sub Saharan Africa had increased significantly. Gross primary school enrolment had increased from 36% prior to independence to 75% by 1983; gross secondary enrolment had increased from 3% prior to independence to 20% by 1983; and higher education enrolment had increase from less than one percent before independence to 1.4 by 1983. Literacy rates have tended to be correlated with levels of per capita incomes with the agrarian poorest states having the lowest literacy rates, and the middle and high-



income countries having literacy rates above 75%. Literacy rates have been biased against rural areas and women.

With respect to primary school enrolment, by 1983 none of the southern African countries were classified as having low enrolment (i.e. below 50%). Malawi at 58% and Mozambique were classified as having medium enrolments and the rest of the countries were classified as having high enrolments. Nevertheless only Swaziland, Botswana and Mauritius had female pupils as a proportion of male pupils equal to or exceeding 50%. More countries have since raised the proportion of females attending primary school to 50% or more.

In general, African countries have had high repetition rates and drop out rates have been increasing in some countries due to the implementation of cost recovery measures. And for most countries the progression rate to secondary school and higher levels of learning has been low. Gender differences with respect to the foregoing have become more accentuated since the adoption of economic reform measures. It is with respect to tertiary enrolment that gender differences become highly significant. In the mid 1980s Female enrolment as a percentage of total enrolment was 28% in Malawi, 17% in Tanzania, 22% in Zambia, 59% in Lesotho, 42% in Zimbabwe, 41% in Swaziland, 44% in Botswana and 30% in Mauritius. Interestingly the periphery states of South Africa had relatively high tertiary enrolments for women given that they have had better access to education given the absorption of males into migrant labour and tending cattle. The foregoing trends have improved through 1990s especially with respect to primary and secondary education, but the trend at the tertiary level has continued to be highly unequal. Where it has narrowed women have been concentrated in stereo typed specialisation at the tertiary level. With respect to technical and vocational training women are highly disadvantaged and stereotyped as well. In 1989 the major technical education institutions in Botswana, Malawi and Zambia only enrolled about 15% female students on the average [Phiri, ILO, 1990] an outcome that is not atypical of the situation in many countries in Southern Africa.

Some of the schools and training institutions related factors that perpetuate the unequal access to and subordination of women in education and training include the school environment, teachers and instructors' and pedagogy, and the gender biased of textbooks and learning materials. In learning and training institutions in the case studies are characterised by poor equipment, shortages of classrooms, textbooks and other learning materials, as well as understaffing. Teachers and instructors' pedagogy, and attitudes biased against female students are added factors identified in the paper. Gender streaming of subjects, courses and trades coupled with the disconnection between education and training programmes further reinforce the gender gap. Indeed most of the courses and training programmes are not suitable to the needs of the labour market. This affects women negatively. Pervasive sexual harassment and violence has served as disincentives for women's access and thereby widened the gender gap in education and training. As shown in the paper there are fewer females than males in all level of education system. Nonetheless, in SADC women are over represented in reproductive and administrative support-related courses and training programmes.

Table 6 also shows that about 42% of the population do not have access to safe water, about 57% of the population do not have access to health services, and that 54% of the



population do not have access to sanitation. The table further shows that a significant proportion of children in the poorer countries are underweight.

The under-employment of women needs to be addressed through formalisation of their productive activities and through the provision of substitutes for their various non-market activities such as child rearing, caring for the sick, fetching water and firewood, and so on. In general, income asset entitlements and working conditions of women workers in rural areas need to be enhanced to a level that would meet internationally accepted standards in terms of hours of work, safety, health, education, training, social security and other similar needs.

It is only recently that some countries in Southern Africa have begun to design social programmes underpinned by social funds. Prior to the advent of economic reforms, socialist oriented countries like Zimbabwe, Zambia, Mozambique and Angola attempted to provide for state funded welfare programmes in education, health and general welfare which were able to meet minimal needs of mainly urban populations, but which became unsustainable in the end. The advent of the absorption of structural adjustment programmes led some countries to experiment with social dimensions of adjustment, which again proved to be quite limited in their impact, being mainly targeted at retrenchees. Recently, there has been a preoccupation with poverty reduction or alleviation under the auspices of the World Bank, UNDP and bilateral donors. Attempts have been made to learn from the experiences of the Latin American countries in this respect, but the programmes have primarily been experimental and are in their pilot phases mostly.

It becomes apparent that conventional euro centric assumptions about the nature of households do not hold in Southern Africa (as in most underdeveloped countries), especially as far as the relationships between men, women and their natural and institutional environments is concerned. A quick scan of the main features of social security systems in Southern Africa is conducted. It is interesting to note that in the context of long-term unemployment, an overwhelming majority of the countries do not provide unemployment insurance. Over and above that, women are generally assumed to be 'dependants' who should benefit through a trickle-down effect from the available male benefits that are limited to formal employment.

With the advent of structural adjustment and stabilisation programmes, attempts have been made to accompany these programmes with social programmes aimed at ameliorating the short to medium term negative consequences of adjustment. In Southern Africa, such programmes have not been supported by social investment funds, as they are known in Latin America and the Caribbean. Rather they have been seen as extensions of, or appendages to social welfare programmes run by governments even if they have been institutionalised in the form of social funds. These programmes have been beset by a number of problems among which are the enormity of the task they are designed to address, the difficulty of distinguishing the needs of those negatively affected by economic reforms directly and those generally indigent because of more fundamental factors such as those discussed earlier; and the insufficiency of funds. There have also been difficulties related to implementation and capacity constraints. Many such programmes began with much fanfare when there was opposition to economic reforms or some of their measures but have tended to fizzle out over time. South Africa has also recently designed a Social Plan with similar intentions to social



dimensions of adjustment funds but it is clear that the funds will be inadequate to address the issues at stake.

In Latin America and the Caribbean, social investment funds have been targeted at employment promotion. The gains, while modest, have been significant and have been seen to benefit the poor. A greater proportion of their funds have been directed at financing small social and infrastructure projects as well as credit programmes for productive activities such as farming. They have stimulated community involvement. They have also developed innovative targeting techniques.

Organisationally, social investment funds have a high degree of autonomy and are demand driven. Countries in Latin America and the Caribbean have been able to mobilise support from diverse donors while being able to co-ordinate their activities with line ministries. It appears that countries in Southern Africa need to learn from the experience of Latin American and Caribbean countries in the design and implementation of social investment funds.

The key problem that has to be confronted by policy makers is the trade-off between financing social funds or investment programmes and direct employment promotion. The real problem for the majority of women and men in Africa is lack of income generating opportunities rather than indigent poverty per se. The expansion of income generating opportunities for women and men is likely to provide a more sustainable solution to the problems of poverty and social deprivation in Southern Africa, hence the lacklustre performance of many social dimensions or social fund programmes in Southern Africa. Such programmes are likely to succeed in economies where net employment promotion occurring as a long-term phenomenon and social deprivation only afflicts a small proportion of the populace.



## Chapter VIII

### Labour Migration in Southern Africa

Appealing to human rights or humanitarian considerations or appealing to economic reasons related to the need to maximise national and global efficiency in the allocation of resources generally justifies the idea that labour should be free to live and work where it pleases in any country in the world. In this respect, labour migration is assumed to be a goal worth promoting. In Africa, the OAU and the various regional organisations such as SADC, COMESA and ECOWAS have generally subscribed to this goal as an essential element and means of realising the long-term goal of forming an African Economic Union. In spite of this principled appreciation of labour migration as a desirable goal, very much in the same way that free mobility of goods, services and capital is a priority accepted to be desirable, the practical realities are that the actual implementation of this goal in a world of unequal development within, and between nations is fraught with a number of economic and political imponderables.

This paper discusses some issues pertaining to labour migration as manifested in the movement of people on temporary or permanent basis, motivated by the need to seize upon economic opportunities in another country. In Southern Africa, labour migration has had a long tradition both prior to and with the advent of the modern economy and society (Patton, 1995). This migration has taken many forms such as the following: (a) legal and illegal migrants in secondary and primary labour segments; (b) contract workers employed through bilateral agreements between countries; (c) temporary traders and entrepreneurs (both legal and illegal, and some travelling by visitor's permits) engaged in the buying and selling of goods between countries; and (d) refugees who have left their camps and began to seek economic opportunities in their host countries. Current immigration trends are given in Table 20. It can be seen that there is a great deal of migration in the region even if the nature of cross-border migration within the region cannot be deduced from the data in Table 20.

Traditionally, economists have argued that the case for the desirability of facilitating the free mobility of labour between countries is akin to that of the desirability of the free movement of labour within any given country. In the context of a given country, it is well accepted that the free mobility of labour contributes to the efficient allocation of resources in a manner that benefits the individual migrant, his or her household, and the country as a whole. Nevertheless by the same token, economists have been realistic enough to note that not only are the benefits and costs of such migration to be unequally shared at all of the foregoing levels within and between countries, but that there are also, practical realities that militate against the facilitation of the free mobility of labour between countries.



**Table 20: International Migration 2002**

Country	Population (000's)	Migrant Stock	Migrant Stock as % of population	Number of Refugees	Net migration	Net Migration rate per thousand
Madagascar	15,970	61,000	0.4	0	-1 000	0.0
Malawi	11,308	280 000	2.5	4 000	-2	-2
Seychelles	80	5	5.6	....	...	...
Tanzania	35,119	893 000	2.5	681 000	-47 000	-1.4
Zambia	10,421	377 000	3.6	251 000	14 000	1.4
Zimbabwe	12 627	656 000	5.2	4 000	-3 000	-0.2
Angola	13 134	46 000	0.4	12 000	-17 000	-1.4
Dem Rep of Congo	50 948	739 000	1.5	333	-340	-7.1
Botswana	1 541	52 000	3.4	4	-1 000	-0.6
Lesotho	2 035	6 000	0.3	0	-7 000	-3.4
Namibia	1 757	143 000	8.1	27 000	1 000	0.6
South Africa	43 309	1303000	3.0	15 000	-5 000	-0.1
Mozambique	18 292	366 000	2.0	0	14 000	0.8
Southern Africa	49 567	1 544 000	3.1	47 000	-13 000	-1.6
Africa	793 627	16277000	2.1	3.627000	-447 000	-0.6

Source: United Nations Population Division, Department of Social and Economic Affairs, 2002.

The major constraints in this respect concern the manner in which sovereignty is jealously safeguarded; the presence of xenophobic sentiments in labour importing countries; and the conflicts over the need to balance out the unequal incidence of benefits and costs arising from migration. In recognition of the impracticability of effecting the free mobility of labour resources internationally because of the political economy constraints such as the foregoing, economists have come up with second best arguments that underplay the need for labour itself to migrate internationally.

International trade theorists have resorted to second best arguments to attempt to demonstrate that the free mobility of goods, services, and capital internationally can act as a substitute for the mobility of labour between countries. It is argued that in a frictionless world driven by market forces, the export of goods and the importation of capital by a country with surplus labour would result in dynamic growth that would in the long run raise the standards of living of the labour force in these countries by increasing the demand for labour. Similarly, in the labour shortage countries the importation of goods and export of capital would have the effect of deflating the labour market in these countries thereby cheapening both labour as if there had been in flux of immigrants from the labour surplus countries.

It is for this reason that those who support the opening up of global markets tend to emphasise the need for unfettered flow of commodities and capital between countries more than the need to facilitate the free flow of labour between labour shortage and labour surplus countries. This second best approach to deflating the need for labour to migrate internationally bore the brunt of the criticisms of the dependency and Marxist schools which easily demonstrated that, in the absence of other interventions and in the presence of various structural factors underpinning unequal relationships between labour surplus (developing) countries, and labour shortage (developed) countries, such liberalisation and globalisation of trade and capital markets tended to reinforce the prior advantages that the more developed



economies had. It has become evidently clear that while in principle all countries stand to benefit from the liberalisation of trade and capital markets in practice, this has redounded to the benefit of the more developed economies primarily. This has been particularly the case for African countries vis-à-vis the developed world.

In the context of globalisation, Stalker, in his book *Workers Without Frontiers* (ILO, 2000) argues that international flows of investment and goods and services have not been able to precipitate the generalised accrual of benefits to all who participate in the global order on an equitable basis and that it is necessary for the labour markets to be liberalised in order to precipitate the necessary impetus for equitable growth across all countries and especially those in the developing world.

It is for this reason that many countries and regional bodies have remained undeterred in their search for the first best option, that of trying to effect the free mobility of all factors of production, including labour between co-operating member countries. Generally, as in the case of the European Union, the goal of affecting the free mobility of labour has come toward the tail end of the progressive stages of co-operation toward virtual integration of the economies that have occurred over a long period. It is clear that in the case of the European Union that the freeing of regional labour markets could not have preceded the various stages of integration that the countries had to go through while regulating the flow of labour between member countries. It may also be noted that the eventual freeing up of the regional labour market in the EEC has been accommodated and made less acrimonious by the fact that its member countries have economies that are more or less equally developed and that are internally well integrated.

Stalker, in his book entitled *The Work of Strangers: A Survey of International Labour Migration* (ILO, 1994), has undertaken a useful review on international migration trends. In the foreword to the book it is noted that:

- As recently as the late 1980s, the migration of workers across international boundaries was a relatively minor phenomenon. Today, it is one of the most striking aspects of an intensive globalisation of the work economy. Borders may be jealously defended in patriotic discourse, but they are increasingly open to market forces and are being penetrated much more effectively by goods, services and investment, as well as by people.... As international migration becomes more dynamic and complex, so it demands a new set of policies from governments and international organisations.
- Stalker proceeds to give a comprehensive discussion of the many aspects of international migration that need to be considered in order to better inform on policy formulation.

In Southern Africa, the issue of labour migration has assumed critical importance primarily because the SADC Protocol calling for the speedy freeing up of regional labour markets is being advocated prior to the attainment of the various progressive stages of integration from free trade areas, customs unions, common markets and economic unions. On the one hand, many in the more developed economies of the Southern African region are prone to resort to second best theories to call for a deliberate and considered and slow approach to freeing up regional labour markets so as to minimise its possible negative effects on receiving countries especially. It may be noted here that there are entrepreneurs in these countries who strongly argue for freer regional labour markets as a way of lowering the cost



of labour and improving the skills shortages in many of the developed economies of the region.

Those who call for a managed slower approach to the liberalisation of the regional labour markets would contend that the degree of liberalisation should be directly related to the degree of economic integration achieved in trade and capital markets as well as in the harmonisation of economic and social policies. Thus while many in the developed countries of the region would support the eventual goal of liberalising labour market they see the current haste to effect free regional labour markets as of concern, since it is being advocated in the absence an adequate integration of regional economies and in the absence of institutional mechanisms to rationalise and harmonise national and regional economic policies, let alone levels of development.

On the other hand those who support the need for faster liberalisation of labour markets tend to be from countries that have traditionally been net exporters of labour such as Lesotho, Swaziland, Mozambique, and Malawi. Recently, countries, which have been experiencing severe economic hardships such as Zimbabwe, Zambia, and Congo, for instance, have tended to be biased in favour of more, open regional labour markets. It may be noted however that while many of these countries see the obvious benefits of the free movement of labour in the secondary labour market (that of unskilled and semi-skilled labour and informal traders) they are concerned about the free movement of skilled labour in the primary labour market since this depletes resources in which they have invested significant public funds. Generally, those who advocate for greater freeing up of regional labour markets believe in the first best option, implying an expectation that labour migration will contribute to national development in both labour exporting and labour importing countries.

The optimism regarding regional integration has been reinforced by the arguments of the African Development Bank's study on *Regional Integration in Southern Africa*, which has called for variable geometry, multi-speed approaches to effecting the OAU long-term goal of African economic unity. In addition, the advent of democratic governance in South Africa has lifted expectations of the advocates of free regional labour markets even higher in anticipation of the dynamic role this country can potentially play in resuscitating regional economies.

More generally, in both net labour, exporters and net importers of labour opinion is divided as to whether regional labour markets should be liberalised to the extent that labour should eventually be free to work and live where it pleased and saw fit in any of the member SADC countries. This notwithstanding, SADC member countries have committed themselves to the eventual liberalisation of labour markets such that it allows for free movement and residence as contained in the current SADC Protocol on the Free Movement of Persons. The compromise rider has been that each member should undertake to move toward this goal in a manner that is deliberate and managed in accordance with the needs and priorities of each member state.

Ideally, an understanding of the dimensions of labour migration in the region requires the ability to summon and analyse data on such migration from all the countries of the region, a task that is not possible under current circumstances due to lack of readily available data.



One can visualise a matrix of labour flows in which each country is a potential sender or receiver of labour within the region and in which the cells of the matrix would give us data on the quantities of labour sent and received by each country. Such a matrix would have to disaggregate labour migrants into the various legal and administrative classifications normally utilised for the regulation and control of such labour. Unfortunately, such a task cannot be undertaken at the moment and it is a task, which if undertaken, would immensely advance our understanding of labour migration in the region and greatly demystify the nature of such migration especially since much of the focus historically has been on migration into South Africa.

With South Africa as the hub of the economies of Southern Africa, there has been more information on the nature of such migration into South Africa so that for purposes of illustrating the dimensions of migration in this country will be utilised given that some information is available. ILO/SAMAT recently published a report entitled Labour Migration to South Africa (1998), which gives an overview of the situation as pertains to this country. The report identifies the following components of migrants according to legal and administrative norms, which may be deemed to be applicable to other countries as well:

(a) Documented Migrants comprising the following:

- temporary residents in possession of visitor's, business, study, or medical permits ( some of whom may actually illegally engage in economic activities).
- skilled migrants administered under the Aliens Control Amendment Act of 1995 which was originally intended to apply to white immigrants from abroad and which now covers all skilled immigrants into South Africa.
- Contract workers, primarily employed in the mining industry on the basis of bi-lateral agreements with Lesotho, Mozambique, Botswana, Swaziland and Malawi in the past.
- Migrants working in South Africa on the basis of Section 41 which gives permission to farmers in Northern (now Limpopo) Province and Mpumalanga provinces to employ individuals who may be illegally in the country.
- Previously illegal migrants from SADC member states who entered the country prior to 1995 and who had lived in country for 5 years or more who have since been granted amnesty under Section 28 of the Aliens Registration Act.
- Individuals from across the borders of Lesotho, Mozambique, and Zimbabwe who temporarily work on adjacent farms in South Africa.

(b) Undocumented Migrants comprising the following:

- "visa over-stayers" who originally entered legally but have continued to remain in the country often engaging in some economic activity as well.
- Unauthorised, illegal or undocumented migrants who entered South Africa clandestinely.

With respect to the above categories, the ILO/ SAMAT report observes as follows:



Of the ten categories, only four (the first three and the over-stayers) are regulated by immigration law in the form of South Africa's omnibus Aliens Control Amendment Act. Two others (visa over-stayers and unauthorised migrants) are categorised as "prohibited persons"... Three more (including refugees) are dealt with under ministerial exemptions to the Act... One category (border permits) is regulated by the Department outside any formal regulatory system.

Not only are these different categories regulated by different legal instruments, but the data collection systems also vary. Consequently, there is no single database, which enables the immediate determination of the number of migrants or even the number of legally present foreign citizens. The quality of data and information available for each category of migrant therefore varies considerably.  
(ILO/SAMAT, 1998, p. 9).

Within this context it should also be noted that there is endemic corruption within the Department of Home Affairs, which has resulted in illegal issuing of permits, and identity documents proclaiming individuals to be South African citizens.

In light of the above, it should not be surprising that in public discourse the total number of migrants in South Africa is estimated variously to range from about 2 million of about 5 million individuals at any given moment. Those who see labour migration into South Africa as a threat or as a negative phenomenon that should be discouraged, tend to resort to the higher figure and those more liberally inclined to condone tend to cite the lower figure, which may also tend to underestimate its extent and significance as well. It is generally accepted that the number is significant and high both in terms of legal and illegal migration. Some indication of the dimensions of the migration is illustrated by the following data: between 1990 and 1995 visitors from countries bordering South Africa increased from about 500 000 to over 3 million; the issuing of temporary resident permits has increased from about 39,000 in 1990 to about 53,000 by 1996; the issuing of permanent residence permits had declined from about 15,000 in 1990 to about 5,000 in 1996 primarily due to the reduction in the need to attract Europeans to settle in South Africa; the number of migrant contract workers in the gold mines was as high as 440,000 in 1984, declining to about 397, 000 in 1990, and to slightly over 300, 000 by 1994 due to retrenchments necessitated by rationalisation in the gold mines and the falling gold price; migrant workers in coal mines had declined from about 43,000 in 1990 to about 19,000 in 1994; and while about 53,000 individuals from the ten SADC countries were deported in 1990, this number had increased to about 180,000 by 1996.

Even with the declining recruitment in the mines it is clear that the number of migrants to South Africa is large, and that even in the absence of more accurate information the issue of labour migration is one that needs to be given careful consideration within South Africa and in the regional as a whole. It would also be helpful if data and information on the nature of labour migration in the rest of the SADC countries were easily available on the various categories of migrants. It is reasserted here that South Africa is not the only country that receives migrant labour from within the region and that the issue is significant in other countries of the subregion.



It may be noted finally that the lack of readily available data makes it difficult to review the nature of the legal, regulatory, and administrative policies and requirements that pertain to labour migration in each of the SADC countries. This again is a task that needs a separate study. The nature of bi-lateral agreements governing contract labour to South Africa has been adequately discussed by Patton (1995) and will not be discussed here. A fuller picture of the nature of labour migration can only be captured when the policies and regulations applying to the various categories of migrants such as those indicated above are consolidated and analysed for each of the countries. Nevertheless from the economic point of view, the practical realities and implications of labour migration can be reduced to the broad categories discussed earlier pertaining to primary labour migration, secondary labour migration and cross-border traders and investors.

The economic legacies of the region have had at least two implications for labour migration in the region. First, the disparity in economic circumstances goes a long way to explain the "push" and "pull" factors influencing labour migration. Second, the same factors also explain the direction of labour migration in the region in the sense that some countries, such as South Africa and Botswana for instance, which are among the more developed ones or which have higher and increasing per capita incomes, tend to be net importers of labour, while others, such as Malawi, Zambia, Mozambique and Tanzania, which have the least per capita incomes and which are experiencing greater economic problems tend to be net exporters of labour.

It needs to be noted that when the two sets of factors are taken together for the subregion as whole, South Africa, the most developed economy in the region, stands out as a net importer of labour and almost all of South Africa's poorer neighbours except perhaps for Botswana and Namibia tend to be net exporters of labour. Nevertheless a disaggregation of the flows would probably yield a more nuanced picture of different balance between any two sets of countries, one of which is lesser developed and the other of which is relatively more developed. Thus, Zambia has been concerned about labour migration from Congo and Malawi; Zimbabwe has been plagued at different times with labour migration from Mozambique, Malawi and Zambia; Botswana, Lesotho, and Swaziland have similarly been inundated with immigrants from Zimbabwe, Zambia, Malawi and other parts of Africa. If the discussion of regional labour migration is to be advanced meaningfully it is important that a nuanced approach that looks at the complex flows between the various countries is adopted as a basis for regional policy analysis. The unfortunate tendency at the moment has been to focus on South Africa as the net importer of labour.

Countries that find themselves to be the net importers of labour from the subregion have tended, as would be expected, to be the more protectionist or the more resistant to the liberalisation of regional labour markets. This is clearly illustrated by the similarity in views on migration expressed by interviewees in Namibia and those in South Africa, of instance, as reported by Frayne and Pendleton (1998). The authors make the following observation:

Namibians are generally concerned about uncontrolled and undocumented migration. While supporting civil liberties for migrants they are also concerned about the negative aspects of migration.



The fear has thus been that the free movement of persons within the region would not discriminate between the positive and negative aspects of migration, and one way of doing so is to continue to regulate labour migration in the region. This is a view that would be similar to views expressed in South Africa and Botswana as well. More generally these differences in views about the nature and desirability of free cross border mobility and migration also hint at the perceptions of xenophobia that are seen to lie behind the opposition to free migration in some countries. With respect to South Africa, a SAMP report entitled *Challenging Xenophobia* (1998) has attempted to discuss some of the myths that tend to be the basis for xenophobia. The report observes that "although a more balanced debate about cross-border migration in South Africa is starting to take place, xenophobic stereotypes about migrants of African origin are still common. The stereotypes are common in other countries as well such as Botswana, Namibia and Zimbabwe. Interestingly, there generally appears to be a greater negative feeling or attitude toward immigrants of African origin than toward those of European decent. This contraction points to a difficulty that some of the countries face in administering their laws. Thus, while they would like their immigration laws to be more amenable to the attraction of expatriates from developed countries abroad, they would like tighter regimes to regulate inflows from the subregion. The dilemma is that such an approach is not feasible legally without violating human rights and various international conventions on migration. Thus the discrimination is undertaken in practice through a manner in which various administrative and discretionary rules are applied to individual immigrants. Such rules relate to how over-stayers are treated, how 'illegal aliens' are deported and how work permits and resident permits are processed for instance.

Thus, it needs to be emphasised that labour migration is indeed a regional phenomenon in which the various countries stand in a hierarchical order roughly corresponding rankings with respect to per capita incomes and economic growth rates. Indeed, this is not too different from the implications of a similar global hierarchy and its implications for labour migration internationally. As noted primary exporters of labour to other countries in the region are those with the least per capita incomes such as Malawi, Mozambique, Congo, Tanzania and Zambia; and net or primary importers are those with high per capita incomes, Botswana, South Africa and Namibia for instance), and with some (those in the middle of the per capita income range, Zimbabwe and Lesotho for instance) actually partly importing from the lower level countries and exporting their own labour to the higher level countries. Actually, both exporting and importing labour. Interestingly, a country such as South Africa, which is a net importer of labour regionally, is itself a major exporter of labour to the more developed world. Thus South Africa stands in the same relationship to the developed world that the lesser-developed countries of the region have with respect to South Africa.

The fundamental determinants of labour flows in the region can therefore be summarised by discussing the nature of the situation pertaining to each broad economic category of migrants (as opposed to legal or administrative categories) namely those in the primary and secondary labour markets, cross-border traders and investors and refugees.



### *The Primary Labour Market*

With respect to labour flows in the primary labour market (that concerning professional, managerial and technical personnel with more than high school education and training) the least developed countries tend to have lower salaries and poorer working conditions; less lucrative income generating entrepreneurial opportunities; and relatively less attractive living conditions for individuals with a middle class lifestyle. The foregoing circumstances tend to act as "push" factors, which increase the inclination of individuals to want to migrate. By the same token, the presence of higher salaries and better working and living conditions in the relatively more developed countries of the region tend to act as "pull" factors which attract those in the primary labour market to the more developed economies. The nature of such flows and their implications for the "Brain Drain" has been an issue of major concern in Africa and has been the motivation behind the establishment of World Bank funded Africa Capacity Building Foundation. Overviews of the issues at stake from the point of view of Africa as a whole can be found in Smyke (1996) and Balogun and Muthahaba (1990).

The significance of the 'push' and 'pull' factors is accentuated by the fact that on the one hand the more developed economies of the region tend to be confronted with shortages of skilled labour so that there is a premium for such labour in the market; while on the other hand, the lesser developed economies have also tended to over produce or underpay skilled labour relative to their utilisation within the country so that they appear, on the face of it to be confronted with surplus or under-employed labour in the primary labour market. The more developed countries have often been forced to import relatively expensive labour from outside the region and from outside Africa especially. Under these circumstances for certain categories of labour, which are not unduly scarce or expensive to train, the skilled labour from the region appears much cheaper in many respects. Skilled labour from the lesser developed countries of the region has effectively had lower reservation wages than their counterparts from abroad (Europe, America or Australia for instance) and has been able to accept to work in less attractive environments within the more developed countries. This has been particularly the case with respect to university lecturers, secondary school teachers, doctors, and nurses for instance many of whom can be found in rural areas of the developed countries of the region.

The negative effect of structural adjustment programmes and the privatisation of parastatals in many of the poorer countries has exacerbated the latter problem resulting in further increases in outflows of labour from these countries in form of the 'brain drain'. It goes without saying that instability in major institutions of learning and in the political sphere as well in some of the countries has also provided impetus to this outflow of labour in the primary labour market.

In effect then the outflow of primary labour from the lesser developed countries of the region tends to reduce the supply of this type of labour in these countries thereby putting pressure on the need for salaries and working conditions to be improved; and by the same token the importation of such labour in the more developed economies may be expected to depress overall remuneration in some occupations in which such labour is imported to a large extent. The pressure to improve working conditions in government, parastatals, universities and hospitals has already been felt in many of the labour exporting countries of the region.



The relevance of labour migration in the primary labour market to the SADC Protocol on the free Movement of Persons can only be discussed meaningfully in the context of an assessment of the benefits and costs of such migration to individuals, households and the countries involved and in the context of appreciation of the role that such migration plays in overall economic integration in the region. The spirit of the protocol suggests that the benefits are presumed to outweigh the costs for all concerned. Now an assessment of benefits and costs is not only difficult but has not been attempted to any degree of usefulness so far. A few comments may be made nonetheless.

First, there is no denying the fact that for the individual migrants concerned, migration result in an improvement in the welfare for their immediate families and extended family households at the point of origin. Second, for the receiving countries, the importation of the primary labour loosens the tightness of the primary labour market in these countries and also helps lower the costs of skilled labour thereby lowering costs of production and encourage expansion of output and employment. Thus, such migration can be expected to be of benefit to entrepreneurs employing such labour and to the receiving country as a whole. A third consideration concerns the fact that exporting countries may have not be able to recoup the costs of having invested in the education and training of such labour over the years and it may not be clear as to whether the benefits accruing to the individual migrants themselves may be enough to compensate for what are generally public investments in human capital whose fruits are exported with no clear compensatory return to the state in return.

In addition, it may not be clear as to whether the fact that such migration puts pressure of the sending country to improve its working conditions for certain occupations in the primary labour market results in net benefits to the country or not. On the one hand, benefits would result if the improvement of working conditions enhances labour retention and increases the motivation and efficiency of labour in the primary labour market labour efficiency . If , on the other hand, the increased costs of primary labour result in increased unit labour costs, such migration could result in losses in efficiency and competitiveness for the sending country.

The ambiguity of the benefit and cost implications of the 'brain drain ' phenomenon, that is of primary labour migration, does not necessary imply that such migration should be curtailed or severely regulated. What it does suggest is that as countries move toward freer labour markets in the region as envisioned by the SADC Protocol, there may be a need to consider measures to compensate countries that export primary labour for public investments incurred in the education and training of such labour. In addition, there may be a need to find ways to ameliorate the impact of the cost push effects of the outflow of labour from the sending countries. There is a need for countries to move toward convergence in working conditions over time while resorting to other forms of improving labour productivity other than through reductions in pay and compromising working conditions for such workers (Mhone and Kalula, 2000; Kalula and Clarke 1999).



### *The Secondary Labour Market*

In the secondary labour market, consisting of unskilled and semi-skilled individuals, a similar situation prevails in that while all economies of the region have huge surpluses of low skilled labour in form of the unemployed and under-employed, two factors tend to fuel migration with respect to such labour. First, in spite of the fact that levels of poverty may be similar in many countries of the region, the reservation wages and working conditions, which such labour is willing to accept, differs from one country to another. More generally, labour in the secondary labour market in the lesser-developed countries has been inclined to accept lower wages and has been more tolerant for poorer working conditions than similar labour in the more developed countries. Second, employers of labour in the region have been confronted with different real wage levels for secondary labour, which has been reflected in the differences in unit labour costs. The higher standards of living together with the fact that a country such as South Africa has higher levels of unionisation as well, have exerted a pull effect on wage levels in the secondary labour market. In addition, the more developed economies have tended to have higher transactions cost in the labour market and also higher levels of remittances from urban to rural households.

Thus, more generally, in the more developed economies such as South Africa and Botswana, local labour in low wage occupations has tended to be relatively expensive than similar labour imported from the lesser-developed countries of the region or that labour from these countries that is available from within the more developed countries as legal and or illegal migrant labour. Thus, both on the supply side (from the point of view of prospective of labour migrants from the lesser developed economies of the region) and the demand side (from the point of view of entrepreneurs of the developed economies of the region) there has been a mutual interest in the migration of labour in the secondary labour market. Indeed, this mutual interest has been the motive force of labour migration in the region since the onset of colonialism, and which continues in one form or another to this day. This trend is also facilitated by the growing resort to atypical forms of employment occasioned by outsourcing, sub-contracting (including labour only sub-contracting), casualisation and the growth of informal and formal small scale, medium scale and micro enterprises which tend to resort to cheap casual employment for which vulnerable migrants act as a handy resource.

The efficiency implications of labour migration in the secondary labour market are as follows. First, the individual migrants benefit from the improved pay and working conditions, which may also benefit their immediate, and extended families at the point of origin. Second, the remittances sent by migrants have been major sources of foreign exchange in some of the labour exporting countries. Third, the sending country might be seen to benefit from the reduction in the rate of unemployment and under-employment that results from the out-migration of 'surplus' or under-employed labour. Four, the receiving country benefits from the lower production costs which may be expected to result in increased output (for both domestic and export markets), employment of both locals and foreigners, payment of taxes and so on. It is such benefits that have indeed fuelled growth of the primary sectors such as mining and commercial agriculture in the history of the industrialisation in Southern Africa, and particularly in the more developed countries of the region.

A major cost resulting from migration of labour in the secondary labour market has been the fact that often this type of labour has been exploited to a large degree and that it may



have resulted in major negative social and economic effects at points of origin, particularly in rural areas. The first problem relates to the fact that often-secondary labour has been able to work under conditions which may only be marginally better than the conditions in their home countries but which local citizenry are unwilling to accept. Thus not only is such labour unduly exploited individually, but it tends to depress working conditions for local workers as well. Given the seemingly unlimited nature of such surplus labour from sending countries, the resulting expansion in the use of such labour has not resulted in a tightening of labour market such that working conditions could improve significantly. Hence the migration of secondary labour generally results in very little improvement in the long term welfare of the individuals concerned, hence the phenomenon of circular or repeat migration and the fact that by the time of retirement many such migrants still remain in poverty. This migration also undermines both the welfare of similar labour in the receiving countries and the viability of homesteads at the point of origin. With respect to the last point, the case of Lesotho is illustrative. Essentially, while the secondary labour may be under-employed at the point of origin, its marginal productivity is by no means zero or negative such that its withdrawal would not affect output at the point of origin. In many cases, the absence of males in particular from the rural community has had highly visible negative effects on production and social life at the point of origin.

In summary, then, it may be advanced that the migration of secondary labour tends to have positive effects on the individuals (primarily in the short to medium term) and entrepreneurs per se, on the receiving countries particularly the entrepreneurs and on the state. But that such migration also has negative effects, on the individual migrants in the long term, on their rural households and communities and on the employment prospects and working conditions of local labour in the receiving countries. Again, these negative effects do not so much call for increased constraints on labour mobility, but for the need to consider ways of guarding against its negative effects in the context of liberalised regional labour markets. Key considerations in this respect relate to the following: First, there is a need to ensure that all countries in the region have expansion of productive employment opportunities as a priority so as to ensure that under-employed labour is productively employed within their own borders, enhance the need for employment strategies that are linked to development strategies for individual countries and the region as whole. Second, there is a need to ensure that labour regulations and working conditions move toward convergence so as to avoid the situation in which the importation of cheap labour depresses pay and working conditions for local labour. Third, there is a need to design formal arrangements for safeguarding and making portable the social and employment benefits of migrant workers to any place where they are in the region during their time of employment and at retirement. Finally, there is a need to establish a Regional Development Fund, which can give assistance to rural communities where migrants originate. All of the foregoing suggests the need for the SADC Protocol on the Free Movements of Persons to be linked to other protocols such as the Social Charter and those related to health, agriculture, environment, and trade and investment. And, by the same token, the other protocols need to be scrutinised to ensure that they take cognisance of the need to address the foregoing concerns arising from the migration of secondary labour.



### *Cross-border Traders and Investors*

A significant aspect of labour migration relates to the movement of individuals across borders in search of opportunities to buy and sell goods and services. While provisions are often in place for formal businesses to engage in cross-border trade and investment, little provision has been made in the region for accommodating the needs of informal (unregistered in their home country or the country of destination) and semi-formal (registered but with no formally recognised documentation of engaging in cross-border trade). This is an area of migration in which women have been predominant and which is being entered into by individuals from the primary labour market as well. Within this category, fall individuals who periodically move back and forth between countries buying and selling commodities (exporting products from the home country and importing into the home country products from another country in the region); individuals who migrate for longer periods and establish small businesses in the country of destination; and individuals who travel from one country to another acting as trade agents for formal importers and exporters within the region. This aspect of migration is linked to labour migration in that the individuals who engage in it tend to be those who would otherwise be in the primary or secondary labour markets of the domestic and regional labour markets. So far, this aspect of migration has been dominated by individuals from the lesser-developed countries of the region, although increasingly it is becoming more mixed in nature tending to involve individuals from other parts of Africa as well. With respect to South Africa, Rogerson, in his study of migrant entrepreneurs in South Africa has concluded that “the small immigrant-run businesses are clearly contributing directly to local job creation in Johannesburg for South Africans(Rogerson,1997”.

An interesting aspect of enclave economic structures has been the manner in which cross-border traders have been ignored in official policy formulations in spite of their general presence and visibility in many of the countries in the region. These individuals have to resort to devious and ingenious methods of obtaining visas, foreign exchange and credit, and of importing and exporting goods and services in order to facilitate cross-border trade and investment, which, ironically, are both a major *raison d'être* and objective of regional co-operation. Outside of the fact that cross-border trade may be associated with the resale of second hand items and other similar items from outside the region and with illegal items such as drugs, arms and precious minerals, the efficiency merits of the activity are quite obvious and cogent. First, cross-border trade expands the market for goods for all countries involved. Second, they entail self-employment in a manner that places minimal demands on the states of both country of origin and the country of destination. Third, where such cross-border mobility entails investment in the country of destination, it usually is in niche activities that add value to gross domestic product of the host country, while also creating employment opportunities for local labour. Thus cross-border trade and investment by small-scale entrepreneurs has immense value for both countries of origin and of destination, and hence for regional cooperation. This segment of labour migrants would thus benefit immensely from the liberalisation of regional labour markets.

A recent SAMP study (Peberdy and Crush, 1998) by SAMP discusses the nature and role of cross-border traders in the South African economy. The study challenges a number of myths such as the following: that migrant participants in the informal sector are poorly educated and illiterate or semi-literate; that the poverty stricken and desperate individuals struggling to survive; that they are flooding South Africa desperate to flee home; that they are a net drain to the economy; that they compete unfairly with South Africans; that they have all



entered illegally; and that the Aliens Control Act is an effective instrument for regulating cross-border trade. The study proceeds to demonstrate the productive role that informal traders play in the economy in spite of the many restrictive and unaccommodating regulations and practices and conclude in favour of a greater liberalisation of migration laws and regulations or their revision to accommodate cross-border trading and recommend the need for various reciprocal arrangements to accommodate and facilitate the activities of informal traders.

### ***Others: Refugees and Illegal Migrants***

Most labour migrants fall into the major groups discussed above namely, primary labour migrants consisting of professional, management, and technical personnel with middle and high level qualifications; secondary labour market migrants, consisting of semi-skilled and unskilled labour with lower level qualifications (secondary education and below); and cross-border migrants who may come from either primary and secondary labour markets. The status of being a refugee or an illegal migrant is unique in that the individual has restricted rights to participating in the normal economic activities of the host country. In actual fact, however, many refugees and illegal migrants often find their way into any one of the activities likely to be engaged in by individuals in the primary and secondary labour markets and by cross-border traders. Indeed, many cross-border traders do so illegally under present regulations in many countries since they mostly rely on visitor's visas to undertake their activities. In any case, the liberalisation of visa requirements for visitors and the ever-recurring political conflicts and economic crises in some of the countries of the region, eventually provide enough impetus to cross-border trade and investment.

### ***General Considerations***

National governments are preoccupied with the formal sector, as well as the objectives and agenda of regional bodies like SADC. Regional co-operation in Southern Africa is predicated first and foremost on co-operation between the enclave formal sectors of the prospective member countries. There is currently nothing to suggest that where member countries have failed to develop integrated economies based on rural and industrial transformation aimed at capturing the majority of the labour force into productive activities, that the bunching together of such enclave formal sectors through regional co-operation would achieve this much desired transformation.

Essentially, the economic policy agendas of national governments and the related jobless growth outcomes in these economies have left the majority of the labour force by the way side. Thus while regional co-operation may lead to a revitalisation of the formal sectors of member countries, the resulting growth would not be enough to cure one of the gravest maladies confronting African countries, that of pervasive open unemployment and under-employment.

African economies are not only unable to create adequate employment and income generating opportunities, but are also unable to generate enough growth to guarantee adequate compensation for their most skilled professionals and labour force. In spite of the fact that



almost all African economies are enclave and dualistic in nature, there has been unequal development among them as well. In Southern Africa for instance, at one extreme the economies of South Africa and Zimbabwe stand out as relatively more developed in terms of the degree of their industrialisation, the degree of integration among the economic sectors, their ability to absorb external shocks, and their relatively high per capita incomes. While Botswana has a per capita income about five times as high as of Zimbabwe, the latter country has an economy that is more integrated and diversified and thus could be said to be more developed. At the other extreme are the poor economies of Malawi, Mozambique, Lesotho and Zambia, the latter of which is also quite mono-cultural. The average per capita incomes in these countries are way below those of their more developed neighbours.

In the context of such a scenario, it is not surprising that the migration of both unskilled and highly skilled labour from the poorest countries, to the more developed countries of the sub-region has become a common feature of the Southern and Eastern African landscape. Given the differential levels of development, it is not surprising that while the poorer members of the sub-region are very interested in freeing regional labour markets primarily to reduce the surplus low skilled or unskilled labour, while begrudging the brain drain from their own countries, the relatively more developed countries or those with higher per capital incomes, are more interested in expanding formal cross-border trade and investment.

A much deeper problem arises in that since the structures of all these economies are such that the market cannot on its own resolve all the distortions and market failures that underpin duality and enclavity, the stance that each government has taken vis-à-vis its own economy is of crucial importance. More specifically, some governments, such as those of Mauritius and to a degree, of South Africa, have adopted a relatively interventionist stance which implies the desire to purposefully and strategically manipulate market forces in order to achieve structural transformation and development. Many others however, have committed themselves to a hands-off or passive policy inspired and endorsed by the Bretton Woods institutions.

A passive economic policy stance will of necessity fail to resolve the structural unemployment and under-employment afflicting countries of the sub-region, and will in fact exacerbate the marginalisation of the majority, primarily because the driving force of growth under such circumstances is restricted to the formal sector which has very low elasticity of employment with respect to output and investment. Hence, for such countries it can be comfortably predicted that the open unemployment and generalised under-employment are not likely to be resolved in the near future. For such countries then, the desire to export labour is in effect a capitulation that the unemployment and under-employment cannot be resolved internally, and, by the same token, it is a way of externalising their own problems of unemployment and under-employment to the labour importing countries.

Unfortunately, also, since the labour importing countries are also plagued by similar problems of unemployment and under-employment, the importation of migrant labour may be expected to aggravate this marginalisation of the majority within these latter countries even if it can be shown that some private parties stand to gain from such importation of labour in the presence of domestic unemployment and under-employment. Lastly, labour migration notwithstanding, the mere fact that some member governments are inclined or committed to strategically intervening in the market to attempt to promote the long term goal of



transformation, while other passively sit back in anticipation of the market eventually performing its transformative and curative miracles, is likely to lead to conflicts at the regional level.

An interventionist stand in the market implies a desire to be able to distort relative prices in the market and as such relative prices between countries are likely to be distorted and high contestable in relation to promoting free-trade. Hence, conflicts are likely to arise between interventionist and non-interventionist states, very much similar to those that plagued the Uruguay Round negotiations among the developed countries.

The question that may be posed then is whether labour migration, regulated or not, results in net social benefits in the long term to both labour exporting and labour importing countries. For our purposes it is important to ponder whether labour migration merely reproduces and reinforces enclave and dualistic growth, or whether it acts as another policy instrument that contributes to the transformation of the economies of member countries. The history of labour migration in Southern Africa and indeed elsewhere in Africa has been such that labour migration has been primarily symptomatic of the enclave and dualism induced malaise, and has been unable to contribute to any meaningful economic transformation that would benefit the majority of the marginalized labour force in both the countries of destination and origin.

In countries such as Lesotho, Botswana, and Swaziland for instance, labour migration has exacerbated the under-development of rural areas, the benefits accruing to individual migrants notwithstanding. By the same token in countries of destination, like South Africa and Zimbabwe, for instance, while migrant labour continues to contribute to the growth of particular sectors (such as mining and agriculture) of these economies, the presence of such labour has reinforced the marginalisation of domestic unskilled and low skills labour thereby aggravating open unemployment in urban areas and under-employment in rural areas. Hence it is not surprising that there is a rising xenophobia in these latter countries directed at both legal and illegal foreign migrants.

### *Dynamic Considerations of Labour Migration*

It is necessary to have an appreciation of the dynamic aspects of labour migration in order to place a number of issues in their proper context. The migration of labour produces its own depressant in the long term. The fear that open borders will result in a flood of immigrants from lesser developed to the more developed countries is rather far-fetched. Thus as the uneven development within a country does not result in the total exit of the labour force from the lower developed regions(rural areas) to the more developed regions(urban areas) regional labour migration trends are likely to reach a point of slowing down for a number of reasons.

As labour out-migrates, there is a tendency for the pressures on land and other resources to be reduced at the point of origin so that the incentive to stay for some is increased. Also the opportunity cost of labour migrating increases as the social and economic costs of migration at the point of origin are magnified by increasing numbers of migrants and



by increased lengths of migrations. At the point of destination, increased labour migration in the face of slow growth in countries of destination also makes survival at the point of destination more difficult, thereby eventually discouraging migration as well. Indeed eventually, shortages of unskilled and skilled labour will begin to drive up the price of labour in the labour exporting countries while the price of labour will tend to be depressed in labour importing countries. Thus, unless the labour importing country experiences phenomenal economic growth relative to the labour exporting country, the rate of labour migration will tend to level off after some point. Migrants will weigh the benefits and costs of migration quite rationally to include the opportunity cost of migrating, the transaction costs of migrating, and the costs of job search and staying in a foreign land. It is not surprising then that one study observes that:

The popular notion that South Africa is an island of tranquillity and prosperity in a sea of chaos does not bear out in the minds of most respondents that much is clear. There are concerns about safety in South Africa and finding affordable housing and jobs, and there are concerns about leaving family and assets at home[SAMP No.7, 1998].

Nonetheless, labour migration will tend to be a reality for a number of reasons. First, due to historical differences in economic, cultural and social circumstances between countries and their associated ethnic communities, there has tended to be a division of labour that arises as migrant labour gets absorbed in local economies. There are certain types of jobs and entrepreneurship which migrants will be prone to take up but which local citizens might shun, even if such attitudes may change over time. Thus some aspects of migrant labour will tend to be complementary to domestic division of labour, rather than act as to displace local labour or entrepreneurship. Indeed in Southern Africa such a division of labour was consciously cultivated by colonial masters in agriculture, mining, construction and domestic services. Generally, locals will tend to shun what they might consider jobs below their station while immigrants will easily take up such jobs due to pressures of survival. Studies also show that employers also tend to argue that immigrants are "more hardworking, disciplined and honest[SAMP No.11, 1999]. It should be noted that this division of labour or form of economic specialisation applies to business opportunities in the formal and informal sectors as well, where a specialisation might arise based on national origin[SAMP No.11, 1999].

What this suggests is that some form of labour migration will have to be accepted as an inevitable reality unless one seeks to trample over the individual and or human rights of citizens and non-citizens alike. But by the same token the resulting division of labour or specialisation on the basis of national origin, as reinforced by supply-side and demand side factors, is seized upon by employers to resort to the employment of migrant labour under conditions that violate core and non-core labour standards in individual countries. The pretext is given that the migrant workers 'do not mind' working under the compromised working conditions(low pay casual or temporary employment, with non-existent benefits.

A second consideration relates to the fact that there is a gross mis-utilisation of skilled labour resources in any countries of the region. On the one hand, countries with low per capita incomes continue to overproduce skilled labour, particularly in social sciences and non-scientific or non-technical professional categories, while also being unable to pay reasonable salaries to skilled labour. On the other hand, the more developed countries have not been able to adequately plan for the supply of skilled labour either so that the surplus



labour from the lesser-developed countries is attracted to seek employment in the more developed countries, hence the brain drain/brain gain phenomenon. This phenomenon has been taking place within individual countries between the public and private sectors with gains going to the latter sector. This suggests that there is a need to adopt harmonised strategic human resource development plans at the national and regional levels.

A third dynamic consideration concerns the fact that regional trade and investment flows have direct and indirect effects on labour markets. Such effects will tend to be amplified during times of slow growth in countries of the region. Increased exports of goods and services sustains employment in the exporting country while imports will tend to depress employment in the importing country. With respect to the latter, the nature of imports matters in that capital and intermediate goods imports are needed to sustain employment elsewhere while imports of final goods that compete with local goods and services will tend to deflate employment, even if they might raise consumer satisfaction. By the same token, investment flows have complex employment implications at points of origin and at points of destination all of which cannot be easily netted out between countries. As noted earlier, there is a consensus that a world in which trade and investment are allowed free movement is much better off for all in terms of employment and incomes than one in which these flows are fettered.

The point is that within Southern Africa, that conclusion has been accepted while its extension to labour markets is still qualified with various reservations. Interestingly, some of the Southern African countries such as South Africa, that will tend to adhere to such qualifications are the most vocal with respect to the liberalisation of labour markets at the global level especially with respect to South-North migration. The issue is raised here to underscore the fact that issues pertaining to labour migration need to be incorporated into discussions of the need to arrive at a common strategic approach to regional trade and investment. The xenophobia surrounding regional migration would be lessened if many were to recognise that trade and investment flows have employment impacts as well within and across countries of the region. More specifically the higher developed economies which also tend to be net investors and exporters of goods and services to the lesser developed countries of the region gain immensely in terms of the amount of employment that is sustained through such regional flows, yet they will also tend to have pockets of xenophobia with respect to labour migration.

Meanwhile, the reality is that labour migration is continuing and is a de facto irreversible phenomenon. In spite of the complex questions it raises, the phenomenon has to be managed rationally and not emotionally, in both the short and long term. In this respect, some of the policy considerations that have to be addressed are:

- Xenophobia has to be recognised for what it is and needs to be actively discouraged through increased propagation of the many ways in which interdependent countries gain from increased co-operation and integration in all spheres;
- The hierarchy of rights needs to be recognised and applied to labour migration especially in so far as it is important to re-assert the supremacy of that



fundamental rights in the Universal Declaration of Human Rights adopted by the United Nations and the adherence to core labour rights as formulated in the conventions and recommendations of the International Labour Organisation.

- The general approach to migration policy in sending and receiving countries should not be to defeat but to facilitate regional integration in all its spheres.
- The quest for free movement of labour in the region should be pursued together with increased levels of economic integration in trade and investment flows, while efforts are made to establish institutional mechanisms for regional governance which would internalise, through re-distributive measures, the negative and positive externalities arising from labour migration. In particular, this would require a regional development strategy coupled with a regional approach to social policy.
- A strategic approach to the development of skills is needed to enhance the efficient use of skills in slow growing economies and to fill gaps in the shortage of skills in fast growing economies.

Considerations such as those outlined above should somewhat dampen the haste and euphoria regarding the need to effect a free labour market in the short term, in the absence of a consensus on development strategies to be pursued. But such concerns do not provide a justification for xenophobic approaches to the management of migration in the region or elsewhere in the world for that matter.

The freeing of regional or continental labour markets for that matter needs to be accompanied, first, by a consolidation of lower levels of integration such as free trade areas and customs unions. Second, the aim should be to supersede those lower forms of cooperation with higher level ones through the establishment of common markets and the economic unions, within which the free flow of labour between member countries would be effected. In the absence of serious moves toward those higher stages of integration that do not necessarily require free regional labour markets and which of necessity require the progressive integration of economic policies and national economies the freeing of labour markets is likely to perpetuate the status quo of enclavity, dualism and jobless growth in member countries. Governments of the sub-region are best advised to turn their undivided attention to internal structural transformation and the harmonisation of regional and national development policies and strategies prior to embarking on freeing regional labour markets. Nonetheless, it is necessary to heed Stalker's observation that:

One should be sceptical about the degree to which public policy is capable of affecting individual decisions. People have always moved from one country to another, and doubtless many will choose to do so regardless for what governments say or do. A more limited objective of public policy may perhaps be to try and make sure that people do have an option about whether to migrate or not, to ensure that they are not forced by economic circumstances into an agonizing decision to uproot themselves and their families for the uncertainties of life in another country (Stalker, 1994, p.155).

SADC countries are best advised to move toward the ratification of the free movement of peoples first in order to recognise a de facto reality and eventuality, and second to ensure that regional cooperation is enhanced and that the resulting benefits are truly egalitarian for all concerned. Once this hurdle is passed and settled, attention should be directed at ensuring that individual SADC country economies and the SADC region as a



whole put in place policies directed at increasing employment and entrepreneurial opportunities such that the need to migrate becomes less of a forced choice and more of discretionary choice based on the need to maximise income and welfare in any place in the subregion.

### *Policy Implications*

The foregoing discussion leads to the following conclusions. First, it is important to recognise the fact that the labour market in Southern Africa has been an integrated one since colonial times and has continued to be so with or without legal recognition and has taken both legal and illegal forms of migration. Second, in principle, labour migration if complemented with compensatory policies should result in a positive sum outcome for all concerned in both sending and receiving countries. The negative consequences of migration are not so much a result of the inherent undesirability of migration as they are the result of a lack of complementary development and social policies at national and regional levels. Third, the increased integration in trade and capital and investment markets call for increased integration of labour markets so as to ensure that the private and social benefits and costs of regional integration are widespread. Fourth, it needs to be noted that a liberalised regional labour market cannot be a panacea for problems of unemployment and under-employment in many of poorer countries, and also, that for the receiving countries, the negative consequences of such migration are far outweighed by their positive effects especially if associated with increased liberalisation of trade and investment markets in context of consciously formulated and implemented development strategies at the national and regional levels.

In light of the foregoing, it may be concluded and contended that the option of restricting labour migration in the region is not a viable option and that what needs to be considered is the manner in which it can be liberalised and managed to facilitate such eventual liberalisation.

Matters of regional cooperation in trade, investment and human resources are made difficult by the absence of viable regional institutions to address, or let alone resolve, issues arising from the differential incidence of benefits and costs arising from labour migration between member countries. Both SADC and COMESA are at present primarily administrative secretariats that have no power to undertake any re-distributive functions that would be called for to balance out net gains and losses between labour exporting and importing countries. And neither are these two organisations complemented by permanent regional fora to discuss strategic policy issues pertaining to development and overall economic transformation. Currently, policy issues are discussed in ad hoc fora of Heads of State, Ministers and Technocrats. The various sectoral committees assigned to member countries in SADC, while useful, are not adequately mandated to address thorny or strategic issues arising from the uneven development between member states and from the different policy stances member countries have taken vis-à-vis their own economies.

Under such circumstances, it may be argued that the freeing of regional labour markets is equivalent to exporting and externalising each country's internal development



problems without the anticipated results of such migration necessarily resolving them. What would be needed is the formation of a supra-national regional body mandated to undertake the required re-distributive functions in the context of an overall strategy of long-term transformation of the economies of member countries and of the region as a whole. Even more fundamental is the contentious issue that arises pertaining to the need to address the structural factors that underpin labour migration as a negative phenomenon that generates negative externalities for all member countries. This requires a supra-national body to harmonise both national and regional strategies of transformation.

However, such an eventuality would not require the relinquishing of substantial national sovereignty in domestic economic policies. It would, however, require that governments arrive at a consensus on whether such regional and national transformation would require substantive intervention in the market to effect particular structural changes at the national and regional levels, and to drive the national and regional economies toward strategic development outcomes such as the need for equitable growth and the need to upgrade the economies so as to enhance their international competitiveness.



## Chapter IX

### The Impact of Globalisation, HIV/AIDS, Conflict and Natural Disasters

#### 1. The Impact of Globalisation and Technological Change

Globalisation refers to a more recent trend accelerated by new technological revolutions entailing the geographical dispersion and interdependence of production, distribution, marketing and finance as controlled and managed by large multinational corporations and as influenced by the policies of the more developed nations and the various multilateral organisations such as the World Bank, the IMF and the WTO. Globalisation also refers to the foot looseness of investment, human capital, and technology whereby the global market place is seen as one arena. Technological revolutions in information processing and transportation have overcome geographical barriers such that time and space have become relatively insignificant constraints to production and marketing. During the first two decades of independence, African countries were relatively insulated from the more revolutionary aspects of these trends because of the many policy barriers to foreign investment that were implied by static and inward-looking development policy regimes which discouraged foreign investment and made technological transfer rather difficult to finance.

With the increasing adoption of economic reforms since the 1980s the economic space in Africa has been gradually opened up to the effects of the more recent aspects of globalisation, although not to the same degree as has occurred in the developing countries of East Asia. Almost all the African countries that have adopted economic reforms see the reintegration of their economies into the international economic system as heralding the benefits of globalisation. Like other developing countries, African countries believe that:

On the whole the activities of multinational enterprises had increased or tended to increase employment opportunities and improve standards in their country. In addition, the generation of direct and indirect employment, the introduction of new technology and management practices, the provision of training, the upgrading of skill requirements, increases in productivity and competitiveness among local firms were mentioned as important benefits ...[ILO, Committee on Multinational Enterprises, 1992, p.21]

African countries have therefore found it necessary to design measures to attract foreign investment in order to extract the maximum benefits from emerging global trends. Indeed, many African countries are concerned that they may have been by-passed by these trends, and are therefore anxious to provide extra incentives to attract multinational corporations.

However, concern has been raised from a number of quarters such as domestic trade unions and international bodies such as the International Labour Organisation, regarding the possible negative consequences of globalisation on the conditions of work of employees in



multinational corporations. More radical critiques of globalisation have warned against the possible further peripheralisation of developing countries as a consequence of their uncritical embracing of globalisation. In this section we concern ourselves with the assessment of the effects of globalisation on women workers in Africa, with a view to determining the degree to which they may be benefiting or becoming further disadvantaged by the new trends. It needs to be noted at the outset that the effects of globalisation in Africa have yet to become a general trend and are only still emerging, so that data on recent developments is sparse. Nevertheless, the trends that are emerging are not too different from those that have occurred elsewhere in the developing world.

The impact of globalisation in Africa may be examined from at least two angles related to its effects on formal and non-formal production processes, and in this case, as related to the employment and conditions of work pertaining to women in Africa. In the formal sector, the key technological developments at the centre, that is in the developed world, relate to the revolutions in production and work organisation implied by the following: automation, job fragmentation, Just-in-Time Production, Lean Production, Total Quality Control, Flexible Manufacturing, Computer Integrated Manufacturing, Bio-technology and so on [IILS, 1994, p.13]. The foregoing developments in various combinations have important implications for the levels and structures of employment, and conditions of work especially for women, since the growth of direct foreign investment in developing countries, as an aspect of the new globalisation, has been directly related to the employment of women in the formal sector. Further, not only have these effects been limited to women in the formal sector, but they have also had indirect effects on the activities of women in the non-formal rural and urban sectors. The latter sectors have also been influenced by attempts, by policy-makers, donor agencies and non-governmental organisations, to introduce new technologies that are spin-offs from the global technological shelf for purposes of enhancing productivity or relieving workers in these sectors of the burdens of conventional modes of work or production.

From the point of view of employment and incomes, and if not, economic development, the beneficial consequences of globalisation on Southern African countries, except perhaps for Mauritius, have been marginal, and most probably negative. Globalisation coupled with economic liberalisation has had the effect of simultaneously strengthening the incorporation and integration of the economies of the region into the global order while also marginalizing them as well as making them more vulnerable to global forces. In the event individual countries have lost the capacity at the national level to control or manage global flows and their effects, while at the global level modes of global governance tend to be highly skewed in favour of the developed countries as surrogates of international capital and their interests.

Mauritius has, through astute development management, been able to take advantage of globalisation in such a way that it has been able to immensely penetrate global markets while at the same time been able to diversify its economy and generate very high rates of economic growth. Over the past three decades. Thus for Mauritius, outward orientation, increased foreign investment, increased and diversified exports have all been harnessed to propel economic development.

For the rest of the Southern African countries the effects of globalisation have been ambivalent. Not only has globalisation failed to generate adequate inflows of foreign investment, but it has failed to result in the diversification of exports and the economies, while it has reinforced traditional forms of global specialisation inherited from the colonial period.



Within individual countries globalisation has been associated with increasing casualisation and informalisation of formal labour markets without the anticipated benefits of increasing overall employment and incomes in individual countries. The pursuit of structural adjustment and stabilisation policies in the absence of development strategies has merely reinforced the negative consequences of globalisation while failing to precipitate an environment conducive to maximising its economic benefits.

Globalisation has had particular effects on the employment and status of women, youth and children in Southern Africa as elsewhere in Africa and other developing countries. The overall status of women as workers has not changed to a significant degree with the emergence of these new trends for the simple reason that not enough investments have been forthcoming as a result of the new economic reforms to transform these economies to any significant degree. Nevertheless, the new trends that are emerging appear to correspond to similar trends elsewhere in other low-income developing countries. In the formal sector, the new global enterprises induce an increased demand for youthfully female labour newly entering the labour force, and in the absence of government measures to protect the rights of workers and of struggles by workers themselves to advance their rights, there is a tendency for the working conditions in the new enterprises to be compromised. It appears also that while employment does tend to increase, this employment may be unstable and may not reduce the existing levels of unemployment and under-employment, unless the inflows of foreign investment are substantial enough to more than offset retrenchments arising from 'run-away' plant closures. In the non-formal sectors, the impact of the globalisation on women has also been marginal relative to the number of women engaged in the conventional activities that women continue to undertake as discussed earlier. However, of major interest is the displacement effect of the activities of multinational corporations in out-competing women in their conventional activities. Of similar interest on the positive side is the increasing tendency for women to exploit regional and international markets as intermediaries in buying and selling internationally traded goods produced by multinational corporations abroad and by informal small-scale producers at home.

More generally the tendency for globalisation to be associated with the liberalisation of labour markets under the guise of promoting labour market flexibility has resulted in the increased exploitation of child labour on commercial farms, in factories and through subcontracting to non-formal intermediaries (Torres, 1998). Informalisation and casualisation associated with globalisation of labour markets tends to externalise the use of child labour to non-formal activities where it is least regulated.

On the whole, however, globalisation has yet to have its major impact on the economies of Southern Africa. A major conclusion arising from the foregoing review, however, is that governments in Southern Africa need to take a conscious stand to promote and protect the interests of all workers, and in particular the women workers, who are likely to be employed by the new enterprises which they are trying so hard to woo; and they need to assess the social costs and benefits of new multinational enterprises that are likely to displace the livelihoods of informal and rural households, particularly those led by women. In this regard, the haste with which many African governments are attempting to attract foreign investors at the cost of inadvertently undermining the welfare of their workers, needs to be tempered by rational approaches to integrate these activities into national economies on the basis of internationally



and nationally recognised standards of employment and working conditions. Indeed, if such approaches were undertaken as collective agreements by regional and continental bodies in Africa, the tendency to resort to beggar-thy-neighbour policies in the pursuit of foreign investment would be minimised and the interests of women workers, producers and traders would be upheld and protected.

## **2. The HIV/AIDS Epidemic and its Impact in Southern Africa**

Almost all of the Southern African countries except Mauritius can be said to represent epicentres of HIV/AIDS. The pandemic has been increasing at an alarming rate and is approaching relatively high peaks in each of the countries affected. The World Health Organisation (WHO) and the Joint United Nations Programme on HIV/AIDS have estimated that about 30 million people have been infected with the HIV virus and that about 6 million have died from AIDS world wide. Currently the rates of infection and death from HIV/AIDS are by far the highest in Africa. Indeed, in Africa the HIV/AIDS epidemic is increasingly being seen to be approaching catastrophic levels. It is alarming that HIV infection in Africa is spreading beyond what have normally been seen to be high-risk groups such as sex workers and truck drivers to include the general population. Infection rates in Africa among antenatal clinic attendants, for whom data is readily available, have been estimated to range from a low of less than 20% in countries such as Namibia to a high of over 30% in countries such as Zimbabwe and Botswana.

In a recent release the World Bank has observed as follows:

Annual per capita growth in half the countries of sub-Saharan Africa is falling by 0.5-1.2 percent as a direct result of AIDS and that by 2010, per capita GDP in some of the hardest countries may drop by as much as 8 percent. Annual basic care and treatment for a person with AIDS (without antiviral drugs) can cost as much as 2-3 times per capita GDP in the poorest countries. Today, 36 million people HIV/AIDS, more than 95% of them in developing countries. Over 21 million people have so far died of AIDS, 3 million last year alone. AIDS is now the leading cause of death in Sub-Saharan Africa (DEVNEWS, 10/09/2001)

The World Bank has noted that AIDS worsens poverty and threatens social stability; it increases expenditures on public health; it compromises the human rights of those living with AIDS; and that it has enormous economic costs as it negatively affects the productivity of those affected who are working, reduces that part of that labour force that is productive, and raises costs of caring for those who are ill to households and firms.

In Africa it is increasingly recognised that the degenerating social, economic and political situation in many countries is exacerbating the incidence and spread of HIV/AIDS. Not only are many of the economies unravelling from a combination of economic mismanagement and misguided policies, but they are also being negatively impacted upon by globalisation, while some are experiencing political strife and turmoil. In addition, natural disasters are becoming increasingly frequent and unmanageable as the social and economic fabric of society becomes fragile. In such conditions the combination of poverty, the resurgence of primary and sexually transmitted diseases and the disruption of population and residential dynamics all create a fertile environment for the spread of HIV/AIDS.



In Southern Africa, the legacy of labour migration, which was the corner stone of the colonial mode of production based on the exploitation of primary products in agriculture and mining, has acted as an underpinning for the spread of HIV/AIDS.

The HIV/AIDS epidemic in Southern Africa is being experienced in both urban and rural areas and by both men and women with equal intensity and many countries have now accepted the need for bold measures at the national levels aimed at addressing the epidemic. Both rural and urban areas have unique characteristics that aggravate the incidence and spread of the disease. On one hand the high degrees of population concentration and poverty in urban areas coupled with increased mobility and relaxed social behaviour in urban areas and on the other the high degrees of poverty and lack of social amenities in rural areas both make the African socio-economic environment highly conducive to the incidence and spread of HIV/AIDS. The deterioration of socio-economic conditions in many countries in Southern Africa in recent years has worsened the situation thereby posing unique challenges to policy makers as the rates of infection and transmission increase phenomenally in some of the countries such as South Africa, Botswana, Zimbabwe, Malawi, Zambia and Mozambique.

Statistics on HIV/AIDS in Southern Africa and Africa in general are notoriously unavailable, and when they are, they tend to be quite unreliable. The disease has proved difficult to capture through registrations at hospitals, test centres, or government agencies that register deaths. Not only is testing voluntary, but where it is captured involuntarily, congeniality regulations restrict the use and dissemination of the resulting information. The commonly cited statistics appear to come from antenatal clinics. This data is then projected through use of appropriate models to the population as a whole.

Nonetheless, the localised information available is worrying enough since the level of incidence of the disease is high and the rate of its spread are quite rapid in many Southern African countries. Table 21 shows the projections that have been made as to the probable impact of HIV/AIDS on life expectancy and as a consequence of the epidemic. As can be noted from the projected impact of HIV/AIDS is such that both life expectancy and population growth rates are drastically reduced. If this information is to be accepted it means that for many countries on Southern Africa life expectancies are likely to be falling below 40 years of age as the scourge of HIV/AIDS takes its toll. This, at an age at which the returns to investment in education and training should be peaking and during which time the responsibilities of reproduction also become demanding. Death at this age can be expected to have fundamental implications for both social and economic viability. At the family level the reduced life span implies loss of key breadwinners, while at the economic level it implies loss of key productive resources in which human investments may have been made by families and individuals and by the state. The Table also shows that the growth rates in population are also reduced dramatically as well. While this may appear to be an unintended Malthusian benefit given the high rates of population growth in Africa which are indeed a burden on families, society and the economy, the fact that the reductions are a result of the loss of key human resources in the prime of their lives and the fact that it indiscriminately impacts on the newly born, through mother to child transmission, who are the source of future human resources turns this eventuality into a curse on African economies.



The table does not show that the situation in Southern Africa is worsening as exemplified by the prevalence and spread of the disease in South Africa where in the early 1990s the rate was in single digit figures and where, by the turn of the century, it has struck two digit levels.

**Table 21: Life Expectancy and Population Growth Estimates**

Country	Life Expectancy		Years Lost	Growth Rates	
	Without Aids	With Aids		Without Aids	With Aids
Zimbabwe	64.9	39.2	25.7	2.5	1.1
Namibia	41.5	41.5	23.8	2.9	1.6
Botswana	40.1	40.1	21.4	2.4	1.1
Swaziland	38.5	38.5	19.6	3.2	2.0
Zambia	37.1	37.1	19.1	3.3	2.1
Malawi	51.1	36.6	14.5	2.7	1.7
South Africa	65.4	55.7	9.7	3.2	2.0

Source: UNAIDS Epidemic Update, 2000, Geneva

**Table 22: Child Mortality with and without HIV/AIDS**

Country	1998		2010	
	Without AIDS	With AIDS	Without AIDS	With AIDS
Zimbabwe	50.5	123.4	31.8	115.6
Namibia	62.1	125.5	37.5	118.8
Botswana	57.4	121.1	38.3	119.5
Swaziland	83.8	103.4	77.5	152.2
Zambia	125.7	181.2	96.9	160.7
Malawi	190.3	231.6	136.0	202.6
South Africa	69.7	95.5	48.5	99.5

Source: UNAIDS Epidemic Update, 2000, Geneva

Table 22 shows the estimated impact of the transmission of HIV/AIDS from mother to child in some countries. As can be seen the child mortality rates with HIV/AIDS factors into the rates result in an increase that is double to triple the normal mortality rates. It is not surprising then that the number of AIDS orphans is increasing in all of the countries. While it is estimated that about one third of children born of infected mothers are likely to be infected as well, almost all of the children in such circumstances are likely to be orphaned in due course. Thus at one end the capability to support for such children is being denuded by the loss of primary caretakers, at the other end, the number children needing such support is increasing at an alarming rate.

The Indicator South Africa (Vol.15, No. 3, 1998) notes that South African families have reported high levels of financial stresses consequence of the impact of HIV/AIDS: "Extended family structure is being eroded by migration and urbanisation. Households with HIV/AIDS typically spend a full year's income meeting treatment and funeral costs. If the extended family is the preferred safety net for orphan care, then steps must be taken to ensure



household resources are not over-burdened. Families are more willing to care for orphans if some form of support is offered: free education, free health care, or food supplements". The implications are that there is a need for public sector and other support from NGOs, CBOs and international agencies to complement the support of relatives. In addition the assumption that the care will be undertaken by women needs to be explicitly recognised so that appropriate interventions to reduce the burden on women are streamlined into major support programmes.

As the disease progresses, various economic outcomes arise: the individual's productivity diminishes as result of frequent illnesses, absences from work and so on; the cost of maintaining one's health also increases; the family begins to bear a greater burden of caring for the infected individual and in the event of death for caring for those left behind such as spouses who may not have been working, children and other dependants; social networks begin to whither, thereby undermining any social capital that may have been accumulated; governments are compelled to begin to spend additional resources on health, upkeep of dependants, and preventative and ameliorative measures; government not only has to spend increased

These ramifications will also depend on a number of environmental factors such as the health status, cultural, and socio-economic conditions and background of those infected and their families and social networks, the availability of basic amenities and social services such as health, education, housing, clean water and other related amenities, the presence, prevalence and frequency of primary diseases and other opportunistic ailments, and the policies in place to address the epidemic. In addition dynamics related to how people migrate within the country and between countries, including the consequences of expending tourism will also affect the spread of their disease. It is in this respect that issues of poverty, gender and employment loom large in the African context in general, and in Southern Africa in particular. More generally, the economic cost of the HIV/AIDS pandemic is somewhat camouflaged by the fact the majority of the labour force works and lives in non-formal sector such that the economic consequences of the disease cannot be directly captured. Now while the economic consequences in the formal sector are directly visible for the secondary labour market in particular, the existence of surplus unemployed and under-employed labour will tend to deflate the negative impact as queuing surplus labour easily replaces those in formal employment lost through HIV/AIDS death or emaciation.

The impact of HIV/AIDS on household level and on livelihoods is being understood in an international context and certain vulnerable households have been identified. Impacts include: reduced income and productivity dues to expenses incurred for treatment, funeral costs etc. This can seriously erode the household assets; bring about changes in consumption and investment (not paying for school fees) and heavy psychic costs on individuals (especially due to stigmatisation/fear of HIV/AIDS in Africa). These events push a family into a vicious spiral of poverty. In addition, Women, it seems, suffer disproportionately under the epidemic as they are expected to take care of the sick and are not able to negotiate safe sex practices in the context of infected spouses. The tendency for the harassment of women to increase under conditions of social stress further aggravates the impact of the HIV AIDS epidemic on women.



Households affected by HIV/AIDS will become poorer and possibly experience dissolution. In this regard, important dynamics include children/surviving family returning to rural family base or children/surviving family becoming absolutely poor and living on streets and/or adopting risky behaviour to survive (prostitution). Within this context of poverty the inter-generational effects of the HIV/AIDS epidemic are particularly important – the fact that the epidemic in Africa kills economically active adults leaving dependant children and grandparents. Perhaps we should also mention the rising numbers of AIDS Orphans (in South Africa approximately 5 000 HIV positive children are born every month).

### ***Gender Biases and HIV/AIDS***

Gender differences and biases embedded in cultural, legal, social, economic and political relationships and outcomes have a direct bearing on the incidence, prevalence and impact of the disease. To begin with, it is generally contended that when all circumstances are controlled, the biological make-up of women makes them especially vulnerable to the disease especially when transmitted through sexual contact. Secondly, cultural practices that keep women in a subordinate status in relation to men by restricting the freedom of women to resist unwanted sexual advances make them unwilling victims of the virus. Thirdly, women are more likely to be socially ostracized when known to be infected than men, and this further compromises their ability to function socially and economically in a given society. Fourthly, the treatment of women as legal minorities in many countries in Southern Africa places women in very difficult circumstances when their spouses die of AIDS especially with respect to inheritance of property, wealth, income and benefits. It is worth noting in this respect that the men's relatives and surrogates, while anxious to retain inheritance of economic assets, are unwilling to take on the support of widowed women and orphaned children. As AIDS takes its toll, the number of destitute families headed by women and children in Southern African countries is increasing. Finally, while women bear the greater brunt of the direct and indirect effects of the HIV/AIDS epidemic, due to the weak political power that they have, are unable to influence political decisions related to public policy needed to address the disease and its impact on society.

Thus women are not only directly vulnerable to the disease, but also end up assuming the responsibilities that the family, enterprise, or state should be taking in addressing the spread and impact of the disease. It is in this respect that some are beginning to talk of the emergence of the 'care economy' in which women bear the main burden... Women are compelled to assume this role partly as an extension of their reproductive roles, partly because of their subordinate position in society, and partly because of the 'flexibility' with which they can undertake their roles in society. In essence they end up absorbing the negative consequences of the progression of the disease, which should be addressed by family, social agencies, government and enterprises, while also having to attend to their own plight in confronting the private consequences of the disease.

### ***HIV/AIDS and Poverty***

As the various modules have demonstrated, while the majority of men and women in many countries in Southern Africa live in relative poverty, women are the most disadvantaged in this respect. Endemic poverty has a number of consequences related to the spread, progression and impact of HIV/AIDS. First poor communities and individuals are unable to



deploy preventative and curative measures to forestall the spread or progression of the disease since they lack the necessary wealth and incomes to do so. In this context, poor women who are driven to sex work are further jeopardized as well. Poor people are not only compromised in terms of health, but they also live in compromised social environment in which women themselves are relatively unsafe with respect to protecting themselves from sexual assault. This extends to abuse of female children primarily.

Poverty also implies the lack of a capacity to purchase appropriate medication to prevent or treat the disease or its symptomatic ailments. It further implies inadequate access to public facilities and resources for such treatment and care of patients affected by the disease. When such facilities are available, they tend to be poor. Thus the spread and impact of the HIV/AIDS disease is amplified and exacerbated by poverty. When it is recognized that women tend to be the most impoverished in Southern African countries, it is clear that poverty is most likely to aggravate their susceptibility to the disease and the progressions of the disease among them and the impact of the disease on them regardless of whether they are directly infected or not.

### ***HIV/AIDS and Employment***

The implications of the inadequate employment opportunities are similar to those of poverty discussed above. The fact that the majority of the work force in Africa is engaged in non-formal employment or economic activities in which levels of productivity and incomes are low implies that the majority of the workforce and its accompanying households does not have the capability to provide for an environment less conducive to infection and spread of the disease, let alone the capability to purchase the medication needed to ameliorate the impact of the disease or care for those that are ill from the disease. Endemic poverty also implies that the state, families and non-governmental agencies are unable to mobilize the resources needed to provide free or subsidized medicines to those affected, or to provide adequate measures for the support and care of the debilitated by the disease. Indeed for individuals in the non-formal sectors of employment the negative employment effects of the disease are often hidden and suppressed in part due to the low levels of productivity in these sectors and in part due to the non-market nature of many of the economic transactions undertaken especially in the rural economy. And in both the foregoing cases it is women that are more directly involved.

Attention generally is turned to the impact of the disease on formal employment. As noted earlier, this sector only accounts for small proportion of the labour force but is more visible and important in terms of income and revenues it generates for each country. This sector is also primarily male dominated and characterized by an occupational distribution of labour based on gender in which women are concentrated in the occupation, which are again more vulnerable to HIV/AIDS, or in which, if an individual is affected by the disease, the consequences in terms of continued employment are compromised.

In the formal sector the toll of the HIV/AIDS is increasingly being recognized, but the differential nature of its impact on the basis of gender has not been adequately analysed. The toll comes in the form of loss of productivity, loss of investment in training, increased



expenditures on health and death benefits, and increased shortages of key human resources. Tables 23 and 24 illustrate the nature of some of the economic consequences of disease in term of deaths among workers (Table 23) and costs of production (Table 24).

**Table 23: Projected Annual AIDS Deaths per 100 Workers in South Africa by Economic Sector**

Sector	2000	2005	2010
Agriculture, forestry, Fishing	0.6	1.7	2.4
Mining	0.8	2.5	3.0
Consumer Manufacturing	0.6	1.8	2.5
<b>Forestry Products</b>	0.5	1.6	2.1
Chemicals	0.6	1.8	2.4
Metals	0.5	1.6	2.1
Machinery	0.5	1.6	2.1
Construction	0.5	1.7	2.2
Retail	0.6	1.8	2.3
Catering & Accommodation	0.6	2.0	2.5
Transport & Storage	0.4	1.3	1.7
Communications	0.3	0.9	1.2
Finance & Insurance	0.4	1.1	1.5
Business Services	0.6	1.9	2.5
Health	0.4	1.3	1.7
General Government	0.4	1.0	1.4

Source: ING Barings Report, *Economic Impact of AIDS in South Africa*, April 2000

**Table 24: Labour Costs due to HIV/AIDS in South Africa**

<b><u>INCREASED LABOUR COSTS DUE TO HIV / AIDS</u></b>	
Training	7%
Labour Turnover	5%
Funeral attendance	6%
HIV absenteeism	37%
AIDS absenteeism	15%
Burial	16%
Recruitment	9%
Health Care	5%

Source: Whiteside and Sunter, *AIDS: The Challenge for South Africa*, 2000: Human & Rousseau Tafelberg



The impact of HIV/AIDS on overall national economic productivity will be felt through loss of working days and loss of workers across all industries, including informal sector ones where most of the urban poor derive their livelihoods as shown in tables 15 and 16. Urban areas in Southern Africa contribute a high percentage of national GDP.

With the formal sectors of African economies failing to deliver growth rates that are adequate to absorb net increases to the labour force, let alone to begin to reduce the high levels of unemployment and under-employment in urban and rural areas, and with rural areas collapsing from sheer policy neglect and the increasing incidence of social, natural and political destabilising factors, urban areas have increasingly become the refuge of last resort. Consequently, the population of urban areas in Africa is continuing to expand at an alarming rate as the capacity for employment generation and social service delivery fails to keep pace. Both social capital and social infrastructure are being stretched to the limit and in many cases collapsing thereby providing a fertile environment for the spread of HIV/AIDS. The increasing simultaneous informalisation and impoverishment of large segments of the urban labour force in many African cities implies that, on the one hand, innovative policies are needed to address non-formal situations that are emerging given these historical formal sector bias in policy making, and, on the other hand, that both household and government capacities to address social and health problems are being extremely taxed and compromised as well. In these circumstances it is not surprising that the HIV/AIDS epidemic is increasing so rapidly across the urban areas of Southern Africa and, given the circular nature of rural to urban migration, urban areas also become a transmission belt for the spread of HIV/AIDS.

Vulnerable households identified, in decreasing order of economic stress include the following as cited by Save the Children Fund:

- single headed household, who is periodically ill
- household headed by adolescent / children
- household headed by grandparent
- household headed by single surviving parent
- household with 2 parents, one or both of whom are periodically ill

Whatever the direct causes of the transmission and spread of the HIV virus, it may be deduced that the nature of the urban environment itself acts as a catalytic factor. There are a number of aggravating factors in this respect especially when seen within the context of expanding poverty levels and social disintegration. The first one, the spatial proximity and concentration necessitated by urban environment, imply high population densities, which tend to generate high positive and negative externalities. The current situation in many African urban areas is that due to expanding poverty levels the negative externalities of proximity and concentration are beginning to outstrip the positive spill over that might be expected from such a situation. The degeneration in economic and social infrastructure is only one aspect of negative spillovers; the other concerns the negative consequences of anti-social behaviours and the disruption of social cohesion. The second factor, the increasing negative externalities also mean that the capacity of the urban areas to generate revenue and that of the municipality to deliver, is also taxed to the limit. The third one, while closeness and proximity may be an advantage in terms of mobilising individuals, this, under conditions of



extreme strain, has acted as a potential basis for amplifying social and political strife which has tended to threaten the stability of urban environments.

Nonetheless, urban environments provide some opportunities as well. The proximity and concentration of population allows for ease of communication and information dissemination. They seem to facilitate mobilisation of people around particular causes. Given that various hierarchies of stakeholders from primary (individuals, households, and community based and civil organisations), to secondary (non-governmental and donor organisations) and tertiary (local, provincial and national government institutions) can be found within one setting it is potentially easier to maximise synergies in policy implementation around particular causes such as the HIV/AIDS epidemic.

### **3. Policy Implications of the Epidemic: Gender, Poverty and Employment**

The HIV/AIDS epidemic has implications for legal, health, social, and economic policy that may impact on the individual, family, social group, enterprise and government performance and delivery. As can be gathered from the above cases the relationship between HIV/AIDS, gender, poverty and employment is fairly complex and multifaceted, hence the need for comprehensive approaches and for streamlining HIV/AIDS related interventions into the various themes that have been addressed in the training package, namely, general poverty alleviation and development measures, formal employment, self-employment, provision of micro-credit, education and training, social security and social organisation.

### **4. Impact of Natural Disasters**

Over the past three decades of independence, Southern African countries like many other African countries have not been able to develop viable strategies to fortify themselves against recurrent droughts, floods and fires. The foregoing events occur with known and increasing frequency and within SADC a number of initiatives have been proposed in the past to no avail. It is not clear whether the seeming frequency is a mere perception reflecting the decreased capability to deal with droughts, or a scientifically observable trend that differs from past weather patterns as contended by those emphasising the effects of global warming. The combination of policy failure and incapacity coupled with secular economic recession has resulted in the foregoing natural disasters increasingly having devastating consequences each time they occur. Currently a number of Southern African countries are gripped in tenacious drought, which the countries have not been able to anticipate or to address adequately. The incontrovertible fact, however, is that African countries have, through economic policies of omission and commission, undermined their own ability to cope with drought, and to promote viable agricultural strategies that would ensure food security for the majority of their people. The outcome is that formal agricultural production has been negatively impacted on direct formal employment and incomes in agriculture and indirect formal employment and incomes in sectors dependent on agriculture for inputs. Since many of the Southern African economies also depend on agricultural exports for their foreign exchange revenues natural disasters such as droughts have enormous macroeconomic repercussions on the economies of the region. Such repercussions eventually affect the prospects for increased employment in the economies.

Natural disasters also have devastating effects on non-formal sectors particularly non-formal agriculture in that livelihoods are disrupted immensely while the incidence and spread of primary diseases is also enhanced as coping and adaptive capabilities are compromised in their



wake. Women, who are predominantly in the rural sector, find themselves increasingly beleaguered as they attempt to counter the negative effects of the droughts on productivity by having to devise innovative survival and coping strategies as the primary maintainers of households.

## **5. Impact of Civil Conflict**

To the effects of AIDS and drought must be added the impact of internal civil strife in a number of Southern African countries. Currently, many of these conflicts have subsided or have been resolved, even if their legacies continue to beleaguer the present. In the past major conflicts have comprised economic performance, employment creation and income generation in South Africa, Mozambique, Angola and Zimbabwe. These conflicts have displaced hundreds of thousands of families internally and across the borders such that more than twice the number of the countries directly affected by these conflicts become affected as well. A recent example in Southern Africa is the conflict in the Democratic Republic of the Congo, which has embroiled a number of countries in Eastern and Southern Africa in the conflict with huge costs to all concerned. The scourge of masses of people, particularly women and children, being subjected to refugee status is a common occurrence in many African countries. Not only have the livelihoods of these displaced families been undermined by persistent strife, but also the men have been depleted or incapacitated such that the burden of maintaining households has again been amplified for women. In some countries such as Angola, the scourge of land mines has incapacitated thousands of people, again particularly women and children, apart from making huge tracts of rural land unsafe for human habitation [United Nations, DHA News, 1993].

In Southern Africa, currently the increasing adoption of democratic practices and good governance combined with the conscious efforts by political leaders at the national and regional levels to resolve political conflicts peacefully through negotiation is resulting in the containment of national and regional conflicts such that their negative economic consequences and for the labour market are increasingly being minimised. Nonetheless, it may be noted that the increasing unemployment, under-employment and poverty in many of the countries provides fertile ground for increased political instability and political conflict, unless the development agenda is addressed frontally and boldly.



## Chapter X

### Conclusion: Policy Considerations

From the foregoing discussion it should be clear that the nexus of problems comprising inadequate employment opportunities, increasing unemployment and under-employment, increasing forms of vulnerable work, increasing poverty and the mismatch of education and training with economic needs is first and foremost a development problem and that as such it can only be addressed comprehensively in conjunction with addressing the development agenda. The labour market and employment problems being experienced by almost all of the Southern African countries are directly related to non-virtuous intimate relationship between the structure and performance of the economies and structure and performance of the labour market, which are both related to the problem of enclavity which, while a historical legacy, has been perpetuated unwittingly by various policies of commission and omission by post colonial governments, and which is being exacerbated by global factors and economic liberalism.

Enclavity and economic dualism imply that the economy is characterized by extreme inefficiencies and a deficiency in internal aggregate demand to stimulate a virtuous interactions of backward, forward and lateral linkages between sectors and value chains. Effective policies aimed at resolving the economic inefficiencies should necessarily lead to the latter interactions. It is necessary to appreciate the fact that the market on its own may not be able to precipitate the necessary structural changes required to enhance labour absorption, hence the need for the state to institute pro-active measures within a market context that will create stable conditions to some degree.

There is need for a clear vision of the desired and possible structural transformations needed in the formal and non-formal sectors and how they should be related which should be the guide to the nature of the pro-active measures to be undertaken by the state. The necessary first step is to precipitate the process of primary accumulation by progressively providing exchange and asset entitlements to the labour force in the non formal sectors. The exchange entitlements can arise from large-scale labour intensive activities (private and public) or through small-scale rural and urban activities that are part of processes of profit making (and not so much survival) or more generally surplus generation. The asset entitlements need to be provided through land reform and the promotion of small scale agricultural activities and the provision of credit for small scale industries in rural and urban areas both of which should again not be survivalist in nature, but aimed at profit-making or surplus generation. The promotion of exchange and asset entitlements along the lines indicated has the effect of commoditising social and economic relations in the non-formal sectors, thereby capturing the non-formal sector labour force under the rubric of market imperatives. Such a process cannot be gradual and without its tumultuous consequences since it entails a process of class formation and differentiation, but is nonetheless a necessary step.

This process has the effect of placing the conomy on a trajectory of growth and development that embraces all parts of the labour force and the blurs the distinction between the formal and non-formal sectors by integrating them. This is the process that no African country has attempted to achieve(except for Mauritius) as easily demonstrated by the manner in which the nonproductive subsistence sector persists in being the major absorber of labour.



Pro-active measures by the state are needed to restructure the productive base of the economy by making it more inclusive of the majority of the labour force. The idea is to have the currently unemployed and under-employed captured by the imperative of capitalist accumulation thereby precipitating a virtuous circle of interactions that have a broad and dynamic long-term impact on the economy. This is accomplished through a number of interventions that broaden the asset and income entitlements of the majority of the labour force by formulating policies that decidedly have a bias toward those activities that would absorb such people more. An initial broad base of productive employment, even if at initially low levels of income provides a long term basis for inclusive and equitable growth than small employment base with high levels of income concentrated among those working in the enclave sectors.

For the proposed outcome to occur there is need for a shift in paradigms away from the trickle down assumptions of current conventional economic policy regimes to one informed by the structural limits of the enclave model of growth and one guided by the need to pro-actively restructure this legacy in order to launch a basis for a more inclusive development. More generally attempts need to be made to promote the ILO's Decent Work Agenda, which provides a relevant framework for the promotion of sustainable human development. Some considerations along these lines are presented in Appendix 1. This is an approach that has been tabled in SADC through the Employment and Labour Sector. Appendix 2 presents the recently adopted OAU Declaration on Employment and Poverty, which also calls for a bolder approach to the employment, poverty and labour market issues afflicting the continent.

The emerging, well-meaning and well-intentioned consensus on sustainable development and its three pillars while welcome, masks some fundamental contradictions, which are clearly evident in the contentious and unresolved issues of the recent World Summit on Sustainable Development. The fundamental problem is whether sustainable development can be achieved through primary reliance on market driven national and global imperatives that are underpinned by an extremely skewed distribution of economic, technological, human and financial resources and income at both national and global levels. The question arises as to whether an environment in which economic, social and political power is highly skewed in favour of a small privileged group of major powers and their multinational corporations and beneficiary elites is conducive to the attainment of the objectives of sustainable development.

It is increasingly being demonstrated that unimpeded market forces tend to reinforce the concentration of resources globally and within individual countries especially in developing countries, and tend to reproduce and sustain the marginalisation and social exclusion of the poor. Indeed the major vehicles of global interaction namely trade and public and private financial resource flows and their associated global regimes and global governance structures continue to perpetuate this bifurcation of global and national social, economic and political environments. The current global and national socio-economic and political orders represent an interlocking set of relationships of dominance and subordination in which multinational corporations and their client governments not only greatly influence



the utilization and flow of resources globally, but in which the discourse on sustainable development is increasingly twisted to serve their own ends primarily, and only incidentally or peripherally those of the marginalised and excluded.

In such an environment both the values, standards or benchmarks and underlying paradigm informing on sustainable development and their ensuing programmes and projects are inherently of limited value to the majority of the marginalised and excluded, hence the need for increased vigilance in contesting current approaches of sustainable development and advocating innovative approaches more consonant with the needs and interests of the socially excluded and marginalized. And this is not just a question of appending indigenous knowledge and practices to the current sustainable development agenda since on the other hand what may pass for indigenous knowledge and practices may merely reflect adaptive mechanisms to current realities of subordination and exploitation and since on the other hand some such knowledge and practices are increasingly being utilized for appeasement purposes by ruling elites. This requires inverting the paradigm of sustainable development discourse such that the interests of the majority drive it from the bottom upwards.

Thus, while there may be a consensus on the meaning of sustainable development and on the Millennium Development Goals, their practical realization is unwittingly mired in self-serving promises, programmes and projects that perpetuate and reinforce existing patterns of resource distribution and utilization leaving the fundamental concerns of the excluded and marginalised unattended to. Essentially the discourse on sustainable development is confined within the circumscriptions of the interests of those that are already better endowed thereby reflecting the interests of dominant social, economic and political interests at both national and global levels. Sustainable development in reality does not adequately reflect the interests of the marginalised and excluded. Indeed it is taken on as an appendage to existing patterns of resource utilization and distribution. It is a paternalistic top down agenda that is albeit imbued with missionary zeal as reflected in the preoccupation with sustainable livelihoods and poverty alleviation as popular entry points for developing country interventions.

Sustainable development if followed to its logical conclusion and policy implications should entail and refer to the totality of all economic, social and environmental concerns in their holistic integratedness and consequences for uplifting and protecting the well-being of current and future generations especially among the poorest of the world. It cannot be seen as an appendage to 'other' policies. The reality however is that it is treated as an appendage seen as a necessary palliative to ameliorate the unanticipated negative effects of other more preferable policies driven by market imperatives and serving narrow interests. Thus if sustainable development is to truly reflect the interests of the majority of the poor and excluded the current paradigms, values and standards informing on its pursuit need to be reversed fundamentally such that they reflect the needs and interests of the poorest and excluded majority in developing countries. Interestingly, this would also result in a positive sum outcome for all concerned and would precipitate a virtuous circle of growth and development at both national and global levels that would indeed be sustainable in all respects.

For a fundamental shift to be realized a number of eventualities need to occur. First there is a need for the formulation and implementation of holistic and integrated development strategies which place the interests of the majority at the forefront by jointly promoting the objectives of inclusive development through employment promotion and income generation,



social security for all and environmental sustainability. Second there is the need to mobilize and educate the marginalised and socially excluded so that they can begin to challenge and neutralize the power of narrow interest groups within individual countries and at the global level. This of course also calls for global networks of like minded groups and individuals with a commitment to subordinate the economic and its associated political order to serving the interests of majority and the poor. Third, there is a need to increase the participation of grassroots organizations such as community-based organizations, civil bodies, unions and non-governmental organizations in policy discourse and policy making at local, national and global levels. Fourth, there is a need for visionary leadership at local, national and global levels which is able to articulate the needs of the majority and assist in formulating and propagating alternative development paradigms which will inform on innovative values, standards and policies and programmes and projects that can begin to shift the utilization and distribution of resources towards addressing the needs of the majority.

In conclusion, the paradigms, values and standards informing on the current discourse on sustainable development need to be challenged and contested with the aim of substituting them with innovative paradigms, which reflect the needs of the majority in developing countries, in particular. For this to occur innovative leadership embedded in grassroots organization and informed by an understanding of local realities and an appreciation of indigenous knowledge systems and practices pertaining to resource management is needed. A change in the paradigm informing the agenda for sustainable development is needed which is underpinned by visionary leadership symbiotically rooted in the voices of the 'wretched of the earth' and driven by governments whose *raison d'être* is the promotion of equitable development on a sustainable basis at both national and global levels.

Key considerations for such an approach are briefly summarized below and elaborated further in Appendix 1:

**(a) Objectives of new paradigm/approach:** The main objectives of sustainable development should be the promotion of (a) inclusive growth and development, social equity and social security and environmental sustainability. The pursuit of international competitiveness needs to be undertaken with the foregoing as joint and mutually reinforcing pursuits. Thus employment promotion ceases to be a residual or an appendage but the essence of precipitating an inclusive growth path toward sustainable development.

**(b) Complementarity of employment and development strategies:** The development strategy that emerges from such an approach is one in which the growth momentum is located internally by broadening the economic base through increased employment and income generating opportunities that are accessible to and that absorb the historically excluded and marginalized portions of the labour force normally eking out survival in urban and rural non-formal sectors. The external environment, outward orientation with respect to promoting international trade, and attracting foreign investment, donor aid and technology are supplementary propellers of growth. The internal momentum has to be based on the ability of an inclusive growth path to promote mutually interacting dynamics of supply arising from the participation of the



majority, yields its own demand for goods and services, while also precipitating savings generation and investment resources internally, and enhancing the capacity of individuals, households, and the state to provide for social welfare needs. Not only does inclusive growth provide a sustainable basis for self support, thereby reducing the social security demands on the state, but it also enhances the capacity of the state to provide for emerging social needs as well as the economy develops. In addition, inclusive growth provides the wherewithal to economize on use of natural resources thereby contributing to environmental sustainability as well.

The model of growth that emerges requires paying appropriate attention to the interaction of primary, secondary and tertiary sectors, the development value chains and value channels such as production and management and marketing capabilities, the provision of social and economic infrastructure in a way that deepens and expands the range of productive economic activities and their ability to absorb the majority of the labour force. The aim is to precipitate a virtuous circle of dynamic interactions between formal and non-formal sectors and within each of these sectors with a view to transforming the latter.

- (c) **Importance of good governance:** For such a paradigm which places the majority of the people at its centre to prove sustainable and implementable, there is a need for it to be rooted in the participatory and consultative approaches to policy making and implementation hence the need of good governance as another requirement for such a strategy. Hence resources and activities to be promoted have to be prioritized such that they address the immediate and long term needs of the excluded, marginalized and impoverished, and in the process the people have to hold the state accountable to them. It is through such consultation and participation that the hidden and under-utilised resources (human, financial and social capital, and indigenous knowledge systems) of the people in non-formal sectors can be unleashed to more efficiently contribute to their own and their nations' development
- (d) **Role of the State:** Finally people rooted and driven approach to employment promotion and inclusive growth necessitates that developmental initiatives be pursued in an integrated and mutually supportive manner. Thus not only should the economic, social and environmental policies of governments be comprehensive, integrated and mutually reinforcing, but so should the initiatives of bilateral and multilateral donors and organizations be pursued in a manner that complements the overall approach defined by the approach. Hence such an approach requires a proactive state which is able not only to redefine the development vision and strategy, but which is able to implement as well, conscious of the relative strengths of various actors in a mixed economy.
- (e) **Compatibility with other initiatives:** This particular approach is well captured by the ILO's concept of promoting Decent Work and the pursuit of the Global Employment Agenda, and it tallies with concept of Sustainable Human Development as promoted by UNDP and the promotion of the Millennium Development Goals as identified by the UN. In the context of Africa such an approach needs to be fused into NEPAD, while it would be a way of taking forward the mandate given to ILO in the OAU's Declaration on Employment and Poverty Reduction and its complementary Plan of Action.



## APPENDIX 1

### Toward an Employment Strategy <sup>1</sup>

Sustainable development should be understood to mean executing a growth and development strategy that manages natural, physical, human and financial assets such that long-term wealth and well-being is enhanced without compromising the needs of future generations. To achieve this requires promoting in an integrated manner, and striking a delicate balance, between environmental, social and economic objectives. There is thus a consensus that sustainable development has at least three pillars namely environmental conservation, social protection and economic growth and development.

Implicit in the notion of sustainable development and the three pillars comprising it is the need for equitable development, implying an outcome that improves and protects the well being of the poorest members of the society, who, in many developing countries tend to constitute the majority. It is becoming quite obvious, however, that since the Rio Summit, the advent of globalisation has been such that this poor majority is increasingly becoming more impoverished and marginalised both within individual developing countries and among nations globally, such that all the three pillars of sustainable development are being compromised. It is in recognition of this eventuality that the UN has, subsequent to the Rio Summit, proceeded to promulgate the Millennium Development Goals as a reminder of the sustainable development agenda that has yet to be realized.

The fundamental contradiction of this age of globalisation is that some countries and societies are being marginalised at a time when humanity is attaining immense and unparalleled capabilities for eradicating poverty and marginalisation. Unfortunately, this capability is concentrated among a few developed countries globally and within restricted enclaves in individual developing countries, while large numbers of people wallow in poverty and destitution worldwide.

The emerging, well-meaning and well-intentioned consensus on sustainable development and its three pillars while welcome, masks some fundamental contradictions, which are clearly evident in the contentious and unresolved issues of the World Summit on Sustainable Development. The fundamental problem is whether sustainable development can be achieved through primary reliance on market driven national and global imperatives that are underpinned by an extremely skewed distribution of economic, technological, human and financial resources and income at both national and global levels. The question arises as to whether an environment in which economic, social and political power is highly skewed in favour of a small privileged group of major powers and their multinational corporations and beneficiary elites is conducive to the attainment of the objectives of sustainable development.

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<sup>1</sup> Revised based on the work of the Expert Group Meeting on Labour Markets and Employment in Southern Africa, 3 – 6 February 2003.



The Expert Group discussion of labour market and employment problems in Southern Africa demonstrated that unimpeded market forces tend to reinforce and perpetuate these very same problems unless bold steps are taken to address them. The promotion of sustainable human development, if followed to its logical conclusion and policy implications, should entail and refer to the totality of all economic, social and environmental outcomes in their holistic integration and consequences for uplifting and protecting the well-being of current and future generations especially among the poorest of the world. It cannot be seen as an appendage to 'other' policies. The reality however is that it is treated as an appendage of other more preferable policies driven by market imperatives and serving narrow interests. Thus if sustainable development is to truly reflect the interests of the majority of the poor and excluded, then the current paradigms, values and standards informing on its pursuit need to be reversed fundamentally such that they reflect the needs and interests of the poorest and excluded majority in developing countries. Interestingly, this would also result in a positive sum outcome for all concerned and would precipitate a virtuous circle of growth and development at both national and global levels that would indeed be sustainable in all respects.

For a fundamental shift to be realized, a number of eventualities need to occur: (a) first, the formulation and implementation of holistic and integrated development strategies which place the interests of the majority at the forefront by jointly promoting the objectives of inclusive development through employment promotion and income generation, social security for all and environmental sustainability; (b) second, the mobilization and conscientizing the marginalised and socially excluded so that they can begin to challenge and neutralize the power of narrow interest groups within individual countries and at the global level. This of course also calls for global networks of like minded groups and individuals with a commitment to subordinate the economic and its associated political order to the interests of the majority and the poor; (c) third, increasing the participation of grassroots organizations such as community-based organizations, civil bodies, unions and non-governmental organizations in policy discourse and policy making at local, national and global levels; (d) fourth, the emergence of visionary leadership at local, national and global levels which is able to articulate the needs of the majority and assist in formulating and propagating alternative development paradigms which will inform on innovative values, standards and policies and programmes and projects that can begin to shift the utilization and distribution of resources towards the addressing the needs of the majority.

Given the nature of the problems of unemployment and under-employment and the structural context within which these problems are manifested at the national level, it is necessary to consider both the general policies, which can ensure that an employment generating and labour absorbing growth path is initiated, and specific employment policies aimed at absorbing the unemployed and under-employed.

The approach being proposed below is compatible with the ILO's Framework on promoting Decent Work and the pursuit of the Global Employment Agenda, and it tallies with concept of Sustainable Human Development promoted by UNDP and the promotion of the Millennium Development Goals as identified by the UN. For Africa, such an approach, while being fused into NEPAD, would be a way of taking forward the mandate given to ILO in the OAU's Declaration on Employment and Poverty Reduction and its complementary Plan of Action.



## **1. General Considerations**

### **1.1 An Aggregate Vision:**

The aggregate vision needs to be informed by the need to attain the following broad objectives to which all the countries in SADC subscribe to:

- Promote economic growth;
- Promote a diversified and balanced national economy with respect to the balance between primary, secondary and tertiary production and the relative contribution of micro, small, medium and large scale enterprises to the national economy;
- Promote a broad based and inclusive economy which guarantees economic participation of the majority in the labour force;
- Establish a sustainable basis for economic growth in a manner that the economy is able to absorb and rebound to external shocks;
- Promote equity, social protection and reduce poverty;
- Promote productive employment with reasonable remuneration under conditions of freedom, security and human dignity; and
- Promote social dialogue.

In light of the above objectives the economy needs to be viewed in its aggregate especially with respect to the relationship between the key markets on the real side of the economy comprising (a) goods and services (for both the domestic and external markets), (b) financial resources (savings and investment from both domestic and external sources), and (c) the labour market. The relationship of the real side of the economy to the monetary indicators (prices, exchange rates and interest rates, external and internal balances), to the provision of economic and social infrastructure, and to the regulatory regime particularly as it relates to labour markets, industrial organisation, tax and trade policies needs to be made explicit as well. The objective is to put the employment issue within the growth and development context such that the broader policy requirement, as well as the employment policy needs are specified with the aim of resolving inefficiencies. In this respect, it should be obvious that the task requires a proactive role on the part of the state and a critical minimum thrust of effort and resources targeted at the key structural bottlenecks.

### **1.2 The Role of the State:**

The nature of the structural inefficiencies discussed above is such that merely getting market indicators and macroeconomic fundamentals right will not be enough to resolve them. It needs to be recognised, on the one hand, that measures such as (a) ensuring that macroeconomic fundamentals are in place, (b) trade liberalisation, (c) privatisation, and (d) deregulating the labour market tend to be passive and leave the outcomes to the dictates of global markets. Such passive measures have generally tended to reinforce inherited structural outcomes of enclavity and dualism.



Therefore, proactive measures that consciously steer the economy toward particular outcomes bearing in mind the imperatives of the global economic situation and the need for increased regional co-operation is needed. Measures to (a) actively promote export-led growth that directly impacts on the unemployed and under-employed; (b) promote small medium and micro enterprises; (c) promote diversification of the economy away from inherited mono-cultural activities would constitute proactive measures aimed at employment promotion. These latter measures, of necessity, require government intervention and imply 'interference' with market indicators, even if only for a particular time and duration. Such proactive measures have to be formulated carefully and managed judiciously in order for them not to backfire or result in unintended consequences.

An effective employment strategy should comprise a set of measures that the state undertakes to proactively promote employment creation and the broadening of the economy in recognition of the failure of the market to do so on its own. The state should then lead and partnership with social partners in the private sector, labour organisations, non-governmental organisations, and community based organisations and external agencies to:

- (a) Complement and reinforce emerging structural trends that the market autonomously gravitates toward in the context of a liberalised and outward-oriented economic environment;
- (b) Influence or steer, through various incentive structures, the private sector to enter sectors or economic activities that they would otherwise not consider on the basis of existing market indicators, but which would have greater long term benefits to the country in terms of structural change and employment creation;
- (c) Provide key services in terms of economic and social infrastructure and an appropriate regulatory regime for the various aspects of the market to broaden their bases and increase the absorption of marginalised groups and for such groups to function efficiently within a market context (e.g. land reform to the benefit of small household agriculture and promotion of rural and urban micro-enterprises); and
- (d) Ensure that efforts are not diffused or unduly dispersed and that a critical minimum thrust is mobilised and properly targeted to maximise outcomes.

To achieve such a role for the state requires a level of commitment and institutional co-ordination that may need to be cultivated. Essentially, such an approach requires that governments should be preoccupied with the need to promote broad-based development and employment as a national priority. Macroeconomic fundamentals such as the rate of inflation, the rate of interest, the exchange rate and the trade regime need to be managed within the context of an overall stipulated development strategy aimed at promoting sustainable human development.



### 1.3 Prioritisation and Targeting:

The following considerations need to be taken into account in this respect.

**Labour absorption objectives:** If one were to narrowly focus on the labour market and the problem of labour absorption, assuming that considerations of issues related to other markets were being addressed elsewhere, it would be prudent not to be unnecessarily dogmatic about capital and labour intensities or the role of small versus large enterprises, or even the choice between modern and appropriate forms of technology and so on. Such dichotomies unnecessarily simplify the issues at stake when seen in their aggregate. If the objective is to broaden the economic base and its sustainable dynamism in the context of both domestic and global imperatives, it will be necessary to exploit the potential for employment absorption arising from a number of possible options which may be complementary in the aggregate and in the long run whereas they may seem contradictory, or as trade-offs, when viewed narrowly or partially. Possible labour absorption approaches include:

- a) First, focussing on labour intensity by encouraging labour intensive forms of production, the employment multipliers and various linkages between different types of enterprise sizes arising from capital-intensive or technology-intensive forms of production should not be neglected, since these might be important for international competitiveness and in providing support for ancillary labour or domestic resource intensive forms of production. Thus, there is a need to exploit both forms of production in an efficient and balanced manner.
- (b) Second, some less labour-intensive forms of production that may be very amenable to the replication and multiplication of enterprises (such as small scale and micro-enterprises which may not necessarily be labour intensive) such that they can absorb more labour in absolute terms than a few large and relatively 'labour intensive' types of enterprises (based solely on considerations of capital labour ratios) of an enclave nature. It may be noted in this respect that the foregoing two options in employment promotion may often entail differentiated products so that competitive advantage may still be possible for the smaller but relatively more capital intensive enterprises which may be skill intensive, and not necessarily labour intensive. Indeed, such horizontally (or laterally) reproducible activities may also have high growth elasticity (assisting in reducing the extent and depth of poverty).
- (c) Third, in order to precipitate and kick start the desired cycles of dynamic growth at the industrial, sectoral and aggregate levels and to ensure that a critical minimum promotional effort is achieved, it is important to exploit the benefits of an integrated approach to the formulation and implementation of policy packages which should be appropriately targeted with respect to beneficiaries and locales.
- (d) Fourth, key aspects of economic and social expenditures should be directed at promoting and complementing the development and consolidation of clusters,



value chains and value channels as the vehicles for the realisation of particular market outcomes. Clusters, value chains and value channels facilitate the realisation of spill-over benefits and positive externalities while also closing gaps in the market.

**Prioritisation of Activities to be Supported:** Conventional neo-classical wisdom suggests that once an enabling environment is provided, the appropriate market activities will emerge to efficiently take advantage of the opportunities provided by the domestic and global environment. In an environment characterised by major market gaps and failures in infrastructure provision and the nature of value chains and value channels pertaining to many potentially productive activities, it is necessary to formulate measures which will assist in resolving such market related problems. However, given limited resources and given the need to ensure that promotional efforts are not too diffuse in their impact and in order to ensure a critical minimum effort, it is advisable to select and prioritise key activities to be promoted which may have maximum spill-over effects for the economy in terms of employment absorption and structural change. The selected activities may then be the main targets for the consolidation of clusters, value chains and value channels and for the provision of economic infrastructure and other supportive activities. Such an approach could be pursued through the empowerment of a substantial number of rural and urban unemployed and under-employed through an aggressive agricultural strategy based on land reform and redistribution coupled with an industrialisation strategy based on the development of small, medium and micro-enterprises and appropriate large-scale enterprises. Within this context, enterprises would be encouraged, through appropriate incentives and supportive measures, to specialise in a limited number of agricultural and industrial products for which value (channels and chains), synergies (linkages, positive externalities and spill-overs) and the provision of supportive measures could be optimised. One way would be to ensure that the activities being promoted are directly linked to export markets, while the resulting incomes would largely be spent on domestic wage goods and, presumably, intermediate inputs (assuming a low import propensity among low income groups) which would thus provide effective demand for the expansion of domestic manufacturing as well.

#### **1.4 Targeting of Beneficiaries:**

Policy stipulations are often left at a high level of generality. Thus, for instance, the unemployed and under-employed are not adequately disaggregated as to their special circumstances and needs based on sex, age, location, education, economic circumstances, household characteristics and length of unemployment. Not all unemployed and under-employed can become self-employed, nor should they all be encouraged to go into wage employment. Some need to be retained in school and training, others may be good candidates for social welfare interventions and many others may be suited for wage employment and co-operatives, while a few may need to be nurtured into entrepreneurship. In addition, for some, extra market social safety nets may be needed to facilitate their being productively engaged in economic activities. The aim of the targeting should be to recognise the unique constraints pertaining to each specific group and to devise appropriate measures for their involvement in productive economic activities in the context of long term holistic strategies of their integration into the economy.

Thus programme components of an employment policy or strategy might consist of especially targeted activities comprising the following:



- Promotion of select economic activities through large scale, small scale and micro-enterprises with accompanying support for the development of supportive value chains and channels as well as infrastructure;
- Transitional programmes to retain youth in school, to retrain unemployed and so on;
- Active labour market interventions to re-train and re-deploy frictionally unemployed and cater for the social needs of the indigent;
- Programmes to resuscitate declining localities; community based, public works and special employment programmes integrated with directly productive activities; and
- Development of clusters through spatial development initiatives and industrial development zones. It is also within this context that a human resource development strategy should be located, as an essential instrument for effecting the development and viability of clusters of activities and of value chains and channels.

## 1.5 Policy Instruments

Within a market driven economy the state essentially has three sets of policy instruments, namely those pertaining to macroeconomic management, those related to regulation and the provision of incentives and disincentives, and those concerning the provision of public goods. But it is necessary to admit that while such fundamentals may be necessary given current domestic and global imperatives, they may not be sufficient to precipitate a labour absorbing growth path as needed. Further, while accepting the need for neutral macroeconomic indicators for the economy, it may be necessary, through narrowly targeted incentive structures, infrastructure provision and regulatory regimes to influence the manner in which targeted beneficiaries may be impacted upon by general macroeconomic indicators in order to achieve specific goals such as employment absorption and dynamic structural change.

It is important not to be oblivious to the legacy of the manner in which state intervention has been misguided or deficient in the past, and the manner in which such interventions have been abused elsewhere, necessitating the current preoccupation with economic reforms. In particular, there is a need to avoid dead-weight negative effects whereby public expenditures are used to support activities, which entrepreneurs would otherwise undertake in any case; rent seeking behaviour and corruption arising from distortions in price mechanisms and unsustainable use of public moneys. It is for this reason that analysts recommend narrowly targeted and transparent incentive and supportive measures which have sunset riders and quid pro quos tied to them. Generally, the narrower and more direct the target, the less would be the distortionary consequences of the interventions, and the easier, from an efficiency point of view, would it be to contain the negative side effects. It is important that the static and dynamic efficiency consequences of such interventions are assessed correctly. Often, static considerations belie the dynamic net benefits of such interventions.



## **1.6 Budgeting**

Most policy measures are rarely implemented because funds have not been provided for in the budget. It is important that funds are provided for in the annual and medium term budgets both of which can be rolling in nature. The linking of policy initiatives to the budgeting process is one way of ensuring some mandatoriness in the execution of the policies.

## **1.7 Co-ordination:**

It is important that major policy packages are accompanied by appropriate mechanisms for the further formulation, implementation, co-ordination, monitoring and review of policies, especially if they have to be undertaken in an integrated and holistic manner as is being proposed here. The synergy between top-down and bottom-up approaches needs to be developed in the context of participatory and consultative mechanisms while ensuring that there is a collective project to be pursued over the long term.

## **1.8 Mode of Governance and Accords:**

While there is an ambiguous link between modes of governance (degree of democracy or authoritarianism etc.) and the ability for a country to embark upon and to successfully accomplish a development project over time, it is clear that modes of governance that generate instability militate against the successful execution of the development project. In addition, neo-patrimonialism (personal rule based on clientism, corruption and a lack of accountability), which characterises a majority of sub-Saharan state regimes tends not only to alienate its populace thereby making them to disengage politically and economically, but it also results in policy paralysis and squandering of resources. Therefore, it is important that governments are seen to be in support of and to be implementing modes of good governance in order to ensure stability, legitimacy, domestic and international support for the development project as discussed above. Within this context, it may be necessary to arrive at social contracts by striking agreements and quid pro quos on such issues as labour market policies, social safety nets, tax and trade regimes and so on between social partners particularly between government, business, labour and representatives of civil society regarding the compromises and sacrifices that may be needed to facilitate the execution of the development and employment promotion project and ensure its success. It is necessary to build institutions, which will facilitate coordination and integration of policies as well as promotion of social dialogue.

Possible areas for striking accords might relate to incomes (wages and profits), productivity and investment promotion; job retention; tax structures and general promotional incentives; education and training; active labour market policies and social safety nets; poverty reduction; resource mobilization, etc.

## **1.9 Towards an Employment Strategy at the National Level**

Many SADC countries have formulated, or are in the process of formulating Employment Strategies, the major elements of which have been summarised in this Annex. However, many such strategies are not located in an enabling environment consisting of measures such as those suggested above so that they often remain effectively inoperative, or



are such that only certain elements are implemented. Often the implementation is piecemeal, diffuse or so minimal that the strategy's impact is limited. The recommendation that emanates from the discussion in the preceding sections is that a proactive enabling environment is needed within which to locate an effective Employment Strategy. Such enabling policies and strategic considerations have been outlined in the previous section. An Employment Strategy needs to be located in such an enabling context in order to maximise the probability of its being implemented and the assurance of its effectiveness, and the certainty of its outcomes.

The discussion in the preceding sections suggests that an Employment Promotion policy framework should address the following aspects. First, it should be able to pose the employment problem holistically in the context of the overall socio-economic policy and strategies in order to realize growth and development of a given country. In this respect, the manner in which the promotion of employment as a labour market objective relates to other key markets should be made explicit, and the appropriate policy requirements deduced accordingly.

Second, the policy framework, while concentrating on employment, should stipulate the policy requirements that should complement employment promotion in other policy areas. Third, it is necessary that the approach be such that it locates employment promotion within a larger development project aimed at making the economy broader and more inclusive. Fourth, it is necessary that the policy framework should provide guidelines as to how the various structural inefficiencies, namely, distributive, allocative, microeconomic and dynamic, may be dealt with individually and holistically such that a virtuous cycle of interactions in all key markets is kick-started to underpin a newly defined growth and development path.

Finally, the dangers of an over-enthusiastic state that becomes a burden to itself and the people it seeks to benefit through mismanagement of the economy are avoided by the manner in which the policy measures are formulated and implemented and by taking into account the considerations discussed above and others, which may not have been covered. In addition, it is important that lessons are learnt from past and present efforts aimed at promoting growth, development and employment.

### **1.9.1 Employment Objectives**

A review of the employment strategy documents of member States yields the following employment-related objectives being pursued:

- Expanding wage employment
- Promoting productive self-employment in urban and rural areas by making the non-formal sectors more productive and dynamic;
- Removing bottlenecks which impede the expansion of wage employment and self-employment activities;
- Promoting the economic participation of vulnerable segments of the labour force such as youth, women, retrenched, the disabled and racial or ethnic groups who may have been historically disadvantaged;



- Promoting the development of value chains and value channels so as to broaden and deepen the economy through improved entrepreneurship capacities and human resource development, and through backward, forward and lateral linkages between economic activities especially those that impact on employment and self employment;
- Promoting the use of appropriate technology and skills to enhance the productivity of the people currently involved in marginal economic activities;
- Reducing poverty;
- Promoting human resource development through education and training; and
- Ensuring integrated and co-ordinated approaches to employment promotion, economic management and economic development.

The primary objective of the Employment Strategy in the labour market, however, should be to stimulate the demand for labour or increase the rate of labour absorption in the economy. This objective requires that an employment strategy target:

- Specific labour force segments most vulnerable to unemployment and under-employment;
- Forms of employment and economic activities most likely to absorb vulnerable segments of the labour force;
- Specific sectors of the economy most likely to expand and develop in the context of national imperatives and in the face of regional and global competition; and,
- Environmental and enabling (meso) factors such as social, economic, and institutional infrastructure and services, which can facilitate the realisation of, labour absorbing activities.

These objectives may be accomplished by focussing policy on stimulating the demand for labour and increasing labour intensity of production.

## **2. Stimulating the Demand for Labour**

### **2.1 Increasing Labour Intensity of Production**

#### **The Problem**

The combined consequences of structural distortions and disarticulations of previous policies have meant that most economies are caught in a self-reinforcing low growth and a low employment trap. Biases that favoured large-scale, capital-intensive forms of production in the formal sector have meant that growth in output and investment has had only marginal effects on employment, leaving large segments of the labour force in unemployment or under-employment. The situation has been worsened by liberalization and rationalization of production in private and public sectors, which has resulted in retrenchments. In addition, labour force growth, largely as result of increasing population, has meant an increase in jobseekers.



## **Policy Measures**

- The withdrawal of explicit or implicit subsidies for capital-intensive and/or large-scale enterprises.
- Identification of targeted, time-structured and conditional incentives to promote labour-intensive production.
- Agricultural interventions to directly promote changes in cropping patterns and increases in the areas cultivated with labour intensive crops.
- Promote alternative ownership and production arrangements such as co-operatives and equity arrangements that utilize labour-intensive methods of production.

## **2.2 Enhancing the Labour Absorptive Capacity of the Economy**

### **The Problem**

Economic reforms, while necessary are primarily of a short to medium term nature and are not explicit enough about the direct measures needed in the medium to long term to further boost growth in output and employment. This is particularly necessary given that the maximum projected and realised rates of growth in output are not enough to absorb net increases in the labour force, and that as such, they are not having a significant impact on structural unemployment and under-employment.

### **Policy Measures**

- Reallocation and re-prioritisation of government expenditures to targeted projects and programs.
- Audit of the "employment-friendliness" of major policy areas to assist in assessing the financial viability of the job creation process. An audit of this type could affect departmental budgets or indicate means to reorient existing programs without necessarily affecting the national budget.
- Creation of an Employment Promotion Fund for inclusion in the annual budget.
- Facilitation of access to credit for disadvantaged individuals and communities through reform of financial institutions, lowering of the interest rate, and/or selectively promoting prescribed asset and/or investment policies.
- Promotion of industrial clusters and zones without necessarily compromising labour standards.
- Co-ordination of inter-departmental initiatives to maximize their impact on sustainable employment promotion.
- Promotion of alternative production arrangements such as co-operatives and equity arrangements that engender labour-intensive production.
- Land reform through restitution, tenure reform and redistribution. Projects targeting the poor, labour tenants, farm-workers, women and emerging farmers with access to land for residential and productive use. Targeted provision of subsidized credit and extension services for labour absorbing large, medium and small-scale activities (with specific conditionalities and sun set closes) that enhance employment creation.



Sector strategies that directly aim to promote labour absorption are essential and should not be seen to be separate from the employment strategy, but should be seen as the vehicles for the realization of the employment promotion objective. Sectoral strategies need not only be coherent within themselves but also in terms of how they link together nationally and regionally. Policy recommendations generally encompass the following: enabling policies; pricing; inputs, innovation and technology; information; infrastructure; development of regulatory regimes and institutions; incentive structures; identification of specific activities or groups to be targeted; and resource mobilisation.

In many of the SADC documents the following sectors have been emphasised in this respect:

- Industry: promotion of labour-absorbing activities through use of incentive structures; promotion of research and development; enhancing development of technology diffusion, training, and productivity; promoting regional development zones both with individual countries and between neighbouring countries within SADC; promoting the growth and participation of SMMEs in industry.
- Agriculture and livestock: this is an area, which continues to be neglected in many SADC member countries yet it is a sector in which large segments of the population reside. Individual countries have targeted large, small, and medium scale farming as well as estate workers, tenant farmers women and youth as individual circumstances warrant. Policies have included measures to increase productivity; provision of inputs and technology; provision of credit and promotion of formal investment in agriculture; land reform accompanied by extensive support programmes for enhancing productive use of newly acquired land on the part of rural entrepreneurs; promotion of rural non-farm activities; promotion of environmentally sustainable use of land; promotion of high value crops that are linked to export markets; promotion of irrigation, promotion of food security; and ensuring price stabilisation and viable or improving terms of trade for rural smallholder farmers. Agriculture strategies need to be linked to other sector strategies in non-primary sector (industry and services for instance) strategies since as productivity in agriculture increases labour will be released into the other sectors of the economy, which should be able to absorb such surplus labour.
- Fisheries: In terms of livelihoods and potential for income generation and productive employment this is an important sector for many SADC countries, but it is one that has been relatively ignored. However, some member States have started to give it attention by developing the necessary value channels and value chains that would resuscitate fishing as a major income-generating activity.
- Mining: This is another sector that has been dominated by large-scale multinational firms while indigenous entrepreneurs have tended to be concentrated in marginal activities that have been unregulated and that have received little support from government. Recommended policies focus on rationalizing the effective participation in mining by small scale entrepreneurs through: proper licensing procedures; access to technology, finance, and equipment; education and training in mining; provision of support service more or less similar to those traditionally provided in agriculture; and promoting value-adding ancillary downstream and upstream activities.



- **Services:** Given the ease of entry into some segments of this sector, there is a tendency for it to degenerate into informality, especially in the face of increasing unemployment and migration from rural to urban areas. The formal sector part of the service sector is also expanding prematurely due to the skewed income distribution and the uneven sources of economic growth. In some countries the need to exploit export linked service sectors such as tourism have been emphasised in employment strategies. In addition, in many countries this sector requires improved regulation and licensing, better credit provision, and an enhancement of its capability to service SMMEs in a more efficient and effective manner. The main problem with this sector is that the non-formal part of it is prone to lateral expansion and thus to evolutionary growth.

Promotion of micro-enterprises in rural and urban settings that are directly linked to dynamic aspects of the domestic and global economies. Direct support measures for various aspects of the relevant value chains and value channels are needed.

The non-formal economy in urban and rural areas of SADC member states has been dominated by low productivity, low value, low income and hence primarily survivalist economic activities [Mhone, 1996]. Self-employment has been less of a rational choice than a forced outcome of the absence of better employment or income-generating alternatives. The non-formal economy has evolved in a residual sense providing employment of last resort. Consequently, it has been plagued by inadequate infrastructure and financial resources from formal or household sources, market gaps and failures with respect to the distribution of inputs and outputs, failure for location clusters and synergies to materialize, an inhospitable regulatory regime, increasing numbers of participants leading to evolutionary growth, and the general absence of government attention in terms of provision of extension services, infrastructure, subsidies or promotional activities such as research and development.

## **2.3 Facilitating Entry of Special Groups into Productive Employment**

### **The Problem**

Entry for special groups who tend to be marginalised by formal labour market processes must be facilitated in order to enhance their absorption into productive activities and to prevent them from becoming the hard-core (structural) unemployed and under-employed that also become more difficult to employ in the long run. Among the special groups are youth, the disabled, women, rentenchees, and historically disadvantaged groups on the basis of race or ethnicity. Early intervention and assistance will provide the prospective participants with invaluable training and a work culture that will stand them in good stead in the labour market. Such groups should be streamlined through the various promotional programmes constituting the employment strategy and should not be left as an afterthought or as an appendage to the overall programme.



**Policy Measures for Youth:**

- Pre-labour market interventions.
- Appropriate reforms in primary, secondary and tertiary education to complement employment needs.
- Measures to smooth the transition from school to work for youth.
- Programs to encourage enterprise training for youth.
- Training for self-employment tied to promotional measures for micro-enterprise development in rural and urban settings.
- Direct employment creation initiatives to absorb hard-core unemployed.

**For Women:**

- Removal of discriminatory laws and legislation;
- Provision of support in form of education and training, credit and extension services;
- Provision of social and economic infrastructure that can release women from the cultural burden of housework, child rearing and general caring for members of households including those afflicted with HIV/AIDS;
- Promotion of labour saving techniques for the same reason as above. Equal treatment in all area of social and economic life.

**For the Disabled:**

- Promotion of equal treatment of disabled and amending laws accordingly;
- Provision of appropriate training, facilities and equipment;
- Enhancing their access to support in the various promotional programmes contained in an employment strategy.

**For Retrenchees:**

- Retraining and proactive programmes for re-entry into the employment or self employment;
- Counselling;
- Provision of loans.

**For Historically Disadvantaged Groups:**

- Ensuring equal opportunity and banning of discrimination on the basis of race gender, and ethnicity;
- Proactive promotion of employment of disadvantaged individuals through affirmative action and employment equity.



## **2.4 Increasing Effective Demand in the Economy**

### **The Problem**

The fact that a large segment of the labour force is under-employed is a waste of human resources reflected in demand deficiency, which in turn constrains the expansion of production and employment. It is necessary to kick-start a cycle of growth by empowering the unemployed and under-employed through their absorption into productive income-generating activities. In doing so, not only will they stimulate demand for goods and services, which will in turn lead to more employment, but they will also provide much-needed savings, which can be mobilised into further investment resources. Such income-generating activities can be directly linked to export promotion. It is in this way that the growth path can be effectively re-defined so as to make it broader and more inclusive of the structurally unemployed and under-employed majority.

### **Policy measures**

- Asset (land, finance and human resource development) redistribution and entitlement coupled with appropriate supportive measures to promote productive utilisation of the assets.
- Integration of previously unemployed and under-employed into sectoral programs with strong forward and backward linkages into domestic and global markets.
- promotion of direct trade with local markets and discouraging monopolistic practices.
- Promotion of development of clusters of economic activities particularly in lesser-developed areas of the country.
- Promotion of strategic alliances across all value chains between micro-enterprises, small scale, medium scale and large-scale firms.
- Improvement on information about changing domestic and foreign demand

## **2.5 Active Labour Market Policy to directly increase Employment Opportunities**

There is lack of an effective and functioning labour market policy that increases employment for the majority of the economically active population. Member States, therefore, as part of their poverty reduction programmes, should include labour market and employment policy at the center of their overall socio-economic development policies and programmes. Pro-active measures complement economic re-structuring toward a more inclusive dynamic growth path, while they also providing safety nets for those that cannot be absorbed into productive employment.

### **Policy measures**

- Measures to match supply and demand for labour.
- Re-training of retrenches.



- A comprehensive social safety net that discourages dependency and encourages job search and self-employment. This needs to be accompanied by the creation of a social fund.
- Special employment and public works programs for those that cannot be immediately absorbed into productive employment.

## **2.6 Promotion of Sectoral Programs with High Employment Multipliers**

### **The Problem**

Employment activities that need to be promoted need to be such that they broaden and deepen the structure of the economy to maximise virtuous cycles and its ability to absorb external shocks. The economy may be deepened through promotion and consolidation of value chains or linkages as new economic activities are promoted.

### **Policy Measures**

- Support in the development of activities that fill gaps in the value chain (distribution, marketing, financial intermediation, input provision, research and development technological capabilities etc.) for select activities in agriculture, manufacturing and services.
- Effective co-ordination of public investment projects to maximise their impact on mutually reinforcing activities in the private sector.
- Development of clusters of economic activities especially in depressed areas of the economy.

## **3. The Supply of Labour**

### **3.1 Reducing the Rate of Population Growth**

#### **The Problem**

Many SADC countries are saddled with high rates of population growth. If current growth rates in population at above 2.3% per year were to be reduced, modest rates of economic growth would be needed to begin to reduce the backlog of unemployment and under-employment. This is an area which has not been given the priority that it deserves primarily for cultural reasons which need to be overcome.

#### **Policy Measures**

SADC countries need to begin to devise innovative measures that address the cultural and social legacies of the region. The vicious cycle between poverty, high infant mortality rates and high birth rates needs to be broken partly through education and partly through increasing social services, incomes and access to reproductive health and family planning. The promotion of literacy and gender equality would also contribute to the objective of moderating population variables, including those in the Millennium Development Goals.



## **4. Reducing the Cost of Living**

### **The Problem**

The cost of labour is affected by a relatively high cost of living. The cost of wage goods, housing, health care, transport, and childcare all contribute to the high cost of living, and thus impart a high cost to labour. Policies must maintain a particular focus on food prices, the location of housing, and social security. Any measures in these areas would have to be sustainable in both fiscal and economic terms.

### **Policy Measures**

- Ensuring an adequate social safety net that is fiscally and economically sustainable.
- Ensuring that wage goods are relatively cheap and accessible primarily through enhancing their production and supply in the economy, with minimum resort to price controls.
- Lowering the transaction costs of labour force participation through proper planning of transport requirements for prospective workers, spatial planning of housing and industry, regional and local development initiatives and so on.
- Vigorously addressing the scourge of HIV/AIDS especially with respect to its impact on current and future human resources.

## **5. Education, Training and Human Resource Development**

### **Problem**

Many SADC countries have made major strides in the provision of education. Two major problems are still of concern. First, there is a need to align education to economic needs; and second, there is a need to proactively promote economic activities that can efficiently utilise the educated human resources that already exist.

### **Policy Measures**

The first problem requires that the need be addressed to provide incentives and disincentives to steer pupils and students into particular specializations and away from others as demanded by the strategy of employment promotion. This is particularly relevant in supporting re-structuring needs in the formal sector. The second problem requires acknowledging the need to educate and train human resources with the direct intention of supporting them to engage in particular productive economic activities being promoted in the employment strategy. This is particularly relevant for the promotion of micro-enterprises aimed at broadening the economic base and cannot be left to the market alone. Thus for this second aspect, for instance, the state could embark on a training program of agricultural experts who are then supported in spearheading the agrarian reform program through various additional supportive measures.



## **6. Institutional and Organisational Requirements**

The measures being recommended above require a specific policy environment for their adequate formulation, implementation and periodic monitoring. In particular a top down and bottom up institutional structure of policy co-ordination implementation is needed that links national and central level activities to local and sectoral level initiatives. The implications of such institutional requirements need to be addressed and appropriate recommendations made accordingly. In addition, it is necessary that whatever package of measures is arrived at should be directly incorporated into annual budgetary provisions so that the measures are mandatory and assured of implementation. Among the recommendations that recur in many member state policy documents on employment strategies are the following:

- Establishment of an employment council that is representative of all the social partners including those in non-formal economy and report to the President's Office. Membership to include representatives from the following: the President's Office; economic ministries; economic partners in the privates sector; special groups; social partners donors; social sectors such as education, health and welfare; investment boards; and the planning commission.
- Establishment of systems to formulate, co-ordinate monitor and evaluate employment policies being implemented;
- Establishment of an Employment Fund;
- Establishment of a Labour Market Information and Statistics System;
- Promotion of capacity building in employment and development policy making and implementation for Ministers of Labour and other sectoral ministries and departments, as well as for top officials in government. The importance of the Ministries of Labour in spearheading employment promotion should be stressed.

## **7. Harmonising Regional Employment Promotion Policies**

Given the asymmetric nature of the gains/losses arising from regional integration due to different levels of development of member countries, different economic structures, varying degrees of economic management capabilities, different labour market regimes, different incentive regimes and different growth rates, it is imperative that a proactive approach to employment promotion at the national level be accompanied by some consensus on what such proactiveness entails and how it is to be co-ordinated and harmonised at the regional level. This is needed in order to avoid situations when one country utilises a proactive approach to capture gains at the expense of another country; or alternatively, where attempts at a proactive approach by an individual country are inadvertently or deliberately penalised by other member states or by other countries from across the globe.

### **7.1 Guiding Principles**

It is necessary to begin with some fundamental assumptions that need to be articulated and accepted or rejected at the outset.



- i. It is necessary to accept that under current circumstances the market is the primary basis for resource allocation so that a proactive stance on the part of government in promoting employment as suggested earlier should be directed not so much at substituting for the market but at augmenting and facilitating the market playing its role more efficiently and equitably in both static and dynamic terms under current circumstances.
- ii. A proactive and bold employment strategy is needed in order to resolve or override structural constraints that the market is unable to overcome (or is likely to reinforce) on its own.
- iii. While some global imperatives may not necessarily be compatible with national and regional imperatives, it is necessary to take them into account in devising and implementing a proactive employment strategy, since such strategies are not likely to receive much support from external prospective donors, trade partners, or investors especially if they entail a proactive role of the state and the use of various incentive regimes. In addition, it will be necessary to lobby international bodies, and bilateral donor agencies to accept or condone proactive strategies aimed at making SADC economies broader and more inclusive of the majority through direct measures rather than through trickle down effects.
- iv. The degree to which a national government may resort to proactive measures should be inversely related to the degree of the country's underdevelopment. Member countries with the lowest per capita incomes and that are the least diversified tend to also have the largest proportion of their labour force that are under-employed in non-formal sectors of their economies. For such economies the role required of the state is larger partly due to the tenacity of the structural bottlenecks that have to be resolved; partly due to the extensiveness of problem of unemployment and under-employment; and partly due to the nature of the under-development of market forces. These countries need to devise both enabling measures and strategies, as well as direct promotional measures that increase the absorption of labour into productive activities in a manner that is compatible with regional integration objectives. Such proactive intervention should be reflected in the breadth and depth of use of incentive measures needed to qualitatively begin to address and erode the high levels of unemployment and under-employment.
- v. In light of the above principle, member countries that have relatively more diversified economies, higher per capital incomes, better resource endowments, and higher growth rates (Such as South Africa, Mauritius, Botswana, Namibia and to a lesser degree Zimbabwe) should be able to intervene proactively to promote employment in sectors and for sections of their economies which are lesser developed, but in a manner that does not pre-empt or unduly compromise the ability of the lesser developed economies to participate in regional trade; and indeed in a manner that strengthens the capacity of the lesser developed economies to specialise and compete in regional markets.
- vi. Essentially, there may be a need for member States to agree on a regional division of labour or of specialisation with respect to tradables, whereby



activities are divided in terms of (a) those for which all countries should compete on an equal footing; (b) those which should gradually be shed by the more developed economies in favour of the lesser developed economies which should proactively adopt them as their areas of specialisation in regional markets in the medium term; and (c) those for which the more developed economies should seek to specialise in regionally. Generally the more developed economies would be encouraged to utilise proactive measures (within the constraints of the stipulations of the WTO and other bilateral North-South Agreements) to move up the competitive value chain while shedding lower value activities to the lesser-developed economies. By the same token special provisions or exemptions in the context of regional trade may be agreed upon for goods originating in rural areas, or from small scale and micro-enterprises, or from special disadvantaged groups. Such an approach would not exclude or prevent any country from competing in any other activity on equal and neutral terms.

## **8. Regional Co-ordination and Monitoring**

There would be a need for a regional coordinating and monitoring mechanism, that would be a replica of the national Employment Councils, which should, among other things, have the functions to:

- Formulate guidelines for proactive employment promotion strategies informed by the principles outlined above and accordingly assist member countries to formulate their own employment strategies to ensure that such strategies comply with the need to align national and regional objectives.
- Manage a Regional Employment Fund.
- Align employment policies with other sector policies at the regional level much as the Social Charter, the Trade Protocol, the Finance and Investment Protocol, the Protocol on the Free Movement of Persons, agreements on Gender, AIDS/ HIV, and Environmental Sustainability and so on.
- Resolve unequal incidences of gains and losses arising from unintended consequences of implementing particular promotional strategies.



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