

# Labour Markets in Southern Africa

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Neo-Liberalism in Southern Africa (ANSA)

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## **Introduction**

The Southern African region has one of the highest levels of inequality in the world. Even those countries with relatively high per capita incomes like South Africa, Namibia and Botswana, are characterised by widespread poverty. Statistics about per capita incomes hide the poverty of the majority behind the wealth of a small elite. It is therefore hardly surprising that starvation wages, poverty, inequality and high levels of un- and underemployment are the daily experiences of most workers in Southern Africa.

Only 1 out of 10 people among Southern Africa's total population of about 200 million have a job in the formal sector. Having a job is a question of "to be or not to be" as there are very few safety nets and virtually no possibilities of making a decent living outside the formal sector. Furthermore, a large portion of formal sector workers earn "poverty wages" that hardly enable them to sustain themselves and their families. Besides poverty and unemployment, workers in the region face further challenges such as HIV and AIDS, labour migration, tenant labour systems and generally low skills levels (Torres 1998).

The legacies of colonialism are visible in the economic structures of all countries in Southern Africa. Their "enclave economies" have been maintained after independence and ensured that formal sector work has remained the "privilege" of a few while the majority remained confined to subsistence agriculture and informal activities. Even those countries with relatively high economic growth rates still experience widespread poverty due to the worsening distribution of economic benefits. As Mhone pointed out: "Economic development has little meaning if economic growth does not provide the majority with the opportunity to engage in productive economic activities and improve their living standards" (2000: 8). Southern Africa therefore needs to overcome the cycle of low wages, unemployment, low levels of skills and productivity and informal survival strategies (Torres 1998).

This chapter will highlight some of the key characteristics of labour markets in Southern Africa and point to areas of intervention. Particular attention will be paid to the potential role that trade unions - as one of the region's most organised social formations - can play.

## **The development of Southern Africa's labour markets**

A century of capitalism under colonial rule left Southern Africa as an exporter of crops and raw materials. Botswana, Namibia, South Africa, and Zambia, for example, are mainly mineral exporters while Malawi, Swaziland, Tanzania and Zimbabwe are exporters of tobacco, sugar, fruits, cotton, sisal, skins, timber, beef and fish (Torres 1998). Southern Africa's formal sectors are largely geared towards meeting outside demands (from the Empire) and are heavily constrained by external factors such as terms of trade and the demand overseas. The capitalist, formal sector of the economy was essentially grafted onto pre-capitalist forms of production such as subsistence agriculture. It drew labour from the "informal" sector of the economy but contributed nothing to its transformation. Most of the population remained outside the colonial, capitalist relations of production within the framework of enclave economies (Mhone 2000).

Mhone (2000) distinguishes 4 types of economies (sometimes overlapping) that emerged out of colonial capitalism in Southern Africa:

1. "Settler dominated economies", for example in South Africa and Zimbabwe, where settlers formally instituted economic dualism through severe social, political and economic restriction. The majority of the labour force was designed to be a source of cheap labour.
2. "Economies of the South African periphery" such as Lesotho, Swaziland, Botswana and Namibia. They are dependent on South Africa and initially supplied cheap migrant workers. Migrant labour deprived the rural areas of their economically active adults and thus depressed development there.
3. "Resource based rentier monocultural economies" like Botswana, Namibia and Zambia. They usually rely on a single major resource (usually mining) as the engine of the formal economy. Even secondary and tertiary activities are usually linked to this resource.
4. "Agrarian economies" like Malawi, Tanzania and Mozambique. They are poorly endowed in natural resources and have the smallest formal sectors in the region.

The common legacy of all economies in the region is a formal sector, which was implanted on the basis of external interests and not "an endogenous outgrowth of the interactions between the agrarian and industrial sectors" (Mhone 2000: 48). The formal, capitalist sector thus operated as an enclave, which could only absorb a minority of the labour force. This led to economic stagnation and the marginalisation of the majority.

After independence, the colonial enclave economy was reinforced by the belief of ruling elites that the formal sector is the engine of growth and development. They saw the growth of exports as the basis for financing imports which were seen as essential to sustain the formal sector. Foreign investment and foreign aid were regarded as the major source of capital for the independent African states. In other words, the post-independence governments embraced “enclavity” and hoped that the trickle-down effect from the formal sector would resolve under- and unemployment. Almost all policies had a deliberate formal sector bias and thus reinforced the economies’ low labour absorption capacity (Mhone 2000).

## **The impact of structural adjustment programmes**

Since the 1980s, Structural Adjustment Programmes (SAPs) of the World Bank and the International Monetary Fund (IMF) have swept across Africa. The effects of these policies are visible in virtually all African countries, although the manifestations are different. According to the IMF and World Bank, SAPs were meant to lead to economic growth and improve a country’s competitiveness through increased investments. In reality, however, SAPs are built on the fundamental condition that debtor countries have to repay their debt in hard currency. This leads to a policy of “exports at all costs” because exports are the only way for developing countries to obtain such currencies. A first feature of SAPs is therefore a switch in production from what local people eat, wear or use towards goods that can be sold in the industrialised countries. Since the 1980s dozens of countries have followed these policies simultaneously. They often exported the same primary commodities, competed with each other and then suffered because of declining world market prizes for their commodities. Between 1980 and 1992, developing countries lost 52% of their export income due to deteriorating prizes (Tooussant and Comanne 1995; George 1995; Bournay 1995).

SAPs have 4 fundamental objectives according to which they are shaped:

1. Liberalisation: promoting the free movement of capital; opening of national markets to international competition.
2. Privatisation of public services and companies.
3. De-regulations of labour relations and cutting social safety nets.
4. Improving competitiveness (Tooussant and Comanne 1995:14)

Based on these objectives, SAPs prescribe nearly always the same measures as a condition for new loans. These are:

- reduction of government deficit through cuts in public spending (cost recovery programmes);
- higher interest rates
- liberalisation of foreign exchange rules and trade (deregulation);
- rationalisation and privatisation of public and parastatal companies;
- deregulation of the economy, for example:
  - liberalisation of foreign investment regulations

- deregulation of the labour market, e.g. wage 'flexibility'
- abolishing price controls and food subsidies
- shift from import substitution to export production (see Isaacs 1997: 135)

These measures forced countries on a path of deregulated free market economies and integration into the global economy. The IMF and World Bank basically determine countries' macro-economic policies, they take control over central bank policies and over public expenditure through the so-called Public Expenditure Review. SAPs promote the principle of cost-recovery for social services and the gradual withdrawal of the state from basic health and educational services. Under its 'Public Investment Programme' the IMF even decides what type of infrastructure should be built while an imposed system of international tender ensures that public-works projects are carried out by international construction and engineering firms (Chossudovsky 1995: 59).

Despite the IMF and World Bank claims of SAP successes, it is widely acknowledged that SAPs have failed to achieve their goals. They have not created wealth and economic development as unregulated markets did not benefit the poor and failed to protect the delivery of social services. The IMF/World Bank believed that the elimination of protective tariffs would make domestic industries more competitive. Instead, Southern African countries experienced that:

- Domestic manufacturing often collapsed and imported consumer goods replaced domestic production.
- The elimination of subsidies and price controls under SAPs, coupled with devaluation led to price increases and reduce real earnings in the formal and informal sectors.
- Tax reforms under SAPs (like the introduction of VAT) place a greater tax burden on middle and low-income groups while foreign capital received generous tax holidays.
- Cost-recovery programmes in the health sector increased the inequality in health care delivery, reduced health coverage and increased the number of people without access to health care. Diseases like cholera, malaria and yellow fever are on the increase again.
- Cuts in public sector employment (for example 300 000 civil servants were retrenched in Zaire - now DRC - in 1995), coupled with bankruptcies of local companies has led to large increases in unemployment.
- Liberalisation of the labour market leads to the elimination of cost of living adjustment clauses in collective agreements and to the phasing out of minimum wage legislation.
- Export orientation in agriculture is eliminating subsistence crops and accelerates the exodus of the unemployed towards the cities (Touissant and Comanne 1995; Chossudovsky 1995).

Southern Africa has experienced these results of market-driven reforms over the past two decades. There is no doubt that SAPs have been a monumental failure. African trade unions should therefore not waste their energies to become co-

managers of “structural adjustment with a human face” (or “Poverty Reduction Strategy Papers”) but rather mobilise for an interventionist, developmental state needed to overcome the constraints of our enclave economies.

## **The labour market today**

Southern African labour markets today are characterised by exclusion. In Zambia, for example 70% of those classified as employed are in “businesses for family gain” and only 11% are employed in the formal sector. About 58% of women are regarded as “self-employed” and 78% are concentrated in the agricultural sector. In Zimbabwe, the unemployment rate is now estimated to be as high as 80% and most Zimbabweans have to try and make a living in the informal sector. Only 22% of those in formal sector employment are women (ALRN 2003).

Even in the formal sector, most workers are regarded as having relatively low skills levels while highly paid skills are often imported. During the 1980s and 1990s, many workers experienced significant decreases in real wages. In Tanzania, they dropped by 17% in the 1980s, in Malawi by 7,5% in the same period and in Zimbabwe they dropped to the poverty datum line in the 1990s (Torres 1998).

Wage inequality is a major factor contributing to the region’s overall high levels of inequality. In some countries such as South Africa and Namibia, the distribution of resources overlaps with racial categories while in other countries there is a growing group of middle and upper class blacks whose lifestyle is in stark contrast to that of workers.

Most Southern African countries have no significant social security systems and the majority thus has to rely on family systems rather than the state. There are very few effective mechanisms of redistribution and workers only managed to achieve higher standards of living in a few highly unionised industries where collective bargaining lead to tangible results.

Overall, agriculture has remained the most important sector of employment, although the extent varies between the SADC countries. Torres observed that “generally people live on subsistence farming, exchange economies and on remittances from family members who are lucky enough to have found a job” (1998:44). While some see the informal sector as a symptom of a developing country in transition from a traditional to a modern (capitalist) economy, it seems that the growth of the informal sector is rather the result of the formal sectors’ inability to absorb the existing and growing labour force. Although the World Bank considered the informal sector a main source of future job creation (Muneku 1997), indications are that the informal sector has not played a developmental role in Southern Africa and remained a survivalist sector (Torres 1998, Mhone 1996, 2000).

The manufacturing sector is still underdeveloped and provides only few jobs. In several countries it was even surpassed by the service sector in terms of employment. This is another indication of the missing link between the non-formal agricultural sector and the formal industrial sector. Mhone argued that a “natural” progression in growth and development would move from primary activities to industrialisation and expansion of the secondary sector to the stage of tertiary production. In enclave economies, however, the second stage tends to be skipped and there is a premature and disproportionate expansion of the tertiary sector before the labour-absorbing manufacturing stage has been fully developed (2000). Thus the economy remains unable to absorb the large number of unemployed workers.

### ***Labour migration***

Labour migration is a significant feature of the region’s labour markets. It developed throughout the last century, initially as a response to the labour needs of mining operations in South Africa. The migrant labour system was later expanded to the agricultural and manufacturing sectors and had a strong influence on the structure of labour markets in Southern Africa (Sachikonye 1998).

Torres (1998) identified different migration flows in Southern Africa today:

1. rural – urban migration in search for work and livelihoods
2. short-term trade migration related to informal activities, e.g. cross-border trading
3. migration of low-skilled workers to jobs in the mining and agricultural sectors of neighbouring countries
4. migration of highly skilled workers to countries with higher levels of income in the SADC region, e.g. Zimbabwean doctors in South Africa
5. migration of politically motivated refugees.

The distinction between political and economic refugees is often arbitrary as some migrant initially left for political reasons and later on do not return home for economic reasons. Labour migration is a common feature in Southern Africa but poses challenges for the countries and communities receiving and losing the migrants. In some cases, migrants may add to the already high number of unemployed workers in a particular country and thus may face an antagonistic response from their hosts. In other cases, migrant workers may constitute a “brain drain” and a loss of youthful and productive workers who might be needed for internal development processes in their home countries or towns.

### ***Child labour***

Southern Africa has an extremely youthful population with an alarmingly high level of child labourers. Child labour is concentrated in the most marginalised communities, which are hardest hit by poverty as well as HIV/AIDS. Children are causally hired and fired, receive “children’s wages” and are extremely vulnerable,

particularly girls. Child labour is to a large extent linked to poverty, a lack of resources and educational possibilities as well as poor institutional and regulatory settings (Torres 1998). Its elimination will require a host of social and economic structural changes as indicated later in this chapter.

### **Gender**

Women in the region continue to struggle against various disadvantages based on gender discrimination in the social, cultural and economic spheres. In several Southern African countries they are still discriminated against by law and the ratio of women to men in higher education is about 1-5. Likewise, vocational training is often restricted to men. Overall “the education system has largely functioned to prepare girls for reproduction, and boys for production” (Torres 1998: 69).

Due to labour migration, an increasing number of women have become single income earners and heads of households. They face an uphill battle as the formal labour markets favour men and women’s work is less recognised and valued and often underpaid. Although women make up about 40% of the labour force in SADC, their share in the formal sector is much lower, for example around 20% in Zimbabwe (ALRN 2003, Torres 1998). Most are forced to operate in the survivalist informal sector.

### **Flexibility**

There is an ongoing debate about flexibility in the labour markets of Southern Africa. Several businesses, particularly in South Africa and Namibia, have argued that government intervention in the labour market creates rigidities which hinders job creation and economic growth. Some present flexibility as the “key to modernisation and prosperity”. For employers, flexibility is essentially the level of control they have when implementing workplace changes (such as restructuring) speedily and with little costs. Torres (1998) distinguishes 3 types of flexibility, namely:

1. “Employment flexibility”, which refers to the ease with which employers can determine working conditions, hire and fire in line with “market demands”.
2. “Wage flexibility” refers to employers’ ability to set wages unilaterally according to “demand and supply”. This implies that employers may be able to pay different wages for the same level of work.
3. “workplace flexibility”, also called “functional flexibility”, refers to the degree to which the production process can be modified easily and without cost, i.e. “the ease with which management can shift workers between tasks” (Standing et. al. 1996, quoted in Torres 1998: 79).

Overall, Southern African labour markets are characterised by high levels of flexibility due to the large numbers of unemployed workers, who are desperate to accept any job at almost any condition and due to the huge economic power imbalances between capital and labour. There are, however, some sectors

where trade unions are well organised and able to limit management's power. Such arrangements are confined to fairly large companies in the formal economy, such as mining companies, and to the public sector.

## **Trade Unions<sup>1</sup>**

The origins of many labour movements in the region can be traced back to their countries' liberation struggle for national independence. In several cases, organised workers were one of the most visible and effective social forces advocating for independence and social change. The roles played by the National Union of Namibian Workers (NUNW) and the Congress of South African Trade Unions (COSATU) are instructive in this regard. The close links between liberation and labour movements in parts of Southern Africa are still visible today - particularly in those countries that attained their independence in recent years, like Namibia and South Africa. In other cases, however, labour movements that once were close allies of liberation movements found themselves in the forefront of advocating for democracy and thus openly challenged the ruling parties of the day. Due to their relatively large social base, trade unions in Zambia and Zimbabwe played a key role in forming political opposition parties that overthrew former liberation movements in power (as happened in Zambia) or presented a serious political challenge (as in Zimbabwe). However, the trade unions in the SADC region are not homogenous and vary greatly in terms of organisational capacity, membership base and vision. In some countries like Botswana, Malawi and Mozambique, for example, union federations were actually established on the initiative of governments and hardly play the role of independent working class organisations.

After independence, many unions had to re-define their roles. Most have recognised the need to become politically and organisationally independent. African trade unions are often the most organised section of civil society and the most outspoken critics of failed government policies. Swaziland, Zimbabwe and Zambia, for example, are now characterised by serious conflicts between government and labour. Southern Africa's trade unions often have to articulate the aspirations not only of industrialised workers but also of the poor in general. As an organised force with a significant social base, trade unions play an important role beyond the workplace. However, the process of defining a clear social, economic and political role has been difficult in the light of former liberation movements coming to power, adopting neo-liberal economic policies and failing to meet the expectations of a "better life for all".

Trade unions had to define an effective strategy of influencing broader socio-economic policies in favour of its working class base. This task proved to be extremely difficult in the face of an onslaught by the neo-liberal ideology that is usually portrayed as the only practical policy option for Southern Africa. Drawing on the Namibian example, Klerck (1997) accurately described government's

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<sup>1</sup> This section is based on Jauch 2003.

response to globalisation as: "...an open-ended encouragement of foreign investment; the marital stance towards the International Monetary Fund and World Bank; the confinement of social transformation to an extension of representative institutions; a tendency to reduce black empowerment to increasing the black entrepreneurial classes; and a failure to conceive of an economic policy that departs in substance from that of the colonial powers".

### **SATUCC**

Similar challenges confront the labour movement at SADC level where national trade union federations come together under the umbrella of the Southern Africa Trade Union Co-ordination Council (SATUCC). The fundamental challenge for labour was to define a development strategy in opposition to the neo-liberal policies that were increasingly introduced in Southern Africa since the mid-1980s. These mostly took the shape Structural Adjustment Programmes (SAPs) introduced by the IMF and World Bank as a pre-condition for further loans. The severe social hardships and economic devastation that resulted from SAPs were discussed at several SATUCC meetings as the regional labour movement tried to define its own alternative agenda. The unions were concerned that narrow economic concerns of SADC states have overridden the political aspirations for regional integration, as individual countries were increasingly pursuing competing policies at national level which contradicted efforts towards regional integration. A regional policy and planning workshop in July 1995 concluded that:

- ◆ "Free movement of labour within the current context of economic inequality and polarisation will lead to a drain of skilled people and influx of unskilled immigrants into richer countries in the region. There is a need for regulation of movement until greater economic equality is attained, and the real causes for the movements are addressed. This should allow for certain levels of flows of labour, with a preference for Southern African labour, multilateral arrangements on such movements and quotas based on the economic need for migrant earnings. Unions should also ensure that minimum labour standards apply to all workers, including migrants. It was noted that COSATU has called for a Commission on Labour Migration and it was proposed that this be established at a regional level.
- ◆ Completely free trade without trade/tariff barriers is not an appropriate measure for the region at present. It would be preferable to have a preferential trade area with temporary and flexible tariffs conditional upon improvement of productivity. However at a deeper level there is a need for an integrated policy of industrial and human resources development.
- ◆ Free movement of companies is not appropriate at this stage given the varying levels of development within the region. There should be regulations on movement of companies so that they do not move to avoid liabilities or to depress labour standards. There is a need to establish a single investment centre in the region to avoid competition between countries and the minimum standards of the Social Charter should be applied to protect workers and to reduce competition based on the non-implementation of labour standards"(SATUCC 1995).

Since the 1990s, SATUCC's main aim was to influence policies at regional level in favour of workers. SATUCC's proposed social charter demanded a guarantee of workers rights and upward harmonisation of working conditions throughout the SADC region; social, economic and political roles for trade unions and obligations on businesses to disclose information nationally and regionally to the labour movement. SATUCC's social charter aimed to remove disparities in the region to eliminate the basis for divisive and exploitative business operations. However, this task has been difficult as many governments in the region show little sympathy for labour's concerns. Driven by the perception that foreign investment is the panacea to economy development, several governments in Southern Africa regard strong unions as an obstacle to their (neo-liberal) development strategies. As mentioned above, structural adjustment programmes are sweeping the region since the 1980s and even some of the "voluntary" adjustment policies of countries like Namibia and South Africa leave little room for labour-friendly practices.

Some union federations (e.g. COSATU, ZCTU-Zimbabwe and COLETU – Lesotho) have taken an active role in the formulation of their own proposals regarding economic policy a national level. Some federations also use advanced media strategies to make their viewpoints heard. Unions in Zimbabwe, Zambia, Namibia, Mozambique and South Africa are building their own research departments and institutes to strengthen their capacity to influence socio-economic policies in favour of their constituency.

### ***Labour's social base***

Those opposed to trade unions' influence have questioned the social base of the labour movement in the region. Employment data for Southern Africa indicate that less than a fourth of the region's labour force is in formal employment. As a result, the responsibility of the few in formal sector jobs are immense. They have to support extended families on wages that are often below the poverty line. Domestic and agricultural workers are extremely exploited and very difficult to organise. On the other hand, industrial workers in some countries (e.g. South Africa) have achieved reasonable wages in some sectors through militant action at the shopfloor. However, these achievements are constantly under threat from the unemployed "reserve army of labour" as well as from industrial "restructuring" and "global competitiveness" which strives towards lower labour costs. A particular threat to labour standards has been the introduction of Export Processing Zones (EPZs) in the region.

The labour movement in the region has also been affected by mass retrenchments following mine closures, privatisation and structural adjustment programmes. Nevertheless, there are huge differences between trade unions in the various SADC countries and unionisation rates in Southern Africa range from about 14% - 60% of formal sector workers. The average union density in the formal sector stands at about 42% - higher than the unionisation rates in the UK,

Italy, Germany, France, Japan and the USA. Considering that several unions are still quite young (e.g. Malawi) while others are just emerging from civil wars and links to one party states (e.g. Mozambique and Angola), these figures indicate a substantial organisational power of unions in the region. In some countries, public sector workers are the dominant organised force while mineworkers and agricultural workers dominate in others.

Industrial workers are sometimes portrayed as a privileged “labour aristocracy”. This notion is based on the assumption that urbanised, unionised wage earners secured a privileged position in society at the expense of subsistence farmers, the unemployed and the casually employed. Although it can be argued that formal sector workers are in a better financial position than informal sector workers and subsistence farmers, they do not constitute a labour aristocracy. Referring to the Namibian case, Mbuende (1986) pointed to the close links between the peasantry and the industrial working class as a result of the contract labour system. Even today, workers’ wages contribute significantly to the survival of family members in the rural areas.

Nonetheless, trade unions do not represent the majority of the population and are weak in terms of organising casual workers and those in the informal sector. However, the power and influence of trade unions in Southern Africa cannot be measured by membership figures alone. In many countries of the region trade unions are the most articulate and best organised organs of “civil society”. This was demonstrated impressively during mass action in Zambia, Zimbabwe and South Africa where trade unions challenged government policies and received support from NGOs and community-based organisations (CBOs).

However, union influence is sometimes hampered by a lack of trade union unity at national level and by the lack of strategic alliances between labour and other organisations representing marginalised constituencies. Quite often unions within countries operate as rivals to each other thus weakening workers’ bargaining power when they confront employers or governments. The reasons for such rivalry are often political but sometimes they are also based on individual ambitions and power struggles.

## **Areas of intervention**

Southern African labour markets can only be transformed through strategic interventions at various levels. There is no doubt that the state has to play a leading role in this process as “market forces” were given a free reign in the region over the past 20 years without bringing about any significant improvement in the lives of the region’s working people. An interventionist state with a clear concept and vision of transforming the distortions of the enclave economy will have to be the starting point for any meaningful process of change. Given the fact, that our current governments in the region have to a large extent fallen prey to the neo-liberal dogma as promoted by the International Monetary Fund (IMF),

the World Bank and the World Trade Organisation (WTO), progressive forces such as the labour movement will have to play a leading and active role in changing the dominant mindset.

Unions need to clearly define their role beyond the workplace. While it is essential that trade unions are efficient negotiators and able to assist their members in all workplace-related problems, they also have to articulate workers' interests on broader socio-economic issues. As representatives of a specific social class, they need to articulate not only the interests of formal sector workers but also those of other (unorganised) groups such as the unemployed, casual workers, and workers in the small business and informal sector (Jauch 2003).

Trade unions will have to revive their tradition of being a social movement if they want to regain the support and respect they enjoyed while being a key component of liberation movements. This will determine the role they will be able to play in the years to come. Trade unions can become either the driving force behind a process of mobilisation for more fundamental socio-economic changes or become further marginalised with a dwindling membership base and unable to significantly influence future developments in the region. It will be essential for the labour movement to give a different direction to the process of regional integration. Otherwise, this process will continue to be shaped by the interests of business, assisted by the competing national governments of Southern Africa (Jauch 2003, Keet 1997).

Specific labour market policy interventions are required across the region in areas such as:

- Upward harmonisation of labour laws towards best practice and implementation of the SADC Social Charter. This must lead to common labour standards and prevent the “race to the bottom” currently practiced by SADC countries in their quest to sell themselves to foreign investors in direct competition with their neighbours.
- Introduction of basic social security systems (such as basic income grants) as a step towards redistribution of wealth and poverty reduction. Such systems could be financed through progressive taxations (placing the burden on the rich) and employers' contributions.
- Creating conducive conditions for the growth of the SME sector, which targets local markets, absorbs local labour and circulates its income into the local economy. Measures to be taken include access to credits, facilities, flexible forms of training, foreign exchange and imports as well as creating backward and forward linkages with local agriculture and industries. This would constitute a reversal of the current bias towards large companies (Torres 1998, Mhone 2000).
- Redistribute productive resources such as land and promote labour-intensive, small-scale but profit-making industries as well as small-scale, commercial agricultural activities. The transformation in East Asia started

- with an agrarian reform which was linked to the development of the industrial sector (Mhone 2000).
- Reinvigorate public institutions and strengthen the weak structures of the state to turn the public sector into an effective vehicle for the delivery of basic social services and goods such as housing, education, health, and water. There is also a need to ensure effective controls over the abuse of state power. Currently, the public sector in many Southern African countries is geared to provide jobs for a few rather than providing quality services to the majority.
  - Set out a regional development plan that provides for inner-regional equalisation as a step to stem the flow of migrant labour from the poor to rich countries and towns. This cannot happen through market forces and will require a deliberate plan of action, guiding economic activities to particular areas.
  - Set out common rules for the recruitment of highly skilled migrants, for example requirements for the beneficiary country to pay for the cost of training.
  - Systematise education and training requirements and qualifications across the region in line with the development goals and targets.
  - Set up effective social dialogue structures with decision-making powers to ensure compliance. The NEDLAC structure in South Africa is currently the strongest institution in the region and the South African experiences could serve as a basis for discussion. The other SADC countries tend to have tripartite consultative structure without decision-making power (Torres 1998).

As neither socialist or market-oriented policies have resolved the problem of high unemployment as a result of low labour absorptive capacities of Southern African economies, there is a need for a systematic structural transformation of agriculture and industry. The absorption of labour into the formal sector must be greater than the growth of the labour force, which requires “facilitative interventions from the state”. Experiences in Europe and East Asia have shown the importance of capitalist modes of production capturing the non-formal sectors of the economy, absorbing surplus labour (the unemployed) in the process. This starts a process of accumulation and creates surplus in the formal as well as the transforming non-formal sector. Such a process also creates a host of linkages as labour absorption creates demand for consumer goods and thus leads to industrial expansion. The same happens in the transforming non-formal sector, which requires consumer, intermediate and capital goods. The savings and surpluses created will be used to expand the productive base and the labour absorption potential. This will also create an increasing revenue base for the state which can thus invest in economic and social infrastructure. There will thus be a “natural progression in growth and development” (Mhone 2000: 22-25).

Such a process will not be possible in the context of externally oriented and market driven economies, integrated into the global economy. The interaction of

internal structures and external factors currently holds Southern Africa hostage and prevents the required transformation. In the words of Mhone: “Generally, if a developing country does not take pro-active steps to modify its internal economy and its position in the international division of labour, market forces will tend to reinforce its internal dualism and external dependency, and trade, aid and foreign investment will tend to be facilitators of such a situation” (2000:33).

What is required instead are labour market policies that are complemented by broader development policies which direct and control to some extent the direction of savings and investments into strategic activities and sectors; strategically link education and training to economic development (without narrowing education to being merely an instrument for capital’s short-term interests); link exports to labour-absorbing activities, guide the “market” towards particular outcomes and promote broad-based economic empowerment. In other words, there is a need to move away from the “trickle-down” model of development towards a pro-active restructuring of the enclave economy to create a more inclusive development (Mhone 2000).

As indicated before, this requires a strong, effective state that is committed to economic transformation and social justice. Trade unions and other progressive forces will have to play a decisive role in bringing about such a state and a fundamentally different development strategy for Southern Africa.

***Still to be added:***

**Recent statistics on GDP, employment, unionisation, per capita incomes, unemployment**

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