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**The Labour Market And Economic Development  
1980-2000**

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## LABOUR MARKET AND ECONOMIC DEVELOPMENT, 1991-2000.

### 1. Introduction

The problems of unemployment and underemployment are evident in most African economies. The structure of the economies is fundamentally entrenched in dualism and enclivity. At independence in 1980, Zimbabwe inherited an economy that exhibited both extreme characteristics of a relatively developed economy and economic backwardness and neglect of the majority of the people. This dualism (separate development) had arisen from the policy of white supremacy that underlined the colonial era. The relative strength of the economy lay in its diversified formal sector, with no overwhelmingly dominant sector. Industry had developed to the extent that by 1980, the manufacturing sector consisted of some 1,260 separate units producing 7,000 different products. In fact, by the advent of independence, the manufacturing sector was already contributing the most (25%) to GDP, as well as to employment (18%). The formal labour market was also segmented such that while the workers in the private sector were governed by the Industrial Conciliation Act, those in government service were under the Public Service Act, while local authorities were governed under the Urban Council's Act.

The economy before independence was characterised by racial inequalities. Access to resources and social services was done along racial lines, with the minority whites getting the lion's share. They had the monopoly to white collar jobs. One clear effect of racial inequalities is captured in Table 1, which traces the inherited wage structure in Zimbabwe.

**Table 1: Ratio of European to African Wages, 1981**

Sector	Professional & technical (Males)	Clerical (Males)	Skilled (Males)	Semi-skilled (Males)	Overall (Persons)
Agriculture	3.7	4.8	8.5	8.2	24.5
Manufacturing	2.3	3.1	3.9	4	7.3
Finance	2.3	1.7	3.5	-	3.5
Public	2.3	2.3	3.1	3.4	7
All Sectors	2.7	2.8	4.2	3.9	10.4

Source: World Bank:1987, Annex 1, Table 6: 25

Table 1 suggests that the ratio of European to African wages was highest in the sectors with the highest proportion of unskilled workers (agriculture) where the ratio was as high as 25:1 and lowest in the skilled sectors (financial services) with a ratio of 4:1. Skewed access to means of production, namely land, skills, entrepreneurship and capital created a highly inequitable distribution of income, as suggested in Table 2.

**Table 2: Distribution of Income By Race, 1982**

<b>Group</b>	<b>Proportion of Population (%)</b>	<b>Share in Wages/Salaries (%)</b>
African	97.6	60
European	2	37
Coloureds	0.3	2
Asians	0.2	1

**Source: National Manpower Survey, Vol.1,1981**

Table 2 shows that, whereas blacks constituted close to 98% of the population, they accounted for a disproportionate 60% of income. At the other extreme, whites who constituted 2% of the population received 37% of the total income in 1981. As Harris (1977) aptly observes, "...white capitalists and landowners receive satisfactory profits, and white workers satisfactory wages. The returns are secured out of the relative deprivation of black industrial workers and peasants."

Given the highly inequitable distribution of resources and opportunities during the colonial era, the post-independence government intervened extensively in the labour market to correct these distortions. Government intervention was premised on the observation that, at independence the unions were fragmented and weak. In 1980, there were as many as 6 national trade union centres, with most of them associated with some political party. The ruling party, ZANU (PF) did not have strong trade union connections, and hence the tendency by government to be suspicious of trade unions and to be paternalistic in its approach to them.

At the advent of independence in 1980 in Zimbabwe, another central concern of government was that of addressing the inherited inequalities of the past in human resource development. The majority of black children did not have access to education and training. The major weakness of the Rhodesian VET system is that it was preoccupied with racial exclusion by a predominantly white industry. The VET system that was established after independence was centrally controlled to ensure that blacks had access to it and to address the skill drain that occurred after independence. Through the Manpower Planning and Development Act of 1984, all issues of human resource development were centralised through the repeal of the Vocational Education and Training Act of 1978 and the Apprenticeship Training and Skilled Manpower Development Act of 1968. The Vocational Education and Training Act of 1978 had created the Manpower Development and Training Authority (MANDATA), which at independence was given authority over apprenticeship training, which in the past had its own autonomy under the Apprenticeship Training and Skilled Manpower Development Act of 1968. In summary, the Manpower Planning and Development Act of 1984 replaced MANDATA with the National Manpower Advisory Council (NAMACO), it provided for the establishment of government VET institutions, registration of private training institutions and established the Zimbabwe Manpower Development Fund (ZIMDEF).

According to the Act, NAMACO was established primarily to advise the Minister responsible for manpower development on matters concerning the development of the nation's manpower. The mandate given to NAMACO under the Act is very broad, covering issues such as the establishment of new schemes for manpower development, advising the Minister on ways to improve existing training programmes, including the introduction of new courses, course content, suggestions on on-the-job apprenticeship among others. In addition to establishing the NAMACO Council that is tripartite, sectoral advisory committees (there are at present 16) made up of employer and employee representatives were also created to enable NAMACO to advise on industry specific requirements. The Act also provides for the recruitment and assignment of apprentices to employers, regulates apprenticeship training among other functions.

Clearly, therefore, the Act centralised most of these functions and vested the powers in the Minister. By so doing, the Act effectively created a highly centralised, bureaucratic and inflexible system that focussed narrowly on serving the formal sector. As Munetsi (1993) observed, "...academic considerations were substituted for racial considerations, as TVE was generally restricted to formal qualifications, in terms of both entry

requirements and final qualifications,” (1993: 84).<sup>1</sup> In this regard, it became difficult for other areas, especially the non-formal sector to be catered for. This runs in the face of government policy, which sought to promote activities in the non-formal sector in order to alleviate the unemployment problem. The centralised recruitment of apprentices was such that prospective apprentices had to apply to the Registrar of Apprenticeship at the Ministry of Labour.<sup>2</sup> After the initial selection, at least twice as many candidates as there were places were sent to interested employers. This centralised system was meant to make the opportunity for apprenticeship training more universal, to stop racist practices and was in line with ‘socialist planning.’

Government intervention was aimed at uplifting the standard of living of ordinary Zimbabweans, to ensure security of employment and after 1982, to contain inflationary pressures. The focus of government policy was outlined in its first policy statement of 1981, aptly entitled: "Growth with Equity. "Hence, the adoption of an orthodox structural adjustment programme in Zimbabwe in 1991 entailed a fundamental shift from the comprehensive intervention system to one largely driven by market forces. The expectation was that Economic Structural Adjustment Programs would raise investment levels, thereby facilitating higher growth rates, employment creation and uplifting the standard of living of the majority of the people (GoZ, 1991).

To achieve these, the Economic Reform Programme (ERP) had as its main components; competition enhancing measures including trade and exchange rate liberalisation, domestic (including labour market) deregulation and financial sector reform and institutional reforms pertaining to fiscal reform. The fiscal reforms encompassed fiscal and parastatals deficit reduction, privatisation and commercialisation of public enterprises. It also included measures to mitigate the social costs of adjustment through the Social Dimension of Adjustment Programme.

These reforms were supported by a World Bank Structural Adjustment loan (SAL) of US\$125 million and an IDA Structural Adjustment Credit (SAC) of US\$50.81 million and an enhanced structural adjustment facility from the IMF. "So in essence, the World Bank (WB) and the International Monetary Fund (IMF) became primary lenders to Zimbabwe and quite naturally they made such assistance available on their terms. Their objectives were to help African countries than to 'discipline' them and above all, reorient their policies to the market economy", (United Nations Alternative African Framework/Structural Adjustment Programmes: 1991).

This document seeks to follow the impact of these stabilisation and structural policies (ESAP and ZIMPREST) on the labour market. It also seeks to explore the extent to which these measures were implemented during the phases of stabilisation and structural policies. However, before going into the aspect of explaining the theoretical paradox and comparing the theory postulates to what has happened in the labour market under reforms, it is convenient to start by reviewing the economic reforms that have been implemented in the country.

## 1.1 Structure of the Economy

Notwithstanding the relatively developed nature of the inherited economy at independence, the Zimbabwean economy has a dark side to it: the underdeveloped, deprived and marginalised non-formal sector<sup>3</sup>. The economy can thus be described as characterised by enclaves and dual development. The enclave nature of the economy refers to the fact that the most dynamic and efficient part of the Zimbabwean economy, which accounts for the greater part of gross domestic product and employment, is the formal sector (see Appendix table E). It accounts for about one fifth (one million) of the potential labour force, while the majority of the labour force constituting

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<sup>1</sup> Academic considerations manifested themselves in the strict entry requirements that emphasized academic qualifications. The views of Munetsi are most interesting in that he is the deputy director responsible for vocational and technical education in the Ministry of Higher Education.

<sup>2</sup> We should note that the administration and control of all vocational and training institutions (tertiary education) were transferred to the new Ministry of Higher Education in 1988.

<sup>3</sup> The non-formal sector consists of the informal sector, the communal sector and the subsistence rural sector

about four fifths, is either underemployed in the informal and communal sectors, or openly unemployed. The greatest challenge facing the economy is that of youth unemployment. With the rigid and somewhat irrelevant education system churning out huge numbers of youths into the labour markets, very few of these manage to get employment in the formal sector. It seems their salvation is in skills training and eventual joining of the informal sector.

Not only are the enclave and dependent nature of the Zimbabwean economy mutually reinforcing in marginalising and peripheralising the informal sector; it also imparts dualism to the economy. The dualism is implicit in the notion of enclivity. However, it requires separate identification since it underscores the fact that, while the formal sector is predicated on the behavioural and organisational rules and imperatives of the market, the informal sector relies on a combination of market and traditional modes of economic behaviour and resource utilisation. These reinforce the prevalence of low productivity and low incomes in the sector. Because of existing difficult times, the sector is survivalist in nature, mainly because of lack of enabling laws for the smooth operation and proliferation of the informal sector, especially in the urban areas. In spite of this, the sector has shown to be very resilient, something that has been clearly manifested during the economic reform period in Zimbabwe (1991 to date).

The informal sector does not only rely on the formal sector for its inputs, but it also sells its output to that sector. Unfortunately, it trades in a manner that leaves very little room for any dynamic expansion. In effect, the informal sector can, and sometimes does act as a buffer for cyclical trends in the formal sector by providing a 'dumping ground' for retrenched labour and a waiting station for job seekers. Most activities in the informal sector are characterised by slow growth and low wages. The number of technically efficient enterprises in the informal sector is small. As compared to the formal sector, the informal sector shows gross underemployment, and technical and allocative inefficiency, which implies the informal sector has too many people working too hard to produce very little and for incomes that are much too low. The vibrant formal sector benefits do not trickle down to the informal sector, and the latter is trapped in a low income, low productivity trap.

Market liberalisation saw the deregulation of the labour market, a situation that has culminated in many retrenchments over the years. The retrenched people found their way into the informal sector, and it has thus been expanding fast since then. It currently employs over 1.7 million people. It is bound to continue growing, given the current economic depression.

#### **Box 1**

Report on the labour market in the eyes of ordinary people

The people involved in the participatory process across the country raised a number of issues pertaining to the labour market. Their observations are captured below:

##### **Situation before the introduction of ESAP:**

- There were many job opportunities, and people could afford to change employment easily;
- Very few people were losing their jobs. There was very little of retrenchment (chigumura), and it used to be common for the aged, usually above 65 years;
- Wages were generally satisfactory, and adequate to provide for the family. Those retrenched used to be transported with their belongings to their rural homes;
- The level of poverty was low;
- Basic commodities were affordable to the majority; and
- There was little underemployment, and workers used to work full day.

They analysed the current economic situation and observed that:

- There are very few job opportunities in the economy;
- Companies are closing down through liquidations, and they are also retrenching people under the pretext of restructuring and focusing on core activities;
- The formal sector is shrinking fast, and the informal sector is growing at a very fast rate;
- Workers are no longer being remunerated fairly, and many earn below the poverty datum line given by the Central Statistical Office as \$6,300.00;
- The level of poverty has increased. Workers are no longer being paid for over time work;

- The cost of living is very high, and declining real wages make it possible for families to afford all basic commodities, as well as access to social services;
- Workers are opting to hold more than one job, and are involved in informal sector activities to supplement the declining domestic income;
- There is an over supply of some skills, resulting in underemployment, e.g. holders of Bachelors' degree in Industrial Technology are teaching, say form ones;
- The government is no longer setting minimum wages. Employers and workers are left to negotiate wage increases, and this has resulted in the low pay levels; and
- Employers have become difficult in awarding bonuses

The participants made suggestions of how they feel the current problems, brought by ESAP, can be dealt with. They proposed the following:

- The government must put in place regulations that protect workers i.e. employment security, and stop retrenchments. It must embark on rural industrialisation and public works to raise the level of employment;
- The government must attract investors to the country so that the economy can grow, and more jobs created. It must put macroeconomic fundamentals in order and uphold the rule of law and protect property rights so as to attract investors;
- Employers must pay workers fairly. They must pay workers for over time;
- The government must introduce regulations that govern price increases, especially on basic commodities;
- Workers' pay must be in line with the cost of living. Wages must be increased to a level that ensures a minimum acceptable standards of living, possibly as determined by the poverty datum line; and
- Government should set funds aside to support the development of small businesses and projects for the rural people. Access to the funds should not be only for those in towns, or those close to the ruling party only.

Revisiting the dualism: this originated from the imposition of the capitalist mode of production onto a non-capitalist system. This situation became self-perpetuating and concretised over time into what is currently depicted in the economy. The enclivity evolved from the institutionalisation, exploitation and marginalisation of the majority of the labour force before independence. The majority of the people were disintitled of their land, had restricted access to human capital development (through education and training), and there was advertent disregard of the importance of the non-formal sectors. This system was formalised during the colonial period, thereby formalising the long-term development of an enclave economy. This perpetuated the built-in constraints that shaped future development as well as the labour absorptive capacity. We should realise on the outset that, the unemployment problem is a political economy issue which economic reforms have failed to address, and hence cannot be addressed through market forces and the notion of the trickle down effect.

The economy, because of its relative diversification and level of development in the region, has the potential for exploiting the benefits of globalisation. However, the dualism and enclivity are militating against the realisation of this potential. The economy needs to grow at an annual rate of 5% in order to absorb the growth in the labour force, leaving the unemployment and underemployment at the current levels (Mhone, 1999). This has not been realised despite the targets set since the reforms. One might start wondering why the absorptive capacity has not been realised. This is because of the existence of the structure, and a number of inefficiencies that characterise the economy. The Structure-Conduct-Performance paradigm states that the structure of any entity determines the efficacy of its conduct. From the conduct follows performance, accordingly. Thus, if there are problems with the structure, as has been explained above, the conduct and performance will in turn be problematic.

Given the existing structural bottlenecks within the Zimbabwean economy, the conduct and performance are already fettered. On the structural bottlenecks that undermine development, Mhone (1999) argues that in the presence of allocative, distributive and microeconomic (technical) inefficiencies, development is stymied. Allocative inefficiencies imply the existence of under-utilised resources, especially with respect to unemployment and underemployment. The despite labour being generally a renewable resource, the current type of labour that is wasted through unemployment and underemployment is wasted forever, and will never be recovered. A more inclusive growth path will unlock the structural bottlenecks in all markets and unleash a more dynamic and sustainable growth path. Distributive inefficiencies refer to the pervasive economic and social inequities that resulted in preferential access to resources. It is from here that the entitlement of a few and the disenfranchisement of the majority emanated.

The land issue is the most controversial with respect to inherited inequities and distributive inefficiency. About 70% of fertile arable land still lie in the hands of less than 1% (about 4,000 farmers) of the population, mainly whites, while 70% of the black population make a living on two-fifths of the land in agro-ecological zones with poor soils and unreliable rain. The communal areas are overpopulated, overgrazed and ecologically degraded. Laws such as the Water Act that were passed during the colonial period ensured that large scale farmers had a monopoly over water rights, resulting in the current situation where 85% of irrigation schemes are in large scale commercial farming areas. Government expenditures on research, infrastructure, marketing and storage were biased in favour of large-scale commercial farms. The inherent inefficiency can be resolved through active, systematic and strategic government involvement in the redistribution of resources in a sustainable way, that is, in the manner that the colonial system did it for the few beneficiaries. Given the agro-based nature of the economy, the manner in which the land is being redistributed under the 'fast track' land redistribution programme has raised a lot of concerns. Of importance is the necessity of guarding against perpetrating gender imbalance in resource redistribution, which is biased against women, and ensuring that those really needy (like the squatters) get access to the land.

Microeconomic inefficiencies refer to distortions at the enterprise level that militate against economic efficiency and international competitiveness. It is reflected in the low productivity of the communal, informal and parts of the formal sector. A very interesting example is the vertical, hierarchical structure of firms in Zimbabwe, which undermines efficiency and effectiveness. The issue is that the labour market on its own, cannot resolve this triad of inefficiencies. Thus, in their presence, growth benefits only a few. In any event, promoting the extensive use of unskilled labour is no longer suitable in a world economy where competition is increasingly skill-driven (All, 1990; Carnoy *et.al* (ed), 1993). Thus, sustained growth is increasingly associated with the building of technological capabilities, the provision of incentives especially for research and development, and the establishment of requisite institutions.

## **1.2 The Structure of the Labour Market.**

The population of Zimbabwe is estimated at 12,5 million, and is projected to increase to 13,3 million by 2002. The population is estimated to have grown at a rate of 3,1% annually since independence. The growth is

explained by the reduction in the mortality rate due to improvements in health care recorded during the first decade of independence and the increase in life expectancy. Life expectancy reached a maximum of 61 years in 1990. It has declined because of HIV/Aids, and is now estimated at 48 years. Of the total population, the majority (over 50%) are children below the age of 18 years. The population pyramid has a broad base. The dependency ratio as at 1992 was 103, which is considerably high. The interpretation of this figure is that every 100 people in the age group 15 to 64 years have to look after 103 people in the age groups below 15 years and over 64 years of age. The sex ratio is such that for every 100 females, there are 95 males, indicating that there are more females than males in the economy. Paradoxically, resource ownership and income distribution do not reflect these sex ratios.

Because of the nature of the economy, the formal sector employs approximately 1,3 million people, (1999) which is only 10% of the total population. Given an economically active population of 5,9 million in 1993, the formal sector accounts for 24% of this. The remainder of the labour force is accounted for by the non-formal sector, and open unemployment. Because of the lack of up-to-date statistics, it is difficult to say how many people are in the non-formal sector of the economy, as well as giving the accurate level of unemployment. The official unemployment figure as at 1993 was 22%. A more recent labour market survey indicated that the rate of unemployment was 6 (including communal farm workers) and 9 (excluding communal farm workers) for the whole country. In this survey, the unemployment rate was defined as the percentage of unemployed persons in the economically active population and this rate is measured on the basis of broad or strict definition, hence the reason why the rates given seem to be far below the unofficial rates. There is also the vice of child labour in the economy. The official figure is those 1,1% of the total number of children below the age of 14 years in 1992 were wage employment. This is a conservative figure, given rising poverty and the impact of the Aids pandemic.

There are rising deaths due to the pandemic. The age group mostly affected by the pandemic is that which is active in the economy, the 16-49 years age group. Such a development is detrimental to the economy, and is retrogressive to human resources development. There is an increasing number of Aids orphans, and these are not being adequately catered for by the social welfare system. Generally, there is rising illiteracy among the disadvantaged youths. This will negatively impact on the quality of the labour force and the economy in the long run.

The population distribution is geographically in favour of Manicaland province, Harare, Midlands and Masvingo provinces, respectively. The most educated section of the population is concentrated in the major urban areas. The rural areas have the majority of the illiterate population, and this is engaged in subsistence agriculture. On the whole, agriculture remains the major employer in the economy.

The education system remains the major source of skills in the economy. The system is quite elaborative, with the highest stage of formal education being the advanced level. There are many vocational education institutions and other post high school educational institutions. After independence, the educational sector was the country's major success story as the level of education and education facilities increased, especially in regard to the black majority. There are also apprenticeship programmes, both formal and traditional, through which skills are acquired. However, with time, these are becoming more and more inaccessible because of the rising poverty among the population and the government's policies of cost sharing and recovery.



There have been different employment experiences for different groups in the economy. The disabled have generally been marginalised, both socially and economically. As such, they have formed lobby organisations to further their cause. They and the youths, have always borne a disproportionate portion of the problems that have been made worse by adjustment. There has been an increase in the number of unemployed youths over the years (Kanyenze, 1998). The problem became more acute after 1990, when the majority of the people who had failed to attend school because of the war, chronologically completed their ordinary level education. This coincided with the introduction of the economic reforms. Since then, the unemployment situation has been worsening with further negative impact from negative economic growth rates that have been characteristic of the Zimbabwean economy.

This analysis shows the cross section of the labour market in Zimbabwe, as well as the problems that are experienced within the labour market. It is however difficult to come up with annual official figures on unemployment, participation rates, the absorption rate of labour, and the number of job placements available, among other statistics. As a result, the labour market information in the country is not up to date, and in some cases the information is just not there. There is also the problem of quality of the information. This creates problems of reliability of official sources of data. The lack of frequent labour market surveys by the Central Statistical Office means that information comes in irregularly, which negatively affects analyses. Such is the nature of the labour market in Zimbabwe.

## **2. Overview of Labour Market Policies in Zimbabwe.**

### **2.1 Post independence pre-reform period, 1980 - 1990**

The post independence era was characterised by regulations and direct interventions by the government into all markets. In the goods market, the government had adopted some parastatals and these were maintained. Those in the agricultural sector had the sole responsibility of buying and marketing agricultural produce. They had the monopoly of exporting these commodities too. There were price controls of basic commodities to make them more affordable by the majority. The exchange rate was controlled, and foreign currency allocations were common. It was an offence to possess foreign currency, and any earnings in hard cash were supposed to be liquidated into local currency. The tight system of foreign currency allocation made it difficult for companies to import vital raw materials and spare parts. As a result, many companies were operating well below capacity by the end of the decade. The situation was worsened by the strict regulations in the labour market. As a result, business was finding it hard to manage, and survive.

Trade unions, like political parties, worked hard in fighting colonialism in the country. It is not surprising that some of the prominent liberation struggle leaders had a trade union background. Due to different political beliefs, the trade unions that existed before independence were mainly inclined with some political parties. The existing divisions weakened the trade union movement. Given the nature of labour relations that existed before independence that discriminated against the black majority, and the inherent fickle trade unionism, the government felt obliged at independence to actively get involved in the labour market, like in any other markets. The aim was to protect the lowly paid. It also took the policy of affirmative action in employment to ensure that the indigenous people had a chance to get high posts in both the public and private sectors. This saw many indigenous people getting top posts in companies, and entering some professions formerly a preserve of the white minority.

Industrial relations in 1980 were governed by the Industrial Conciliation Act as amended, the Employment Act, and the Minimum Wage Act. The regulations specified conditions of employment. Before independence, there was no employment security, people were lowly paid, and generally the standards of living of the people were deplorable. Coupled with the high income differentials between the highly paid and the lowly paid, the government found it necessary to intervene in the labour market in order to promote employment security, as well as narrowing the income differentials. To be more proactive, the government introduced the principle labour law in the form of the Labour Relations Act (1985), superseding the other three sets of regulations. The law was protective of workers, and many employers complained of the extent to which the contract of employment was managed. The regulations made it difficult to unilaterally dismiss workers. There were rigid procedures that had to be followed, and the process was cumbersome. Reacting to changing economic situations and organizational restructuring were difficult, resulting in over-employment in companies. There was also minimum wage setting where the government determined the extent to which wages could be increased. It is in this regard that both employers and employees were affected adversely, with the ability to pay principle being rendered useless.

During this period there was no collective bargaining. There was institutional wage setting, with employment boards playing an important role in determining pay levels and conditions of service. The dispute resolution process was very long. The route followed was from a labour relations officer, a case would follow the line of appeal to the regional hearing officer, to the labour board, to the tribunal, and then to the supreme court. It is possible now to go straight to the tribunal with one's case. It was a result of the rigidities in the labour market and administration system that the reforms in the sector were mooted, and executed after 1991.

Zimbabwe had inherited a well developed manufacturing sector, prosperous commercial farming, extended infrastructure and generally a sophisticated economy. "The great dilemma facing the government was therefore of addressing inherited disparities, while at the same time not negatively affecting the growth of the economy" (Ncube, 1998). Since her political independence came much later in 1980, Zimbabwe had a lot to learn from the experience of other countries especially those in Africa. Zimbabwe adopted a policy of reconciliation, this involved maintaining much of the policies of the colonial era while expanding the provision of social services.

Soon after independence, the government adopted the Growth with Equity (GWE) policy document in 1981. The main objectives and targets of GWE were to:

- achieve a sustained high economic growth rate;
- restructure the economy in such a way that would promote investment and exports;
- reform the fiscal and monetary policies in order to stabilise prices as well as balance of payments, and;
- also to create and maintain high levels of employment for Zimbabweans in all sectors and all levels of skill and responsibility.

Substantial achievements were made in areas of education, health, population control and the promotion of small-scale agricultural farming. The small scale farmers were motivated by the attractive prices that were on offer, and this also increased their numbers and thereby raised their market share from about 0% in 1980 to 70% by 1989. The standards of living of most Zimbabweans improved as shown by the decline in mortality rates (from 86 to 61 per 1000 births), a decline in fertility rates which in term led to a decline in the population growth rate. Immunisation tripled from 25% to 86%. The policies for education resulted in primary

enrolments rising from 1.2 million children in 1980 to 2.2 million in 1989, while secondary school enrolments increased from 74,000 to 671,000 during the respective periods.

The sectoral policies did not compliment each other. This is evident in the education sector that massively produced educated students for the labour market, while the formal sector could not absorb them. Furthermore, these successes were also overshadowed by low economic growth rates that averaged 2.7% annually, a rate that was way below the population growth rate of 3.1% per annum. Table 3 shows the "from boom to crisis" scenario of the economy after independence.

**Table 3: Selected Economic Indicators:**

	1970-79 (%)	1980-1990(%)	1991-99 (%)
GDP annual average growth	4.1	3.9	
GFCF as % of GDP	21.1	15.7	
Inflation annual average	9.2	12.2	
Debt service Ratio	18.1	22.1	
Budget deficit as a % of GDP	8.1	9.6	

\* GFCF stands for gross fixed capital formation

<b>Employment</b>			
Agriculture	1	-1.2	
Manufacturing	3.5	2.9	
Mining	1	-1.2	
Electricity & Water	2.3	2.6	
Construction	0.8	6.1	
Finance	3.2	3.5	
Distribution	0.4	3.3	
Transport and Communications	2.1	1.9	
Public Administration	7.1	2.3	
Education	1	11.7	
Health	3.8	4.9	
Private Domestic Services	0.5	2.7	
Other	3.3	5.2	

Sources: Weeks, J and Mosley, P. (1996), Government of Zimbabwe, Quarterly Digest of Statistics (various issues).

GDP declined from 4.1 to 3.9 in the first decade of independence while GFCF as a percentage to GDP also declined. This implied that there was less economic growth, less investment to create more employment opportunities while at the same time, inflation increased from 9.2% to 12.2%. The end result was that employment became output constrained. Employment only increased in the non-tradable sector with exception of transport while in the tradable sectors, which are supposed to generate the much-needed employment, declined. Only in agriculture did employment increase from 1% to 1.2% during the respective periods.

The immediate effect of the Employment act was that, all powers to dismiss employees were vested in the Minister of Labour who would in turn act on recommendations from the tripartite Retrenchment Committee on whether to dismiss or not (it is important to note that the Employment Act was promulgated to discourage retrenchments following the introduction of minim wages).

The final outcome of these internationalist policies were less employment opportunities being created and hence rising unemployment such that by 1989, the rate of unemployment was about 26% (from about 12.5% in the mid-1980s). Furthermore, the policies that were in place during that era did not promote the informal sector, which under normal circumstances would mop-up most of the unemployed people into starting self help projects.

## **2.2 The Economic Reform Period, 1991 – 2000**

The economic reform period is divided into three phases. The first is the period 1991 to 1995, which constitutes the Economic Structural Adjustment Programme period (ESAP 1); the second period is the ZIMPREST period (1996 to 2000); and the last is the period after 2000, for which a stabilisation programme called the Millennium Economic Recovery Programme (MERP) was developed.

During the period 1991-95, a policy document called the ‘Framework For Economic Reform’ was developed. This outlined the objectives and process of implementation of the economic reforms. It had been realised by the policy makers that the Zimbabwean economy was slowly grinding to a halt in the early 1990s. This was fundamentally due to the rigidities posed by the interventionist policies of the government during the first ten years of independence. As such, reforms were necessary to revitalise the economy. The government chose to implement orthodox economic reforms supervised by the World Bank (WB) and the International Monetary Fund (IMF), whose neo-liberal ideological background was a full-circle turn from that followed by the government at independence and thereafter. The reforms entailed the liberalisation of markets (trade liberalisation, exchange rate policy flexibility, and financial sector reforms, among others), and opening up to international trade and competition.

The government set to deregulate the labour market among other things, giving back to employers the right to hire and fire. The Labour Relations Act of 1985 was under attack from the business community, labelling it a disincentive to both domestic and foreign investment because of its alleged over protection of workers (Madhuku, 1995). It was further alleged that the overprotection resulted in high labour costs and lack of effective production. As such, it was found necessary to liberalise the labour market.

In the context of structural adjustment programmes (SAPs), labour is treated as a commodity and its market is treated the same way as commodity markets, implying that the equilibrium quantity demanded (employment) be determined by the price (the wage rate). Therefore, countries implementing these reforms strive to get the ‘price right’ by removing barriers in the labour market. We should note that this approach narrowly conceives labour market flexibility in terms of the extent to which employment is influenced by the wage rate. Because of the changing work environment and the influence of the process of globalisation, employers applaud this approach as they desire to change production processes quickly in line with the changing environment, and at relatively little cost. Beyond the flexibility of wages, the labour market reforms demand the removal of any regulatory constraints (i.e. minimum wages, and other government or union induced interventions) in the labour market. The reforms have the effect of weakening union rights.

There is also a form of labour market flexibility that is internal to the firm. This involves the flexibility of working practices, with emphasis being put on issues of multi-tasking and multi-skilling. Local firms find themselves besieged by foreign competition, and they are

forced to restructure internally in order to survive. This process culminates in retrenchment of some workers, and increased casualisation of labour. New technologies may be introduced to improve on efficiency and quality of goods. This invariably means adoption of new forms of work organisation.

The Economic Structural Adjustment Programme (ESAP) was introduced in 1991 with the inauguration of the policy document 'The Framework For Economic Reform,' which stated the policy objectives and targets of the reforms. The adoption of an orthodox structural adjustment programme entailed a fundamental shift from the comprehensive intervention system to one largely driven by market forces. The expectation was that ESAP would raise investment levels, thereby facilitating higher growth rates, employment creation and uplifting the standard of living of the majority of the people (GoZ, 1991). The deregulation of labour laws was meant to make the labour market flexible so as to encourage employment of more people.

The major reforms made to the 1985 Labour Relations Act were meant to deal with perceived rigidity areas. Some of them are as follows:

- In terms of section 20 of the 1985 Act, the Minister of Labour had excessive powers to specify the payment of a minimum wage in any industry. The deregulation specified that wages should be determined by the market, and reflected in the individual contract of employment. However, the Minister still has the powers, which he can invoke should he/she find it necessary.
- The prerogative of the employer to hire and fire, which had been taken away by the Statutory Instrument 371 of 1985 and was subject to ministerial approval, was amended through the introduction of retrenchment regulations and codes of conduct. Employers can dismiss workers in accordance with provisions of the registered code. Those without registered codes still have to apply to the Minister. Generally, the process of dismissal became easy for employers under the new Act.
- The initially cumbersome dispute resolution process was reduced. While it initially had four stages before getting to the courts, it was made possible that one could take his/her case directly from the labour officers to the tribunal, or to the courts. The two stages, of the labour relations board and regional hearing officers were abolished.

Labour market reforms were geared towards the decentralisation of regulations pertaining to the terms and conditions of employment.<sup>4</sup> In line with the adoption of a market-driven strategy, the law applying to retrenchments was changed through Statutory Instrument 404 of 1990. This statutory instrument provides that any employer wishing to retrench should:

Give written notice of his/her intention:-

- i) to the works council established for his/her undertaking; or
- ii) if there is no works council or if the majority of the workers concerned agree to such a course, to the employment council or employment board.<sup>5</sup> In his/her letter of notice,

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<sup>4</sup> The previous employment regulations were indeed onerous, requiring Ministerial approval for retrenchments. This had an adverse effect on employment (Fallon and Lucas, 1993). The dispute procedure was long and cumbersome, resulting in inordinate delays in dealing with grievances (see Kanyenze, 1993).

<sup>5</sup> A works council is a decision making body at the shopfloor level comprising of equal representation of workers and management. All Employment Boards have now been abolished, in which case, all sectors that had boards have to form employment councils.

the employer is expected to give details of every employee affected and the reasons for the proposed retrenchment. A copy of the notice should be sent to the Retrenchment Committee. If the matter is not resolved within a month, the issue is referred to the retrenchment committee.

The regulations specifically outline that it is the duty of any employer to keep the employees informed of any major changes in production, organisation or technology that are likely to entail the retrenchment of any employees. This means dialogue between workers and employers on the performance of the business is emphasised.

The process of economic reform, especially the opening up of the economy to international trade and competition, saw many firms failing to effectively compete, hence had either to cut down operations, or to close down. This mainly affected the textiles sector, which is also a big employer of women. With economic difficulties worsening, those retrenched found their way into the informal sector, where women form the majority.

All retrenchments are registered with and sanctioned by the retrenchment committee. The retrenchment committee is a tripartite body consisting of workers', government and employers' representatives. The committee's major tasks are to register all retrenchments, to ensure that all the provisions of the governing regulations are adhered to in the retrenchment process, to ensure that statutory provisions are awarded to the retrenched, and to make recommendations to the Minister whether retrenchment is necessary or not. It also presides over deadlock cases, upon which it recommends to the Minister whether to sanction a retrenchment or not, and suggests reasonable retrenchment packages. The recommendations depend on the nature of the deadlock referred to it. However, it should be noted that the determination of the retrenchment committee is not final. Any party that feels aggrieved still has the right to appeal to the high court against the determination made by the committee. In spite of this, the establishment of the committee relieves the overburdened Labour Relations Tribunal of some cases, given that the latter has a backlog spurning over a number of years.

The retrenchment regulations were further changed through Statutory Instrument 252 of 1992, which repealed some sections of the prior instrument. The amendment recognised the abolition of employment boards, and that where there is no works council, a written notice will be sent to the national employment council established for the undertaking concerned. Where neither authority exists, the retrenchment committee, or any person appointed by the committee shall undertake the functions of the authority. It also specifies special measures that can be undertaken to avoid any retrenchment, like placing workers on short time working week, or engaging in shift work. These amendments were meant to align the labour market with the dictates of markets.

With regard to the 'authority' as per the regulations, works councils are given the same position as national employment councils. The latter is a more specialised body, well equipped, and consists of representatives of both workers (through the trade union) and employers in the sector. Use of the former in negotiating retrenchments has some problems of employers not negotiating in good faith, and at times misrepresenting facts to workers. There are cases where the good members of the works council from the workers' side are elevated to managerial positions, a situation that weakens the institution in favour of employers.

Sweeping changes were also made to the law governing dismissals and disputes. Through Statutory Instrument 379 of 1990, workplaces and employment councils/employment boards were tasked with establishing employment codes (codes of conduct). Once an employment code is registered with the Ministry of Public Service, Labour and Social Welfare, statutory Instrument 371 of 1985 would cease to apply. However, Statutory Instrument 379 is silent in terms of what happens should both a workplace and employment council register an employment code. Through Statutory Instrument 356 of 1993, this issue was clarified. A works council was, through this amendment, allowed to register a code, notwithstanding that an employment council has applied or proposes to apply for the registration of a code. In the event that both the workplace and employment council have registered codes, the statutory instrument makes the code registered by the works council binding, implying the shop floor level arrangement supersedes any arrangement at the industrial level.<sup>6</sup>

Other important changes arising from the 1992 amendments to the Labour Relations Act include allowing for the formation of committees for managerial employees, the abolition of the principle of 'one industry one union or employers association,' and slight amendments to the provisions on maternity leave. The abolition of the 'one industry one union' principle has resulted the fragmentation of trade unions, as splinter unions can be formally registered by the Ministry. The cumbersome dispute procedures were amended to allow for quick decision-making. The number of stages followed in resolving disputes were substantially reduced. The new structure is two stages less than the former one. Now cases can be referred from the Labour Relations Officer to the Senior Labour Relations Officer, and to the Labour Relations Tribunal. The tribunal was made full-time. However, because of poor remuneration and working conditions, it is severely understaffed and has a huge backlog. This body has only 2 judges, one has since retired implying only one judge has to deal with the backlog and new cases. From there, cases can then be taken to the supreme court. Time limits were also set for handling cases at all stages, which should quicken the resolution of disputes. It is quite appreciable that effort was made to cut the dispute resolution process, but its efficacy leaves a lot to be desired, given the problems at the Tribunal and the cost of litigation in the formal courts.

The Labour Relations Amendment Act (1992) granted plant-based works councils the power to negotiate collective agreements and codes of conduct. This undermined union negotiated agreements (which were in most cases, favourable). In response to the crisis conditions during the reforms, the ZCTU called for a national strike against the amended Labour Relations Act in particular, and for the review of ESAP in general.

The ZCTU pointed out that merely criticising the reforms on the basis of the adverse effects was essential but not enough. In an unprecedented and proactive move, the organisation developed an alternative development strategy, the '**Beyond ESAP**'. The idea behind this was to show that in view of the inadequacies of the market, the state has to intervene selectively in different spheres in order to provide a conducive environment for market forces to result in economic development. Given that the demand for labour is dependent on the product market, declining real incomes resulted in declining demand for output in the

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<sup>6</sup> These changes are formally incorporated in the amendments to the Labour Relations Act as revised in 1996.

economy. The cycle still continues today, implying the labour market is continuously getting restrictive because of declining domestic demand.

The changes to the labour regulations introduced collective bargaining as an important tool in wage negotiations. Instead of the government setting the minimum wages, the different industries and trade unions were granted the opportunity to collectively negotiate any wage increments, although that Principal Act still empowers the minister to legislate for a minimum wage should the situation dictate so (in terms of sections 17 and 22). The introduction of collective bargaining was a welcome move for both workers and employers. Thus, employers and the trade unions from the different sectors meet at NEC level to negotiate wage increments and other conditions of service. While the NEC sets the minimum, the different works councils can negotiate over and above this.

Collective Bargaining Agreements (CBAs) reached at national level, are binding to all operators in the sectors concerned. Realising that there could be some operators who may not be able to effect these, there is a provision that they can apply to the Ministry of Labour for exemption from the provisions of a registered agreement. Any CBA is registered with the Ministry. While the agreements are supposed to be binding to every operator in specified sectors within the formal sector, in reality this is not the case. With the exuberant growth of the informal sector, the operators do not abide by the agreements. Because of the nature of their operations, their sizes in some instances, and their numbers, the enforcement of the agreements is difficult, and the government seems oblivious of the need to improve the labour relations in the sector. Indeed, there is room that a comprehensive labour law reform can bring about the recognition of the informal sector, and ensure that CBAs equally apply to the sector. In the formal sector, the agreements have largely been respected and implemented.

Due to the rising unemployment problem, the government embarked on an investment programme in Export Processing Zones (EPZ). Those who get licences to operate in these zones enjoy a multiplicity of incentives, some of which, unfortunately, compromise labour standards. Initially the EPZ Act stipulated that no labour laws should apply. It was through intense negotiations by the labour movement that it was agreed that they should apply. Eventually, separate regulations were legislated through the EPZ Employment Rules (1998). The rules fall short of the rights that are espoused in the Labour Relations Act, and take away some rights of the workers therein.

The HIV/Aids pandemic has become one of the major challenges facing the labour force in the economy. The number of deaths has been steadily increasing over time. With 1,311 cases reported in the country in 1990, the cases soared to 12,029 in 1996. It is reported that 1 in 4 adults in Zimbabwe is infected by the virus, a reported 1,000-1,200 people are dying each week as a result of AIDS, and AIDS orphans were expected to increase to 600,000 by the year 2000. Given the high infection rate, which is the highest in sub-Saharan Africa, the country is faced with a major challenge that will erode the human capital base. Realising how serious the disease had become, the government was forced to come up with a national Aids policy. This has been launched in different provinces. While initially there was reliance on donor funds to finance education and advocacy programmes on the disease, the government introduced an Aids levy, a 3% tax on taxable income. This was targeted for, among other things, the dissemination of information on the disease, and alleviating the suffering of those



with the disease. In a patriarchal society where the social division of labour is such that the domestic responsibilities largely fall on women, the dependency load is mainly shouldered by them.

The government gazetted the statutory instrument 202 of 1998, called the Labour Relations (HIV and AIDS) Regulations, governing the conditions of employment for those with HIV/AIDS. The regulations were meant to eliminate discrimination in employment because of an HIV status, and hence Aids testing as a precondition for employment was declared illegal. The regulations also emphasise the confidentiality of the HIV status of employees. Also, the regulations stipulate that no employee shall be prejudiced of promotion, remuneration or status because of his/ her HIV status. Employees must enjoy the same benefits in spite of their HIV status. Where tests can legally be done, the employer is obliged to provide pre- and post test counselling to the workers concerned. Given this background, we can say that the labour market policies are quite sensitive to the problems posed by the disease and try to protect the position of workers.

Economic policies covering the period 1996 to 2000 aimed at building on the achievements of and addressing the shortcomings of the economic policies in the first five years of economic reforms. One of the lessons drawn from experiences under the first five years is that, the lack of fiscal discipline resulted in excessive borrowings that fuelled inflation and exacerbated poverty. Another lesson that was identified is that for comprehensive reforms to succeed, they should be embedded in the aspirations of the people and that reforms should empower people to participate in the economy. In addition, whatever sacrifices to be made ought to be shared. The report also observed that reforms ought to plan for droughts, rather than react to them as observed for the period 1991-95. Most significantly, the need for prudent fiscal policies was highlighted since fiscal indiscipline retards development.

Recent economic policies admit that the objective of reducing the budget deficit from an average of 10.4% of GDP before the reforms to 5% by 1995 was not realised under The first phase of economic reforms. The budget deficit still stands at double that figure. It is currently estimated to have been 24% of GDP at the end of 2000. The reasons for this are given as inadequate control of expenditures and under performance on the revenue side due to low levels of economic growth and a reduction in the capacity to collect revenue. Investment, as a proportion of GDP, averaging 15.8% of GDP during the first two years of reforms is way below the expected level of 25% of GDP by 1995. Exports, which had been expected to grow at an annual average rate of 9% during the reform period, experienced on average a rate of growth of 4.3% during reforms (1991-95). Social conditions deteriorated further during the period of reforms as employment, on average, declined and real incomes collapsed.

The failure to create macroeconomic stability played a major part in holding back growth during this period. The incidence of high inflation, resulting from excessive government borrowing to finance the largely recurrent expenditure, delivered high interest rates, well in excess of 55% by the end of 2000. This constrained the productive and employment capacity of industry, resulting in economic contraction. Macroeconomic instability dampened manufacturing activity, and, following trade liberalisation, a number of firms, (especially in the textiles and clothing sectors) were forced to close down. For instance the number of clothing firms registered with the Confederation of Zimbabwe Industries (CZI) declined by 21.4% from 280 in 1991 to 220 by 1995 (ZCTU, 1996).

Trade liberalisation together with high interests rates have been blamed for much of the retrenchments. As a result, fears of de-industrialisation have been raised with the Economist

Intelligence Unit (EIU) observing that “...the situation is certainly worrying, and those analysts who saw liberalisation as a solution to the industry’s former problems now look very foolish,” (1996). Indeed, the rate of de-industrialisation is alarmingly fast in the country, raising labour market instability. Also, capacity utilisation has been declining, and this entails retrenchments.

Realising that not much was going to be achieved, given the fact that most of the provisions in the ESAP and ZIMPREST documents had not been implemented, and dogged by the economic crisis, the government developed an 18 month stabilisation programme called the Millennium Economic Recovery Programme. Despite being developed early in the year, the programme has not been officially launched, and its implementation is being done in bits and pieces. In the labour market, nothing has changed significantly except realising that harmonisation of the labour laws is under way.

The idea of harmonising the labour law was mooted during the early years of economic reform. Several tripartite meetings were held between the government, employers and workers to deal with the issue. These meetings culminated in the formulation of a draft harmonised labour bill, which was to be presented to parliament after inputs from the stakeholders had been incorporated. The process has been very slow, and now there is the fourth draft of the bill, which is now before parliament. However, there is a lot of mistrust between the tripartite partners, with fears that the government wants to delay the process for as long as possible, and at the same time want to include sections that will curtail the liberties and freedoms of workers. During the negotiations for a social contract at the Tripartite Negotiating Forum, the ZCTU registered its displeasure with the delay in finalising the Bill, and it was hoped that it will be finalised before 31 December 2000. At the Tripartite negotiating Forum retreat during 16-17 January 2001, it was agreed that the Bill should be negotiated so that once it is finalised by the social partners, it would sail through parliament. This arose from concerns by the ZCTU that if it goes through parliament party politics will deliver a defective Act.

Given these changes to the regulations, it is obvious that labour market deregulation has had major changes affecting the employment situation in the country.

### **2.3 Stakeholder Participation in the Deregulation of Labour Laws.**

The changes to the labour market regime had the overall effect of transferring decision-making powers from the Minister of Labour to the workplace.<sup>7</sup> Both the Zimbabwe Congress of Trade Unions (ZCTU) and the Employers Confederation of Zimbabwe (EMCOZ) felt that by the vesting decision-making powers in the works council, the amendments overlooked and undermined the already established structures at the industrial level (employment councils).

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<sup>7</sup> More generally, both ZCTU and EMCOZ welcomed the streamlining of the cumbersome dispute procedures and the move towards freer collective bargaining.

The problem is that, by elevating works councils to the extent that they compete with the employment councils, weakens the incentive to join unions or employers associations. The ZCTU in particular was worried that by shifting decision-making powers to the works council, weakened unions. According to the ZCTU, workers committees, which represent workers at plant level, are not trade union structures, implying therefore that, such transfer of power weakens unions. The ZCTU's fears are also based on the observation that workers at the plant level are ill-organised and vulnerable to manipulation by the employer. These fears however, appear to have been vindicated during the short experience with these changes.

Because of its legislative legitimacy and power, the government has been taking the centre stage in setting conditions and regulations in the economy. During the period 1980 to 1990, there was virtually no opposition or strong social movement that could stand up to challenge government policies. The labour movement was very weak, and other civic groups were shy to challenge the government on issues of policy. With brewing discontent, the situation changed during the reforms. The strength of the labour movement was gaining momentum. The first signs were shown in 1989 when it vehemently opposed the declaration of a one party state in the country. There were demonstrations, and labour leaders were arrested. This sowed the seeds of opposition, even from other civic groupings.

When the government publicised its intention to introduce economic reforms, the labour movement came out clearly in opposition. Suggestions were made that a home grown strategy was necessary, as well as the caution that SAPs had failed elsewhere. The government was adamant though, and went ahead to introduce the orthodox reforms. Employers were quite happy with the move, and many were caught unaware by the effects of the policy measures.

Indeed, the strength of the social partners grew with time, and the ZCTU successfully developed a long-term development strategy for the country, in the form of the Beyond ESAP document. This was presented to the government, but with usual arrogance, the government did not seriously consider the proposals except adopting some suggested measures, but in the wrong format and structure. What comes to mind here is the constitution of the National Economic Consultative Forum, an idea proposed in the Beyond ESAP study. Instead of making the forum stakeholder driven, the government distorted the idea by appointing people to the forum.

Be that as it may, the general decline in the economy saw labour and business working together to try and persuade government to consider their views on economic management. The result has been a resounding co-operation between the two, with a lot of power to push the government into serious negotiations, as witnessed by the outcome of the Tripartite Negotiating Forum (TNF) during the year 1998 when government gave tax concessions. It is with this background that we still see TNF being a very vital forum for discussion of national issues. The social partners have been gaining strength over the years, and to some extent the government is becoming more responsive to their demands and concerns. In spite of this, the relationship between the social partners is full of suspicion. This is because while labour feels the problems bedevilling the economy are political and have to do more with governance issues, the government believes it is a result of external forces (GoZ, 2000), and employers are viscerating between the two views. The government also suspects possible collusion of

business and the labour movement against it and its policies. Thus the relationships, while warm, are pregnant with suspicion and lack of trust.

### **3. Development Of The Labour Market.**

The analysis of the development of the labour market, can be comprehended by first analysing the theoretical framework and then to test whether these postulates conform to what has happened in the Zimbabwean case.

#### **3.1.0 Trend in Resource Allocation and Transfers.**

##### **3.1.1 Relative Prices.**

Orthodox economic reform programmes emphasise the exploitation of comparative advantage in production. The essence is to produce as much as possible of the commodities we are most able to produce and export. The foreign currency earned is used to import those commodities we cannot cheaply produce domestically. Thus the programmes desire to shift the composition of national output towards the production of tradable goods (both importables and exportables). To achieve such expenditure and production switching, such programmes typically include policies of fiscal and monetary restraint and exchange rate depreciation. A successful devaluation is expected to change relative prices in favour of the tradable sector (T) sector, which in turn induces expenditure and production switching from non-tradable (NT) sector to the T sector. Tradable goods are goods that cross international frontiers and whose prices are determined by world markets. Non-tradables are goods taken as all goods and services whose prices are insulated from world markets (their prices are determined by domestic supply and demand conditions). However, the classification of commodities according to whether they crossed international frontiers or not, encounters both conceptual and empirical problems. To begin with, commodities can switch categories in response to policy changes (World Bank, *ibid*; Killick, 1985). Secondly, commodity classifications can change geographically. For instance, a commodity may be an importable at or near the port of entry, but as transport costs rise, in remoter areas, its price may be insulated from world markets (*ibid*). In this respect, it has been suggested that in practice, it is better to rank commodities in terms of their 'tradability.' In addition, some sectors, such as electricity and water, have aspects that are traded (electricity) and others that are non-traded (water). Besides, tradable and non-tradable goods can be produced as joint products. In such cases, the Central Statistical Office (CSO) classifies activities on the basis of the dominant activity.

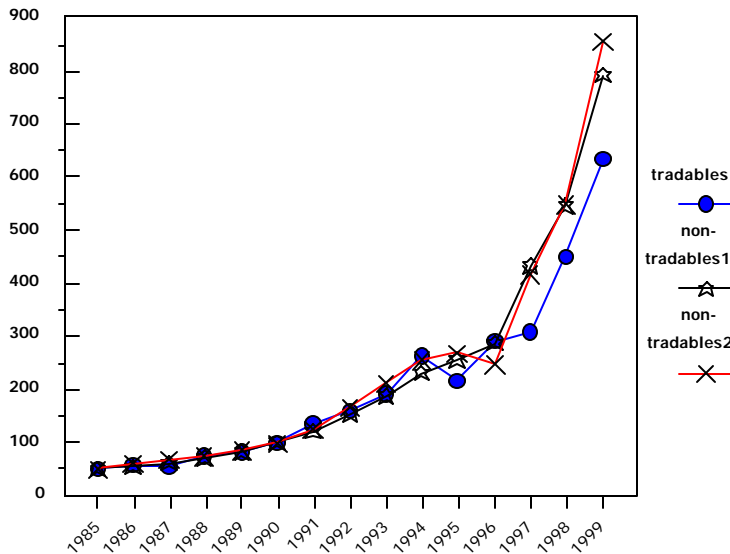
The labour market is expected to play an allocative role, "...since the achievement of a devaluation demands both real wage flexibility and intersectoral mobility" (Fallon and Riveros, 1989:1). It is anticipated that the labour market responds in the same manner as

other markets. Thus the movement of capital into the tradable sector will entail a corresponding movement of labour.

A successful devaluation is expected, all other things remaining equal, to shift terms of trade such that the price of tradable relative to non-tradable goods rises. In fact, the ratio of tradable to non-tradable goods prices is an alternative (the modern) definition of the real exchange rate. This definition of the real exchange rate measures the internal competitiveness of tradable to non-tradable goods in the home country (World Bank, 1990). For the purposes of analysis, as suggested in theory, the formal sector will be divided into tradable and non-tradable sectors.

Figure 1 follows the trend in relative prices of tradable and non-tradable goods for the period 1985-1999. The implicit GDP deflators were used to obtain relative prices.

Figure 1:Trends in the relative prices of tradables and non-tradables, 1985-1999



*Notes: Tradables includes Agriculture, Mining & Manufacturing; Non-Tradable 1 includes public administration, education, health, domestic services and other sectors while Non-Tradable 2 excludes these sectors.*

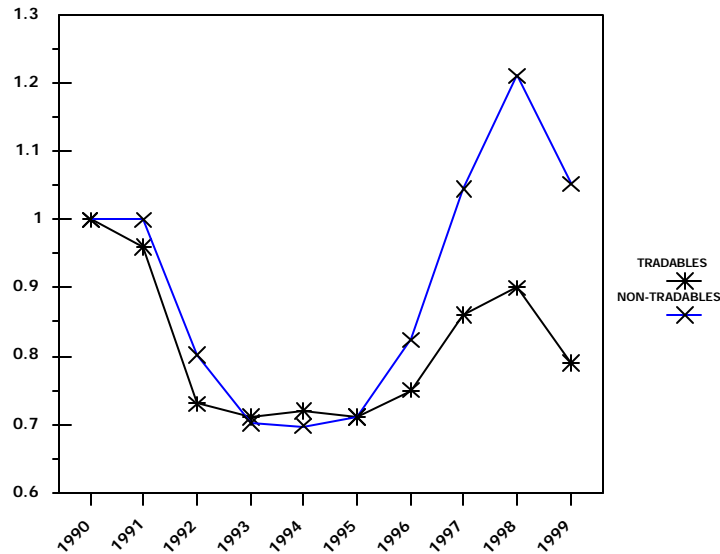
Clearly, following the period of economic reform (1991-99), prices rose much faster than during the pre-reform era, this is evident in the steep sharp increase in the relative price trends in figure 1. In line with theoretical predictions, prices of tradable goods, on average, rose much faster than those of non-tradable goods. In this regard, terms of trade shifted in favour of tradable relative to non-tradable goods.

### 3.1.2 Product Earnings.

Orthodox economic reform programmes emphasises that there should be a negative relationship between wages and employment. Depreciation of the exchange rate increases the costs of imported capital, labour benefits. Firms are therefore suggested to adopt more labour intensive techniques following the high cost of both imported and domestically sourced capital. The main question is whether the transmission to labour taken was advantage to the companies as both domestically sourced and imported capital is expensive. Higher profits realised also lead to more investment and more investment means faster employment growth rates in the Tradable sector, relative to the non- tradable sector. In this instance, as employment rises, real product wages are expected to decline.

Figure 2, shows the trends in real product earnings. Average real product earnings for each sector were obtained by deflating the average earnings by the implied GDP deflator.

Figure 2: Product Earnings by Sector for the Period 1990-2000



Average real product earnings appear to have behaved in line with theoretical predictions. There is a significant decline in the level of product earnings after the implementation of ESAP in 1990, as shown by the downward slope of the trend curves in figure 2. Kanyenze (1995) states that the rate of growth of real product earnings declined sharply from an average annual rate of growth of 8.5% during the period before ESAP, to a negative annual growth rate of 12.4% during the first phase of economic reform. There was a noticeable sharp increase in the product earnings of both the tradable and the non-tradable sector for the period 1997, this might have been caused by an increase in the nominal wages awarded to the workers in the same period. Real wages increased by 30 % between the year 1995 and 1997, but have declined by 12% in the period 1998-1999.

The rate of decline in the tradable sector is much steeper than that of the non-tradable sector. Thus as predicted in theory, the tradable sector experienced a comparative labour cost advantage compared to the non-tradable sector during the period of economic reforms. In theoretical expectations such a trend is expected to be associated with a faster rate of employment creation in the tradable relative to the non-tradable goods sector. As Collier (1995) argued, "...Certainly, inflation has been faster during liberalisation than prior to it, and so it is reasonable to conclude that liberalisation contributed to the decline in the real unskilled wages." Note that this is not a decline in the equilibrium real wage, but rather an acceleration in what was already a gradual adjustment to the equilibrium. Such an adjustment raises employment. The transfer from wages to profits may also raise savings".

In terms of which sector benefits most, Collier (1995) predicts that "both of these effects happen to benefit the import-substitute sector (which is largely coincident with manufacturing), because it is more intensive than other sectors in imported inputs, and because it is more subject to disequilibrium wages for unskilled workers than other sectors. Against such bold predictions, one would expect a strong performance by the tradable and in particular the manufacturing sector.

Before analysing the impact of reforms on employment, the next sub-section will review the trends a labour productivity and the resultant impact on employment growth rates.

### 3.1.3 Trends in Labour Productivity.

Orthodox theory predicts that following the "capital shallowing" arising from the substitution of capital for labour as a result of the reform induced rise in the cost of capital relative to labour, the productivity of labour falls. This occurs as the average worker finds himself/herself with less capital to work with and hence he/she produces less (Collier op.cit).

Table 4 traces the movement in real output per employee (real productivity) for both the period before and during reforms.

**Table 4: Trends in Real Labour Productivity for the period 1986-98**

Sector	1986-90	1991-94	1995-98
<b>Tradables of which:</b>	<b>1.2</b>	<b>-2.2</b>	<b>-0.9</b>
Agriculture	0.2	-0.6	3.7
Mining	2	0.9	-3.5
Manufacturing	1.3	-1.4	-2.8
<b>Non-Tradables of which:</b>	<b>6</b>	<b>0</b>	<b>-2.7</b>
Electricity	8.5	-2.2	-15.1
Construction	-0.2	-1.95	-3.3
Finance	17.9	0.2	-4.7
Distribution	2	-0.5	-2.2
Transport	1.9	4.5	12

Calculated from National Statistics, CSO January 2000 issue.

In both the tradable and non-tradable goods sector, real productivity declined, following the period of economic reforms, which is in line with theoretical predictions. At sub-sectoral level, real labour productivity appears to have on average, risen in the transport sector following the period of reforms. With respect to the employment sector, Collier argues that "...this conjunction of falling labour productivity and low investment in the manufacturing sector may superficially appear disturbing, but it is a sign of health as long as it is in the context of growth overall employment." The crucial failure of the manufacturing sector prior to liberalisation was to provide satisfactory dynamism for employment opportunities. The former incentive regime diverted national resources into capital formation that replaced jobs. Under the new incentive regime those resources are released and production is achieved by increased employment," (op.cit.). The next sub-section checks whether, in response to these developments, an employment response occurred as predicted in orthodox theory.

### 3.1.4 Trends in Employment.

Pure structure Orthodox theory that informs the decline in the price of labour (the real product wage) will encourage favourable quantity (employment) response. In addition, the rising cost of capital relative to labour resulting from both high interest rates and real exchange rate depreciation should encourage the promotion of labour-intensive production.

Table 5 shows the trends in employment growth rates following the adoption of economic reforms in 1991.

**Table 5: Trends in Average Annual Employment Growth Rates, 1985-99(%)**

	1985-90	1991-95	1996-99
Agriculture	1.2	2.9	0.3
Mining	-0.9	3	0.2
Manufacturing	2.9	-1	2
Electricity, Energy	3	2	16.2
Construction	9.2	-0.6	-0.6
Finance	2	3.8	10.2
Distribution	3.1	1.1	3.5
Transport and Communication	1	-0.8	-2.9
Public Administration	0.8	-3.6	-5.1
Education	4.4	1.4	4.2
Health	3.9	0.8	1.9
Private Domestic Services	0.7	0	0
Other services	5	3.4	7.1
Total	2.4	0.8	1.5

Source: Calculated From Quarterly Digest of Statistics, Central Statistical Office (CSO)-various issues.

Overall, the rate of growth in employment decelerated from an annual average rate of 2.4% during the period 1985-90 to 1.5% during the period 1996-99. The average rate of employment growth during the ESAP period is half the rate of growth of the labour force, implying that new jobs are not being created fast enough to absorb new entrants into the labour market. It is not only the lack of sufficient new jobs that is worrisome, there is an increased tendency towards the 'casualisation' of labour, especially in the case of large scale commercial agriculture, where the percentage of workers employed on a full-time basis declined from a peak of 75% in 1981-82 to 47% by 1998.

Whilst other sectors in the economy have experienced an increase in employment growth rates, i.e., electricity, finance, education; during the period of economic reforms as compared to that prior to reforms, employment growth rate for the manufacturing sector decelerated from an annual average growth rate of 2.9% during 1985-90 to -1% in 1991-95. Although the compound figures for the period 1996-99 indicate that there has been a small increase from the negative 1% to 2%, the individual employment growth rate for the manufacturing sector stood at -3% as at 1999-2000. This raises serious concern, especially considering that the manufacturing sector was expected to benefit most from the removal of market 'distortions.' A general overview of the annual employment growth rates, suggests that employment has declined following the period of reforms. Unemployment remains very high, and the bug of bribery and nepotism is taking a serious toll in employment.

According to the International Labour Organization's (ILO) World Employment Report for 1996/97, the output elasticity of employment in the manufacturing industry stood at 0.26 in the late 1990s, a decline from the previous figure of 0.42 during 1975-80. The elasticity was among the lowest in 23 developing countries. This therefore infers that a 1% increase in the output growth in the manufacturing industry would lead to a 0.26% increase in employment. The manufacturing sector was supposed to be the engine for economic growth, but unfortunately, it has been declining. While there was some economic growth recorded during some years during the reforms, the effect on employment was negligible, implying that there was jobless growth. Thus, waiting for economic growth to take care of unemployment implies the job cannot be done.



Looking at the employment response in the female labour force reveals that the number of women employed has increased over the years. Foreign investors have been able to take advantage of the low pay and manual dexterity of women workers, as noted by the fact that the young female labour has been the cornerstone of export-oriented business (refer to Table 1 in the Appendix). The statistics of employment by gender illustrate how. Working conditions are often long and arduous and dangerous. Few women keep these low paid jobs much beyond their twenties because employers fire those who marry and start a family. Many are also physically worn down by the pace of production, exposure to hazardous substances and injuries derived from the repetitive nature of their work

Despite the increase in the number of formal jobs being held by women in the economy, the percentage number of the female to male workers remains low, indicating that even with the onset of ESAP in Zimbabwe, the job opportunities available to women remain low as compared to men i.e. a great inequality still exists in the employment between men and women. Women though still maintain a noticeable percentage of total employment in the agricultural sector as compared to the industrial sector. Even though structural adjustment involves an attempt to commercialise peasant agriculture, most efforts bypass women.

Women make up a very vulnerable group in the labour market, especially in Africa. They have been hard hit by the deteriorating economic situation and the impact of structural adjustment programmes and devaluation. Most of the women work in subsistence agriculture, which is often lowly paid, with long working hours and limited productivity. The few women who work in the formal sector, often the public and civil service, are being affected by retrenchments and layoffs following restructuring or privatisation. The combination of rural and urban poverty and lack of opportunities has led to an intensification of the already existing disparities between women and men and to large numbers of women being forced to take up informal sector activities in order to survive.

In a nutshell, the IMF and World Bank have played a prominent role in promoting restructuring of national economies towards export-production at the expense of balanced development and establishment of local demand and purchasing power. Women have been to a large extent affected by the impact of structural adjustment programmes and the consequent privatisation of public services in some of the following ways:

- loss of jobs in sectors where women are more likely to be employed than men, such as health and education;
- retrenchment of women first;
- loss of social services that women depend on to enable them to combine jobs with family responsibilities;
- currency devaluation and increased prices of basic commodities;
- falling enrolment of girls in education and increases in child malnutrition especially among girls;
- cutbacks in social security coverage for women;
- government policies towards social and community services, based on the expectation that voluntary and charitable organisations will pick up this work, often using unpaid women's labour.

Among the several factors that contribute to the poverty among women, the following seem to be closely linked to the new found economic reforms that have been the turn of the century in Zimbabwe; limited skills that restrict women's access to global political and economic opportunities; market structures that restrict women to lower paying and time consuming tasks while depriving them of access to capital and credit; development models that do not take cognisance of the value of women's household tasks and development crises caused by the debt burden.

The Beijing Declaration and Platform for Action, does well to point out macro- and micro-economic policies. Programmes have hitherto been designed without taking into account their impact on women and on the girl-child (also see the impact of reforms on education for the girl child on the section of human resource development in the paper). In the face of retrenchment and escalating commodity prices, the onus usually lies on the wife to devise strategies for purchasing food, household commodities and to take care of the children.

In summary, reforms have failed to deliver employment because of their reliance on market forces. Reliance on the market forces cannot resolve the underlying structural rigidities in the

economy. The specified reform policies alone cannot generate employment. Targeted active labour market policies and programs offer a better chance of dealing with unemployment.

Another major objective of the economic reforms was to reduce the budget deficit. This was to be achieved through a number of government austerity measures, including rationalisation of the civil service, and privatisation and commercialisation of parastatals. With regard to civil service reform, it was the intention of the authorities to reduce the number of people employed in government, to freeze vacant unimportant posts, and to streamline ministries so that they could concentrate on their core activities. Abolition of posts took place. During the reforms, established posts declined to 163,612, and then to 160,612 in 1995-96, before rising to 172,220 by 1997-98. According to the Herald, 24 January 2001, the civil service now has 156,359 established posts.

A major criticism of civil service reform is that “... budget cutting appears to have been an end in itself (with a focus on numerical targets, such as a 25 percent reduction in the number of civil service posts), without a systematic assessment of the structural changes needed to improve efficiency and effectiveness. In the case of civil service reform, this has resulted in few efficiency gains and has encouraged the exodus of key civil servants, already disgruntled with severe salary compression. These still had to be replaced. The widely reported “brain drain” of experienced teachers and health workers in the public sector, despite no official retrenchments in these areas, has been particularly worrisome”, (World Bank, 1995c). Furthermore, the civil service reforms became an impediment to the implementation of the adjustment programme since “...insufficient attention has been paid to skills requirements and too much reliance has been placed on overburdened staff and existing institutional structures to implement the reforms,” (World Bank *ibid.*). There was no attempt by the authorities to come out clearly, or in consultation with stakeholders, with criteria for the reform and identification of core functions of government ministries. A lot could as well have been done to reduce duplication of roles and functions within the system. Of fundamental importance is the realisation that the reform should not be about reducing numbers only, but should be based on the conjecture of enhancing efficiency and effectiveness of the system.

Given the fact that recurrent expenditure is very high, that there was a unilateral award of 69% to 90% salary increments for civil servants before the June 2000 parliamentary elections, against the set objective of reducing the wage bill to 12% of GDP in the year 2001. There needs to be a serious consideration of the new role of government and ministries, a rationalisation process, on the basis of which the number crunching exercise will follow. This has its own difficulties, given the retrenchment packages that go with the reform and that the announced budget did not have a provision for this.

As for public enterprise reforms, even though government established a cabinet committee on commercialisation and privatisation in October 1994, little progress was made on this front, until 1999 when the Privatisation Agency of Zimbabwe (PAZ) was established. In spite of this, little has been done because of the confusion arising from the many pieces of legislation applying each parastatal has its own legal framework), which undermines intervention from structures such as Privatisation Agency of Zimbabwe, the lack of stakeholder participation in the agency, and lack of accountability and transparency in the whole process. Where parastatals have been privatised, there were retrenchments of workers. Those retrenched have

largely not been assisted in re-entering the job market, i.e. through retraining by either the government or the companies. In some instances, the process has dumped the workers into a restrictive job market where they failed to rejoin the formal sector. As a survival strategy, the majority of the retrenched have joined the informal sector. Where voluntary retrenchment was done, some parastatals lost important and experienced staff, and they had to hire other people to fill the posts.

### **3.2 Policy Interventions to deal with the unemployment problem.**

Government has initiated various programmes to deal with unemployment. These include the promotion of small and medium enterprises (SMEs), micro-projects, informal sector apprenticeship scheme (INSTARN), Other programs include;

- **Export Processing Zones.**

Zimbabwe established the Export processing Zones (EPZ) Authority in 1996. This concept sought to promote economic development and generate employment through the provision of incentives such as tax holidays for companies that invest in the EPZs. At present, EPZ Authority has conferred investment licenses on forty-one projects worth Z\$902 482 180 and issued permits for industrial parks worth Z\$1.756 billion. Approximately 2000 jobs were expected to be created every year in the EPZs with the implementation of all projects. In practice the overall situation suggests marginal gains have indeed been made in terms of employment creation.

- **Three Year Medium Term Plan (MTP)**

The government has, through the Annual Plan 2001 and the Three Year Medium Term Plan (MTP), 1998-2000, put employment creation as one of its priority policy objectives. This is also evidenced by the creation of a Ministry to deal specifically with this issue. This is in line with the vision 2020, which the MTP and the Annual Plan seek to operationalise. Employment creation is being promoted through various measures such as the promotion of small scale enterprises and the informal sector, labour intensive operations, the promotion of rural industrial development, removal of restrictive urban by-laws, land redistribution, stabilization of macro-economic environment and the promotion of investments. Consideration is also being given to the existing financial institutions to increase their lending to the small-scale enterprises sector, and reforming the educational system to promote courses in entrepreneurial development. A number of initiatives aimed at employment generation were started in the then Ministry of National Affairs Employment Creation and Cooperatives since 1995. This Ministry, now called the Ministry of Youth, Gender and Employment Creation, is currently working on a draft Employment Bill that is expected to provide a framework to create more jobs. It is also involved in the formulation and financing of projects for the youths in different provinces as a way of alleviating youth unemployment.

Zimbabwe has also benefited from the Jobs for Africa Poverty Reducing Employment Strategies for a sub-Saharan Africa (JFA PRESSA), a regional project component focusing

on reducing poverty. The project is a follow-up activity of the 1995 Copenhagen Social Summit whose aim is the creation of quality jobs targeted at the poor.

- **Industrial Policy.**

Zimbabwe promulgated and launched an industrial policy in 1999. Its emphasis is to develop small and medium scale enterprises (SME). Zimbabwe recognizes that SMEs serve as an entry point for the majority of the people into the mainstream economy. They help foster the entrepreneurial spirit and widening of ownership of business activity. The widening of ownership creates stability in the economy as more people have a stake in the economy and horizontal and vertical integration with established business would widen the economic base as well as the revenue base for firms. The government has put in place the MEDP and the Micro Start in an effort to increase its outreach on availing credit to the poor. The government is also implementing an enterprise development project worth US\$70 million funded through a World Bank loan and is being administered in the Ministry of Industry and International Trade. The project comprises of the SMEs Finance Facility (US\$25 million), the Export Finance Facility (US\$10 million) and the Business Service Component and Institutional Component.

These programmes are fragmented, inadequately financed and are not well co-ordinated, resulting in their being insignificantly (see Kanyenze,1997; & Levine, 2000)

#### **4. Human Resource Development:- Education and Training.**

Before independence (pre-1980), human resource development was predicated on a policy of white supremacy. In line with this principle, human resources amongst blacks were extremely underdeveloped. It is reported that 25% of black children never started school, while over 60% did not complete full primary education, with only 4% completing four years of secondary education (Riddell, 1979). This was deliberately designed to ensure that no competition evolved between blacks and whites (Riddell op.cit; Raftopoulos, 1986). Furthermore, the Apprenticeship Training System that was established in 1934 was not only racially biased, but was also designed to produce only a few graduates. Thus, of the 5 103 apprentices in Zimbabwe in February 1981, 56% were Europeans, 26% were Africans, 7% coloureds and 1% Asians. As discussed in section 1.0, state intervention in human resource development since independence was based on the need to redress the racial imbalances of the past. It aimed to deal with inequitable wage structure, inequitable access to education and training and to correct the distortions arising from an education and training structure that benefited mostly a white minority<sup>8</sup>.

The education system was expanded immensely at independence when the government adopted a policy of education for all. This was meant to address the asymmetry that had been entrenched by the colonial regime. Very few people had had a chance to go through the education system to desirable levels. The idea behind the massive expansion was meant to reduce the very high level of illiteracy among the population. Many schools and colleges were built. Currently, more universities are being built. By 1999, the country boasted of a high literacy rate of 87.8 (CSO, Labour Force Survey;1999), which is important for skills formation and human resources development.

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<sup>8</sup> A detailed discussion of this is in (Raftopoulos 1994; Kanyenze, 1993).

In this era of rapid diffusion of technology, mastery of new technologies becomes synonymous with achieving sustainable growth, as the successful economies of South East Asia amply demonstrate, that countries that lag behind in creating requisite technological capabilities lose out.

The key issue then, in attempting to develop a development strategy 'Beyond ESAP,' is to assess the extent to which the current adjustment programme re-orientates the economy in a way that will enable Zimbabwe to create dynamic comparative advantages so essential in the current international division of labour. Before doing so, it is necessary to discuss Zimbabwe's human resource development strategy before ESAP (1980-1990). Apart from providing a background to educational and training reforms under ESAP, it will also provide a useful assessment of the adequacy or otherwise of pre-reform (post-independence) state interventions in human resource development. More importantly, it is essential to emphasise the need to meet the human resource needs of the informal, small and medium scale enterprises, which are so critical for employment creation. This is particularly so given that, in meeting the requirements for international competitiveness, the goal for employment creation is undermined.

A major weakness of the skills-development process in Zimbabwe was its neglect of technical training and the acquisition of manual skills. This had been reinforced through heavy reliance on migrant labour, which undermined the development of a comprehensive apprenticeship training and technical education (see Raftopoulos, 1986). Furthermore, the apprenticeship system relied exclusively on employers, resulting in under investment (case of market failure). These developments still have a bearing on the problems of skill shortages in some strategic areas.

#### **4.1.0 Educational Enrolments**

##### **4.1.1 Primary and Secondary School enrolments**

The rapid and massive expansion of the education system in Zimbabwe following the attainment of independence is a success story (World Bank, 1996; 1995; ILO, 1993). Enrolment at primary school level increased threefold from 800,000 in 1979 to 2,1 million by 1990. The total number of primary schools rose from 2,400 in 1979 to over 4,500 in 1995. Enrolment in secondary schools increased at a faster rate than in primary schools, expanding from 66,000 in 1979 to 712,000 by 1995. The number of secondary schools increased rapidly from 177 to 1540 during the same period. Most of these schools were built with the support of local communities in the hitherto neglected rural areas (refer to Table 2 in the Appendix).

Secondary school enrolment declined by 8% soon after the introduction of economic reforms in the year 1991. (This is also indicated by the negative growth rate of 7.5% in the year 1992). There have been marginal increases in the enrolment rate, which stood at 0.6% in 1999.

However, this rapid expansion of the education system was at high cost in terms of the quality of the outputs. The qualitative problem can best be illustrated using the experience for 1996. A total of 143,556 pupils registered for O' level examinations in 1996. Of these, only 21 per cent (30,520) passed at least 5 subjects at grade C or better. Of the successful candidates, only 9,005 proceeded to Form VI. Although others are absorbed by the technical and teacher training colleges, these represent a very small proportion of the successful students. The majority (in excess of 90 per cent) of those that sat the exams join the ranks of the unemployed.

An analysis of the enrolment figures shows general biases in favour of males. In a study carried out by Mukotekwa and others (1998), it was found that while 8.8% of the males had no formal education at all, 12.2% of females had no education. The differences are carried through the various levels of education so that, by the time one comes to post-secondary school level, the female percentages show a marked downturn. The ratio of females to males has declined whilst dropout rates have increased more for females than males (Table 3 & 4 in the Appendix), after the implementation of economic reform programs.

The dropout rate of females in primary school increased from 2.8 in 1990 to 8.1 in 1991, whilst that of males increased from 1.5 in 1990 to 6.9 in 1991. By the end of 1997, the number of dropouts had increased considerably as compared to the number of dropouts in the year before the implementation of ESAP (1990). The rate of dropouts for girls at the primary level still remains higher than that of the males. The dropout rates for females increased from 17 in 1990 to 23 in 1991!, whilst there was just a marginal increase in the dropout rates

of males from 2 in 1990 to 4 in 1991. The reasons that were cited for this included not only the financial impact on the guardians who are responsible for fees payment for the students, but also because of cultural beliefs and practices, poverty, pregnancy, early marriages, long distances to school, abuse of girl-children and inequitable sharing of educational resources at all levels. Motivation and role models were lacking. It was submitted that many parents were not as keen to send their daughters to school, especially beyond the primary school level, as they attach more importance to the education of their sons than that of their daughters. When experiencing financial difficulties, some parents would sacrifice the education of their daughters for the same reason. In the long run, this has a negative impact on the girl-child as they grow up and intend to seek work in the labour force that has increasingly grown to be more competitive and now seeks to employ an educated labour force. This is indicated by the number of women who are employed, which still remains considerably smaller as compared to that of males. It should however be noted that there was a substantial decrease in the number of dropouts for both males and females.

While there was massive expansion of capacity in the education system, an important question to ask here is on the quality of the education received. We should note that the expansion and governance of the system contributed to the budget deficit, which still dogs the government at present. As the government introduced cost sharing measures, it stopped subsidies to the education ministry. This resulted in many failing to afford the new fees. It follows then that the number of school dropouts also increased (Kanyenze, 1999). Thus, the illiteracy level is on the increase, and there is excess capacity in many institutions.

Secondary school dropout rates do not reveal any trend. They are very high at form 4 level, averaging 92% for males and 93 % for females over the period 1990-99. Only a small proportion of those who complete form four will proceed to A-Level, with a tiny proportion enrolling at technical colleges and joining the apprenticeship system. Most become unemployed. With limited resources at its disposal, the effectiveness of the State has been weakened, leaving the burden of adjustment with society, and especially women. Thus, disadvantaged groups such as youths and the disabled are further marginalized. In many ways, the social fabric of society has decayed, with dire consequences for human development.

Another effect of structural adjustment on human development is the dilution of skill formation. Historically, formal apprenticeship is the main avenue for skills formation in Zimbabwe.

Table 6 captures trends in indentured apprenticeships for the period 1990-98.

**Table 6: Intake of Apprentices By Industry: 1990-98**

Industry	1990	1991	1992	1993	1994	1995	1996	1997	1998
Aircraft	62	74	116	57	56	84	85	3	10
Construction	113	121	133	178	125	99	76	4	134
Electrical	365	424	430	383	232	285	232	211	197
Mechanical	555	813	665	556	412	465	437	333	301
Automotive	339	545	480	431	408	468	477	501	375
Printing	67	69	93	56	34	37	52	41	12
Hotel & Catering	0	0	31	17	27	48	14	37	20
Hairdressing	40	26	26	32	46	39	53	58	98
Forestry	0	0	0	0	0	0	0	4	2
Total	1,541	2,072	1,974	1,710	1,336	1,525	1,433	1,286	1,149

Source: Ministry of Higher Education and Technology (Unpublished Data).

Since its peak intake of 2,072 apprentices in 1991, the number of indentured apprentices declined by 38% to 1,149 by 1998. All industries have been affected as employers, facing economic hardships cut back on apprenticeship. Sadly, those that qualify are not guaranteed employment. A comparison alongside the capacity of the technical colleges indicated that the number of enrolments far were far below the holding capacity of the technical and vocational colleges.

Although some progress has been made in redressing the gender disparities in enrolments, women still constitute a small proportion of students at higher levels of education, especially in technical/vocational areas. Between 1989 and 1991, women on average constituted only 3% of engineering students. Government's intention is to raise this level to 30%, through preferential recruitment, an example is the University of Zimbabwe's recently introduced affirmative action with regard to the enrolment of females. Although at some point the level of 28% was reached, there has been a reversal in recent years.

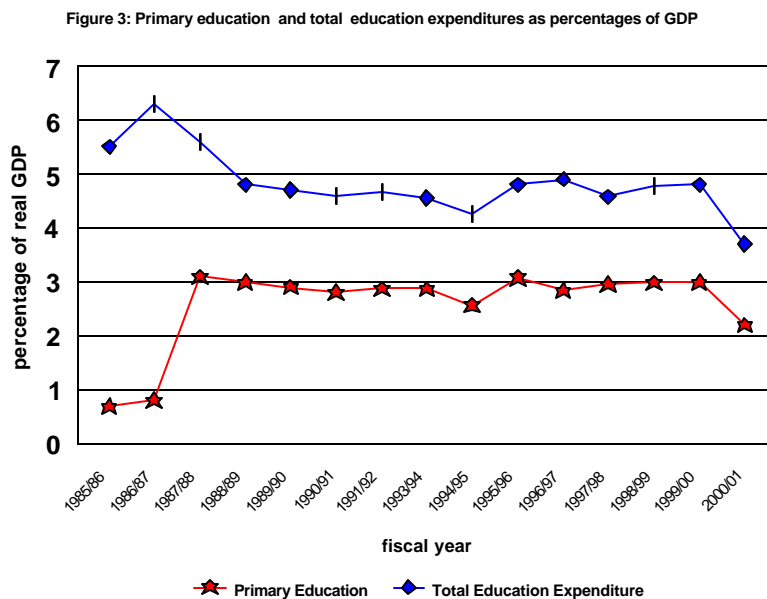
#### **4.1.2 Problems With Regard to Human Resource Development.**

The efficiency of the education and training system has been declining over the years. Despite the country being awarded the accolade of having a high literacy rate, the pass rate in the education system has been declining over the years. The major problem is that the system is academically oriented, and those who fail to meet the standard have no chance of procuring formal employment. Except for those that can enter vocational training centres and apprenticeships, there are no other ways of skills acquisition that can benefit the academically weak. This is evidenced by the findings of the Commission of Inquiry into Education and Training (2000), which emphasised the need for skills training and recognition of traditional apprenticeship programmes. There are now new initiatives that seek to address this problem, i.e. the INSTARN programme, which is already covering Masvingo and Manicaland, and is now moving to Matebeleland, and the new vocational training centres, which have (unfortunately) been moved from Ministry of Higher Education and Technology to the Ministry of Youth, Gender and Employment Creation.

The relevance of the education system has been questioned. It has been found that, despite the relatively big number of vocational education and training institutions, educational institutions are not able to meet the demand for skills. Some of the institutions have archaic training equipment, thus they impart the obsolete skills to trainees, who would have to be retrained by the recipient companies. This shows that there is a lot of waste, and implies the need for more involvement of industry in determining the curricula and infrastructure of these colleges.

The foregoing discussion has shown that remarkable progress was achieved in the expansion of the education and training system. However, such a rapid expansion of the system within a very short period inevitably occurred at the expense of quality. The massive and rapid expansion of education and training was achieved through increased budgetary allocations.

Figure 3 shows the primary education expenditure and total expenditure as percentages of GDP. The total education vote allocation declined gradually as a percentage of real domestic product from a high of 6% in 1986-87 to 4% in 1993-94, before rising to 5% in 1995-6. On



average, expenditure on education as a proportion of budgetary allocations increased during the period 1982-83 to 1990-91. Thereafter, it declined to 4% in 1999-2000. However, real expenditure on primary education increased sharply as a proportion of GDP from as low as 1% in 1986-87 to a high of 3% in 1987-88. Unfortunately, after the implementation of economic reforms, real primary education expenditure also declined to 3% of GDP and to 2% of GDP by the end of the year 2000.

With real resources falling, this had a negative impact on the quality of education. Although the massive expansion in enrolments is largely impressive, some developments in the system are a cause for concern. For instance, of the 376 392 pupils who started grade 1 in 1980, only 288 729 completed grade 7, implying a dropout rate of 23%. Only 69% of the 1981 grade 1 cohort group finished grade 7. For the period 1980-1990, the average drop out rate was 24%. This represents a sizeable wastage. During the period 1980 to 1990, the transition rate between Grade 7 and Form 1 rose from 23% to 68%. For the past 5-6 years, the average transition rate amounted to 60%, implying that 40% of those who completed Grade 7 did not proceed to Form 1. This shows that the goal of attaining universal primary education has not yet been attained. With almost half a cohort group attaining at most Grade 7, a lot more effort would have to be committed to achieve universal primary education.

At secondary level, the mean transition rate from Form 4 to Lower VI during 1989-93 is only 7.1%, implying that 93% of those who enrol for Form 4 are unemployed, with a small proportion enrolling for higher tertiary education. It is estimated that the gender difference in dropouts between 1986 and 1988 was such that the drop out rate for girls was almost 32% higher than that for boys (World Bank, 1995).

Considering that while universalising access to education is a noble human right objective, it is, however, the quality of that education which is important for socio-economic development.

### 5. Welfare Implications.



This sub section will review the impact of economic reforms on the welfare of the workers. Whilst sub-section 6.0 will analyse what the government has done in order to curb poverty, i.e. it will review the Social Dimension Adjustment programme and the Micro and small enterprises (MSES).

From the point of view of poverty, trends in the real consumption wages become more important than those of real product wages (which are more important to the employer than to the employee). Thus, the movement of real consumption wages have welfare implications (Ghani,1989; Demery & Addison, 1993). They indicate the living standards of the workers. Hence their usefulness in analysing welfare implications of structural adjustment programmes.

### 5.1 Trend In Real Consumption Wages.

As discussed above, orthodox theory is agnostic in predicting the direction of change with respect to real consumption wages following the depreciation of the exchange rate. The final outcome being dependent on the workers' average propensity to consume tradable and non-tradable goods. If the average propensity to consume tradables is high, then devaluation leads to a decline in workers' standard of living and vice-versa.

Table 7 traces the movement in real consumption earnings fro the period prior to reforms and during that of economic reforms.

**Table 7: Trends in Average Real Annual Consumption Earnings, 1980-99 (Indices).<sup>9</sup>**

Sector	1980	1982	1984	1986	1988	1990	1992	1994	1996	1998	1999
Agric	100.0	163.6	142.8	137.4	130.4	130.4	69.8	74.8	85.4	80.5	72.5
Mining	100.0	130.1	112.6	115.7	113.1	115.6	97.3	89.5	113.2	117.8	106.2
Manuf	100.0	116.7	101.1	102.6	101.3	103.1	83.0	73.8	88.9	75.2	68.1
Elec	100.0	109.7	90.1	93.0	96.3	93.6	78.7	85.1	129.0	182.2	138.6
Construc	100.0	119.6	106.8	97.9	84.6	77.7	56.6	46.2	65.5	66.8	53.8
Finance	100.0	103.3	85.1	87.0	88.6	93.4	89.2	77.5	99.3	88.2	73.4
Distrib	100.0	114.7	92.2	93.6	88.2	84.5	70.4	57.9	74.9	67.7	61.5
Trans & Comm	100.0	107.7	79.1	81.5	80.2	90.0	66.2	60.7	68.0	63.9	63.7
PublicAdmin.	100.0	89.2	66.0	63.3	62.1	60.5	41.2	35.1	59.5	68.3	66.7
Education	100.0	59.3	68.7	73.3	76.9	81.8	64.2	48.5	75.0	75.2	74.1
Health	100.0	102.2	79.2	85.3	80.8	89.8	67.8	55.7	80.3	98.9	87.5
Pvt Domestic Services	100.0	114.6	82.2	99.6	92.2	81.9	48.4	31.0	25.3	13.3	8.4
Other	100.0	107.2	84.9	81.2	75.9	80.3	61.4	54.9	70.1	65.5	56.3
<b>Total</b>	100.0	122.0	100.2	101.5	100.7	102.8	78.0	67.1	88.1	88.7	80.7

Source: Calculated From Quarterly Digest of Statistics, Central Statistical Office (CSO) (various issues).

Because theory does not predict which way consumption wages move, the aggregation of sectors into tradables and non-tradables may not be essential here, in which case, the analysis looks at all sectors, including those involving non-market transactions. Table 3 shows that in most sectors, real average consumption earnings have declined substantially over time. For the economy as a whole, real wages declined from an index of 122 in 1982 to an index of

<sup>9</sup> Earnings Data includes wages and salaries and all obligations of employers with respect to employment.

80.7 by 1999. The only sectors that experienced an increase in the wage index are mining and electricity. The decline in real wages in response to the economic policies, of which labour market deregulation is an integral part, suggests that wage rigidity, which is often blamed for unemployment, did (does) not exist.

The main reasons for the low wages include the high level of inflation that have been characteristic in the economy. The recent high trends in the inflation rate have been emanating largely from the manner in which the budget deficit is financed, i.e. money printing and domestic borrowing. The exchange rate depreciation has also fuelled the decline in the consumption earnings.

Table 8 traces the functional distribution of Gross Domestic Income for the period 1985-97.

**Table 8: Functional Distribution of Gross Domestic Income, 1987-97 (%)**

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
<b>Wages</b>	54.0	49.0	47.0	47.0	43.0	43.0	40.0	37.0	40.0	37.0	39.0
<b>Rent</b>	2.0	3.0	3.0	2.0	2.0	3.0	2.0	2.0	2.0	2.0	2.0
<b>Profit</b>	47.0	51.0	52.0	53.0	58.0	57.0	60.0	63.0	52.0	63.0	61.0
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculated From Quarterly Digest of Statistics, December 1998

Note: Percentage shares do not add to 100 due to omission of imputed bank charges.

Table 8 shows the appropriation of gross domestic income between 1987 and 1997. Clearly, the share of wages and salaries in gross domestic income declined from a high of 54% in 1987 to 39% by 1997. On the other hand, the share of profits increased markedly, overtaking that for wages and salaries. The share for rent remained static during the period under review. This shows that the burden of adjustment has largely fallen on workers relative to owners of capital. Therefore, Toye (1995) was right in observing that, "...if a pervasive impact of adjustment policies is a reduction in the real wage, then, unless labour-intensive employment expands strongly, income distribution is likely to worsen", in this case in favour of capital. Thus, as suggested in Tables 7 and 8, workers have lost out following the implementation of economic reforms. Pure structural adjustment theory is not perturbed by this trend, arguing that the loss in real incomes will be more than compensated for through greater employment creation.

The decline in real wages has created a source of unrest in the labour market. There has been an increase in the number of collective job actions. Between 1992 and 1994, labour unions participated in job actions, protesting against the adverse effects of the reforms at the micro-level. 1997 had the highest number of strikes. 1998 and 1999 recorded lower numbers of strikes. Strikes were still higher than during the first phase of the reform period. Table 9 traces the trend of the strikes that have occurred in the country from the period 1990 to 1999.

**Table 9: Trend of Strikes As From 1990 To 2000.**

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
<b>1990</b>													
<b>1991</b>												5	5
<b>1992</b>	1	2	2	0	1	3	1	0	1	0	0	3	14
<b>1993</b>	5	2	3	3	3		1	0	3	3			23

<b>1994</b>	2												<b>2</b>
<b>1995</b>	2	2	1	6	4	4	6	12	8	9	11		<b>65</b>
<b>1996</b>				12	9	6	8	3	4	13	7		<b>62</b>
<b>1997</b>	3	3	6	7	19	18	28	16	22	98	5	7	<b>232</b>
<b>1998</b>	6	9	21	9		20	3	3	16	10	5	17	<b>119</b>
<b>1999</b>	6	28	5	14	8	4	11	6	13	19	17	17	<b>148</b>
<b>2000</b>	5	12	14	8	16	12	10	22	10	9	12		<b>130</b>
<b>Total</b>	<b>30</b>	<b>58</b>	<b>52</b>	<b>47</b>	<b>51</b>	<b>61</b>	<b>60</b>	<b>59</b>	<b>73</b>	<b>148</b>	<b>50</b>	<b>44</b>	<b>733</b>

Source: Ministry Of Labour, Social services and Welfare, 2001

The table shows that, since the introduction of the reforms, the number of strikes in the country have been on the rise suggesting declining labour market conditions.

However, before analysing the effect of these changes on output and employment, it is necessary to examine the movement of real consumption wages. From the point of view of poverty, trends in the real consumption wages become more important than those of real product wages, which are more important to the employer than to the employee. Thus, the movement of real consumption wages has welfare implications (Ghani, 1989; Demery & Addison, 1993)

## 5.2 The Social Dimension of Adjustment.

Before the introduction of economic reforms, there was heavy criticism of the route that government was taking from the labour movement and other progressive civil society groups. They highlighted the inherent weaknesses of orthodox neo-liberal reforms, and the social effects of such reforms, especially with respect to vulnerable groups. They suggested that a home-grown strategy was necessary, one that took into account the peculiarities of the Zimbabwean situation.

When the government decided to adopt the reform programme, it acknowledged that ESAP would entail some transitional hardships. Due to anticipated price effects, the reduction of subsidies, especially on food and the introduction of cost recovery in education and health, there was a need to cushion the impact on vulnerable groups who would be adversely affected by these measures (Goz, 1991). To this end the government resolved in the transition period to cushion the vulnerable groups from these adverse effects through a Social Dimensions of Adjustment (SDA) programme whose framework intervention was targeted at the disadvantaged and would only be of a short-to-medium term nature. The SDA was to protect the poor during the adjustment programme. The government created a Social Development Fund (SDF) within the Social Dimensions of the Adjustment Programme. The programme had the following components:

- a) An employment and training programme, including support for informal small-scale enterprises and public works;
- b) Targeting of food subsidies;
- c) Provision for exemption from cost recovery measures for vulnerable groups; and
- d) Monitoring and evaluation of developments.

The outcome was disappointing. The problem with SDF has been limited resources, inappropriate and weak structures, poor targeting and high levels of centralisation. The result

was that the intended beneficiaries suffered the loss, and their living standards deteriorated fast. Consequently, the level of poverty increased.

In the context of falling real wages and consumption earnings, marginal increases in employment, the welfare implications are indeed adverse. Using the 1990-91 Income, Consumption and Expenditure Survey (ICES), the World Bank (1995a and b) estimated that 25% of Zimbabwe's population is poor with 7% of the population considered to be very poor. The incidence of poverty was found to be higher in rural areas, where 31% of the rural population was estimated as poor (the rural areas account for 71% of the total population). Hence the next question would be, what has government done in order to alleviate poverty.

The 1995 Poverty Assessment Study Survey (PASS) carried out by the Ministry of Public Service, Labour and Social Welfare's Social Development Fund Unit shed more light on the incidence of poverty in Zimbabwe (GoZ, 1996). The study calculated two poverty lines, namely, the food poverty line (FPL) and the total consumption poverty line (TCPL). The FPL, was defined as the amount of income required to buy a basket of basic food needs for an average person for a year, while the TCPL was seen as the level of income necessary to purchase a basket of food and non-food needs by an average person for a year. Those whose incomes are above the FPL and below the TCPL were defined as "poor". Using a national FPL of Z\$ 1,331.87 and a TCPL of Z\$ 2,213.28, the study found that 62% of the population is poor (incomes below the basic needs threshold, the TCPL). The "very poor", whose incomes are below the FPL constitute 46% of the population. Rural poverty accounted for 72% of the rural population while 46% of the urban households were considered poor, with incomes below the TCPL. It is estimated that the level of poverty increased to over 75% of the total population in 2000, with increasing incidence of urban poverty. Although due to methodological differences, the World Bank estimates cannot be compared with the recent study, there is however, general agreement that the incidence of poverty has risen in the 1990s. Of relevance to policy are the reasons given for rising poverty. In GoZ (1996), the main cause of poverty was identified as unemployment or retrenchment, accounting for 38% of the responses, followed by drought at 29% of responses and low pay at 12%.

The Social Dimensions of Adjustment programme has failed to cushion vulnerable groups from the social costs of adjustment. To begin with, whereas government had indicated that the programme would be given high priority and established urgently, a coordinator was only appointed in March 1993, well after the adjustment programme had started and its social effects were already being felt. The support that had been intended for the small-scale enterprises largely did not reach the beneficiaries. A study by the ZCTU on the informal sector in Bulawayo and Harare (September 2000) showed that less than 1% of the interviewees knew of the existence of the facility, and an insignificant number said they received assistance. The effect has thus been the perpetuation of technical and microeconomic inefficiencies in the small-scale enterprise sector. Other facilities such as food subsidy targeting and exemption from cost recovery measures were done in a neither transparent nor scientific manner. Thus on the whole, the intended social safety nets had too big holes that saw the majority of those they intended to capture falling through.

The Employment and training component of SDF focused entirely on retraining retrenchees. These retrenchees were offered a 5 day business course on "how to start and run your own business," after which they applied for project funding through their training agency. By the end of 1994, only 8,809 retrenchees had been retrained. These represent 28% of retrenchees. However, considering that official statistics grossly underestimated actual retrenchments, the proportion of retrenchees retrained is much lower.<sup>10</sup> A total of 1,195 projects worth Z\$89million were approved by the end of January 1995. These were expected to create 5 032 jobs implying only 16% of retrenchees were re-deployed. ILO (1993) estimated that the component of SDF assisting those who could not pay school fees covered only one-eighth to one tenth of the target group. The assistance for cost recovery in the health sector was not well developed. Targeted assistance with respect to food money, school and examination fees and healthcare encountered administrative problems and a general failure to reach targeted groups.

The failure to mitigate the social costs of adjustment have been attributed to:

- The programme being severely under-funded over the years. The government failed to attract partners in the form of donors and the private sector to help in financing the programme. The political instability that has been characteristic in the past two years has not done any good either. As a result of inadequate social safety nets funding, the Ministry of Labour and Social Welfare owes a multiplicity of health and education institutions millions of dollars in unpaid arrears that over the years have continued to swell. Hence it shows the sustainability problem of the Social Safety Nets (SSNs) in their current state. It also means that the level of illiteracy is on the increase among the poor, who form the majority of the beneficiaries from the social safety nets;
- The extremely slow progress arising from cumbersome procedures;
- Narrow focus of the training component on retrenchees to the exclusion of school-leavers, the existing unemployed, and the existing poor;
- The absence of a forum for all key stakeholders in the implementation process to meet, share their experience, and exchange ideas on the way forward has affected the impact of the SDF social safety nets as this has led to the problem of inconsistent programme implementation;
- The five-day training is inadequate, (is too short to be effective). Not all retrenchees are suited to running businesses. It may have been better to provide more suitable skills retraining;
- Small coverage, considering the extent of the problem. Further more, given the high failure rate of existing businesses little sustainable employment could be created. There was little knowledge about the programme; and
- The system was too centralised (based in Harare) with a very small staff complement of only people at the level of project analysts.

The impact of SDF has largely been negligible, largely because of inadequate funding and poor targeting. Generally, the budget allocations to the Public Services have been on the

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For instance, the official statistics suggest that only 59 workers were retrenched in the textiles industry in 1994, and yet the widely publicized closure of Cone Textiles alone affected 6000 workers. It is also important to note that this retraining component applied up to 1995. In the new programme (after 1995), the trainees were supposed to pay \$500, and that killed the programme.

declining end, with a decline from 4% in the 1996-97 budget to 2.7% in the 1997-98 budget. It stood at a mere 3.1% in the period 1999- 2000.

**Table 10: Resources Available To Social Dimensions Fund (\$Million)**

Year	Grants	Employment Training Programme	Social Safety Nets
92-93	20	7	13
93-94	150	50	100
94-95	100	33	67
95-96	50	17	33
96-97	75	25	50
97-98	129	43	86
1999	100	-	100

Source: Ministry of Public Services, Labour and Social Welfare

Table 10 clearly shows that there has been inadequate budgetary support to social safety nets over the years. If one factors in inflation, support has drastically fallen in real terms despite nominal funds having increased from the Z\$20 million allocated in the year 1992-93 to Z\$100 million in the year 1999 (there is fact a 40% decline in the allocation). However, as for the year 2000, all the projects so far have been suspended as the SDF is expected to firstly pay back the debts that it owes to various organisations. Chisvo and Munro (1994) pointed out that, "by employing an exclusive targeting approach designed largely to exclude ineligible applicants from gaining benefits, the SDF inadvertently raised such high barriers to entry that most of the eligible population did not benefit either." The study by Kaseke (1993) revealed that the targeting system based on household income was inequitable as it ignored the size of the family. Consequently, some applicants who were the most needy were denied assistance. The same study revealed that many of the intended beneficiaries were not accessing the scheme because they were not aware of its existence. The number of beneficiaries in the educational sector has also declined substantially over the years of the implementation of economic reforms in Zimbabwe.

Table 11 traces the path of assistance under the SDF to the educational sector (in terms of school fees) and other social sectors. This assistance was meant to benefit the disadvantaged groups that could no longer afford to pay school fees.

**Table 11: Assistance under Social Development Fund**

<b>School fees</b>	<b>No. of Beneficiaries ('000)</b>	<b>Total Cost (\$)</b>
1992	20 748	1 375 159
1993	174 857	27 144 975
1994	188 230	32 591 455
1995	215 491	38 160 426
<b>Examination fees</b>		
1992	757	84 769
1993	154 462	2 528 493
1994	52 596	8 970 014
1995	76 861	15 137 842
<b>Health fees</b>		
1994	131 652	8 026 162
1995	200 303	27 467 867
<b>Food money</b>		
1993	79 021	316 084
1994	238 084	952 366
1995	42 074	397 424

**Source: Social Development Fund Annual Report for 1995**

*Note: the figures end up to the year 1995, because the programme was suspended after the year 1995.*

The problems of the social safety nets programmes are that they are reactive rather than proactive. This is so because it is the affected themselves who have had to come forward when they were desperately in need of assistance. Normally, this is when the children have been expelled from school or the deadline for payment of examination fees is about to expire. While some disadvantaged children have been kept in schools, these institutions, particularly non-government schools, have suffered in the process due to serious delays. The ILO (1993) estimated that the component of SDF assisting those who cannot pay school fees covered only one-eighth to one-tenth of the target group. The assistance for cost recovery in the health sector was not as well developed, resulting in the needy failing to access healthcare. The targeted assistance with respect to food money, school and examination fees and health care encountered administrative problems and a general failure to reach targeted groups. The effect of all this on the human capital formation has been very detrimental, and will also affect the proper functioning of the labour market in future.

The Poverty Alleviation Action Plan (PAAP) succeeded the SDF in 1995. This was far more ambitious than the SDF programme, trying to alleviate extreme poverty in the country. This was to be achieved through social mobilisation, improved natural resources management, economic and social infrastructure investments, and creating opportunities for income generation. The programme is intended to empower communities to make productive use of available resources and opportunities through targeted social expenditure, decentralised project implementation and participation and partnership in poverty alleviation. Components of the PAAP are:

- Community development through social mobilisation, community infrastructure, and capacity building;
- Micro enterprise and informal sector development through credit and technical assistance;
- Poverty monitoring and strategic planning, and
- Social safety nets to deal with problems in health, education and food security of poor families.

The level of poverty has been increasing since, despite the efforts by the ministry. This prompted the authorities to come up with enhanced social safety nets that not only try to assist the current poor, but aim to go deeper to reach the new poor. These initiatives formed new components of the PAAP.

The Enhanced Social Protection Programme (ESPP), a new component of the PAAP, is targeted as a social safety net aimed at alleviating irreversible effects of adjustment on human capital formation. This is part of the major social safety nets put in place by the Ministry of Public Service, Labour and Social Welfare to try and deal with the problem of increasing poverty, and the rigidities in the earlier nets which failed to adequately respond to major shocks. It was aimed at helping human capital formation among the new poor in both urban and rural areas, thereby strengthening the PAAP.

The major components of the ESPP are:

- Basic Education Assistance Module (BEAM), which aims to reduce the number of people failing to attend school because of hardships, and providing school fees waivers to reduce the rate of drop outs;
- Children in Especially Difficult Circumstances (CEDC), which aims to identify and assist children in difficult circumstances through community support and implementation of component;
- Public Works Component (PWC), which seeks to put in place labour-intensive public works that offer employment to the poor. This temporarily avails income to the poor;
- Emergence Drugs and Medical Supplies component;
- Social Protection Strategy (SPS), which sets studies, analyses, consultations and technical assistance aimed at improving strategic planning, monitoring and implementing programmes in the Ministry.

The implementation of ESPP has not yet begun, as government has decided to fast track the BEAM component first. The delays in implementation are related to the current stand-off between government and the Bretton Woods Institutions. However, the World Bank has undertaken to fund ESPP as a special case. The only condition is that government should address its arrears with the World Bank, which now amount to almost US\$452 million.

The issue of inadequate resource allocation remains a major hindrance in their execution, and yet their poor implementation has generally failed to contain increasing poverty. While we may blame these programmes for their failure to reduce poverty and the social effects of adjustment in general, we should look deeper into the sources of the problems. The actual source is beyond the ministry concerned. The main problems relate to the design of structural adjustment programmes, which is the real source of macroeconomic instability. Of course, in the case of Zimbabwe, the issue of fiscal indiscipline is also important. It is only through



dealing with these fundamental issues that programmes aimed at poverty alleviation can work.

**Box 2**

**ZCTU's countrywide consultations on social, economic and political issues.**

The ZCTU went around the country in 1998/99 collecting people's views of the economic situation in the country. This culminated in what the organisation called 'The Raw Data', which formed the basis for the National People's Convention in February 1999. Consultation process covered all the provinces of the country, including both urban and rural areas. Many civic groups participated in the data collection process, both as interviewees and organisers of the interviews in their specific areas.

The major areas covered by the consultations are:

- Social issues (health, education, living conditions / standards, and poverty);
- Economic issues (economic performance, employment, incomes and the cost of living, investment, and economic policies); and
- Political issues (the right to vote and upholding of human rights, party politics and a critique of parliament, governance issues, and the national constitution).

The process started with the analysis of the existing situation. It went on to focus on what was wrong / right about that situation, and finally devised a way forward.

The following were identified as the situation on the ground:

1. High rate of unemployment with the education system churning out a lot of people who cannot find employment;
2. The SDF was failing to fully cater for the poor, who were growing in numbers, given the growing demand for school fees from the fund as people got retrenched;
3. Increasing casualisation of labour, with companies moving towards short term employment contracts;
4. Declining living standards and purchasing power over the reform period, and ever-increasing inflation wiping away any collective bargaining gains;
5. High level of taxation, with existing rates being raised, and new rates being introduced, e.g. animal tax in the rural areas;
6. Very high income disparities between the waged employees and the salaried employees in the economy. There are also a lot of retrenchments, and companies are closing;
7. The high budget deficit and poor prioritisation of expenditures has over-burdened the poor, and the macroeconomic environment, which is not conducive to investment;
8. Infrastructural and social services investment is biased in favour of areas where the 'big chefs' come from. There is also increase in corrupt tendencies by the leadership in the country; and
9. There is formulation of economic policies without the participation of civic groups and the society at large. The policies are only announced on television, without proper advocacy and publicity. As a result the majority of the people do not understand what these policies entail, except enduring the suffering emanating from the policies.

These issues were raised at most of the meetings.

The participants went ahead to identify what they felt went wrong, especially after the introduction of the economic reforms. They identified the following:

1. The macroeconomic environment is not conducive to investment and employment creation. This emanated from government's implementation of orthodox economic reforms, and its very high and unsustainable over-expenditure over the period. The debt overhang is thus problematic, and domestic borrowing raises inflation, and interest rates, thereby crowding out private investment;
2. There is rampant corruption in government ministries, and in local government institutions, with offenders not being punished accordingly. Nepotism has also become institutionalised;
3. The commitment of our forces into the DRC war has resulted in the drain of our resources to fund the war. This expenditure was unplanned for;
4. The government bureaucracy is too big, and has not been trimmed despite the calls for such;
5. The deregulation of labour laws has resulted in employment insecurity, and compromise of labour standards;
6. The top-down approach adopted by the government in 1980 has been imbibed in the system to an extent that it is suspicious of civil society. This remains endemic in the system, hence the lack of consultation; and
7. Civil society has been very weak, and could not assert its position as regards the policy formulation process in Zimbabwe. There is also a lot of intimidation and harassment from the central intelligence organisation members, especially when one questions the logic of some policies pursued by government.

After the identification of problem areas, the interviewees resolved that the following should be done:

1. The government must open up to all stakeholders and all Zimbabweans so that they can participate effectively in policy formulation. A home-grown development strategy must be developed by all stakeholders, with the government as the implementing agency. It should be sensitive to the plight of the poor, and policies must reflect this. Evaluation of policies must be done openly, with the public contributing;
2. Policy formulation and setting of priorities must take a bottom-up approach, rather than the current, which leaves political leaders dictating everything to everyone else. This ensures ownership of programmes;
3. The governance system must be reformed to get rid of corruption. Accountability and transparency must form the foundation of the system of governance. Thus all those found on the wrong side of the law must be dealt with as per our laws without exception;
4. The government must restore macroeconomic stability through the adoption of policies that reduce its over-expenditure. Monetary policies and fiscal policies must be used in complementarity, without relying on any one of them;
5. The government must reduce the level of personal tax, and control the increases in the prices of basic commodities. Subsidies must be reintroduced for social services;
6. An anti-corruption commission must be set up. This must be statutory, and autonomous of government interference. This should, with the support of everyone else, stamp out corruption in the country; and
7. There should be a debt audit to establish what government loans have been used for. Urgent measures must be put in place to deal with the debt problem.

A lot of other issues were raised. Those willing to learn more from the results of the consultative process must read ZCTU's '**Raw Data**', which was reproduced in the document '*The worker-driven and people-centred Development Process for Zimbabwe*', by T.F. Kondo.

## **6. Micro And Small Enterprises (MSEs) And Economic Reforms.**

The importance of the non-formal sector, especially the micro and small enterprises, has grown during the period of ESAP. Although the sector has always existed, it was not officially recognised before the reforms. Nonetheless, its growth during the reform period was unprecedented, as people got retrenched and the social effects of adjustment began to be felt. This growth reflected a change in official policy towards the sector, as the government slowly started realising that the sector was not residual to the mainstream economy, but was part and parcel of it. The deregulation of the legal environment for the sector acted as an impetus for its growth.

The terms small and medium scale enterprises (SMEs), micro and small enterprises (MSEs) and Small, Micro and Medium Enterprises (SMMEs) are often confused and used interchangeably. However, these are different, as the names imply differences in sizes. Here we focus on MSEs for the reason that comparative studies on these are readily available. In addition, MSEs are interesting in that they are a strategy for survival. McPherson (1991), Daniels (1993) and USAID (1998) have carried comparative studies on MSEs covering manufacturing, commercial and service MSEs. The USAID study extended its coverage to agriculture and mining. The comparisons therefore exclude these.

USAID (*ibid.*) defines MSEs as business activities that employ 50 or fewer employees, inclusive of the proprietor(s). For crop-agricultural enterprises, only those with sales of at least Z\$2,000 per year were included, while for all other businesses, only businesses that market at least 50% of their product were included. According to USAID (*ibid.*), the MSE

sector comprises of over 1.3 million enterprises, 66% of which are in manufacturing, commercial, or service activities. Mining and agriculture account for the remaining 34%.

The number of MSEs increased from 867,784 in 1991 to 941,944 in 1993, before declining by 8.7% to 860,329 by 1998. While there has been an overall decline in the number of MSEs, the urban-based ones increased by 0.3% (1991-93), 29.6% (1993-98) and 30.1% during 1991-98. The number of rural-based ones declined substantially during the period 1993-98 (-22.9%) and by 13.7% during 1991-98, despite growing by 12% during 1991-93. This may have been caused by the decline in real incomes, given that the rural-based ones mainly get their seed money from remittances from urban areas, as well as the trend of rural-urban migration.

Employment (including proprietors) in manufacturing MSEs increased from 1,4 million in 1991 to 1,6 million in 1993 (14.5%) and 1,7 million by 1998 (an increase of 22% over the 1991 level). This is in comparison to the 1,5 million formal employment during the same year. This means the informal sector is a bigger employer compared to the formal sector, a situation that should still hold today given the prevailing economic conditions. Despite declining by 2% during the period 1991-93, employment grew by 54.9% during 1991-98 in urban areas. In rural areas, employment in MSEs initially rose by 21.7% for the period 1991-93, before falling by 10.4% during 1993-98. The overall size of MSEs has grown from an average employment level of 1.6 in 1991 to 1.9 by 1998.

The share of one person operations, fell from 78% in 1993 to 58% by 1998, while the share of firms with 2-4 employees more than doubled, as was the 5-9 category over the same period. The shift towards the larger size category is more pronounced in male-owned enterprises. While two-thirds of all male-owned MSEs were one person firms in 1991, this figure declined to 45.8% by 1998. In 1991, 85.7% of all female-owned MSEs were one person firms. The level declined to around 70% by 1998. The shift away from one-person is similar for urban and rural areas.

During the 1990s, the sectoral composition of MSEs has changed markedly. Manufacturing activities have declined substantially. This sector accounted for 71.6% of all MSEs in 1991, a level that declined to 65% in 1993 and only 42.4% by 1998. The shrinkage in the share of the manufacturing sector has been pronounced for the textiles sub-sector, due mainly to import competition (especially of second-hand clothes). It is the trade-related activities (mainly retail) that have experienced rapid expansion. The share of trade-related MSEs more than doubled to 45.2% during 1991-98, an average annual rate of growth of 12%. The importance of those MSEs renting flats and rooms increased from a negligible level in 1993 to 7% by 1998. In the same line, the economy has witnessed the massive mushrooming of flea markets through out the major cities. Some landlords have been opting out of formal shop operations to renting their premises for the operation of flea markets. Be that as it may, because the markets trade in imported goods, the local manufacturers of stuffs sold here have been strangled, and some have closed, like in the textiles sector.

Home-based MSEs initially increased from 76.9% in 1991 to 81.2% in 1993 and 69% by 1998. Since 1993, the share of MSEs based on markets, roadsides and commercial districts increased considerably. As hardships increased, this may have been a strategy to get closer to

the market. Sales and profits increased at an average annual rate of 4% during the period 1993 and 1998. Profits also rose in similar fashion. The three studies suggest the dominant source of credit is own resources, accounting for 90% of all MSEs. This lack of institutional finance and support means the vitality and propensity to grow of the sector is therefore limited, reducing its total effect on the economy.

The studies also show that firms that received credit are on average larger, grow faster and are more profitable. It was however not clear whether these were larger, faster growing and more profitable because they received credit or whether the better performers are the ones that received credit. Women-owned MSEs hardly receive formal credit, accounting for only 10% of recipients, compared to 36.3% for male-owned ones and 53.7% for jointly owned ones. Interestingly, however, the bulk of micro-loans, 65.2% went to female-owned MSEs, compared to 7% for male-owned ones and 27.8% for jointly owned ones. Formal loans mainly go to urban-based firms (78.3), while the majority of micro-loans go to rural areas (53.4%).

MSEs are mainly created as a subsistence mechanism, and not in response to new opportunities. Most births of MSEs were in low-profit sectors between 1994 and 1998 and more than half the births were in only 6 sectors. In these sectors, profits were a sixth of that of the other 42 sectors and entry costs were a tenth of those for low-birth sectors. Using regression analysis, USAID (*op.cit*) found that during 1988-97, for every 1% increase in GDP growth, and the MSE birth rate decreases by 0.63%, implying MSEs increase during economic downturns. Daniels (*op.cit*) found similar results for the period 1988-93. Most are created as a result of unemployment. Around 70% of low-profit sectors had a higher birth during the downturn of 1995 than in the recovery year that followed. In the high-profit sectors, in 60% of the cases, the birth rate is higher during downturns. Daniels (*op.cit*) found the opposite.

Most firms that closed down during 1994-97 were in the marginal profit areas, with in excess of half the closures occurring in only 5 sectors whose average annual profits are one-sixth of the remaining sectors. The sectors with the highest birth rate also experienced the largest death rate. The number of female-owned enterprises declined from 75% in 1991 to 58.1% by 1998. Female owners of firms increasingly shifted from manufacturing activities into trading and, to a less extent, services. Between 1991 and 1998, there were 15.2% fewer female-owned manufacturing firms, while those in the trade sector increased by 9.7% over the same period. As at 1991, 78.1% of female-owned firms were in manufacturing, the level declined to only 47% of female-run enterprises by 1998. This could have been caused by the fact that most retrenchees were male and came to take over the operations of the enterprises while women concentrated on family household chores, or the reason could be that, the declining sectors (e.g. textiles and clothing) were predominantly women-owned.

In addition, female-owned firms tend to be smaller in terms of sales and employment. Average employment growth is almost three times larger in male-owned firms than in female-owned ones. USAID (*op.cit*) contend that this could be because women deliberately choose lower-profit sectors so as to divide their time between the enterprise and other duties such as childcare. The combination of falling purchasing power and increased competition in the informal sector has effectively condemned participants in this sector into the low

productivity, low profit trap. Without a clearly defined strategy to develop the positive and dynamic aspects of this sector, it is difficult to raise the sector's productivity in a manner that is welfare enhancing.

There were interviews conducted with groups in the informal sector. Of particular interest was the interview with women selling vegetables at the Lobengula Street designated point in Bulawayo. They explained their experience in the informal sector as in the following box:

**Box 3**

**Women vendors at the Lobengula Street designated selling point, Bulawayo.**

There were many people, both men and women selling different wares at this point. However, because of the numerical dominance of women, the interviews focussed on them. A group of six selling vegetables at the point was interviewed, and the women gave their accounts of how they ended up in the informal sector. Four of them said they could not find formal employment, and given the dwindling disposable income, they joined the informal sector so as to supplement the household income. Two of the interviewees said they had been retrenched from the tourism sector. They said they did not earn much from their activities, but at least managed to feed their families. They cited a number of problems that they experience in the informal sector. These are:

- Their jobs do not have security, and they can hardly afford basic things like medical cover and three meals a day;
- They face harassment from city council police, and these at times seize their wares for feeble reasons such as that their goods would be overlapping out of the small spaces allocated to each of them;
- They face harassment from their male counterparts, some of whom do not have any respect for women. The harassment arises from competition for customers. Also, some people come to sell close to their designated spaces, raising competition, yet they do not pay rentals to the city council;
- They lack access to capital to expand the scale of their operations;
- The vendors operate from makeshift structures, and are vulnerable to weather condition changes.

The women believe that there is need for greater government involvement improving the conditions of operators in the informal sector. Some urban council bylaws prohibiting the operations of the informal sector must be repealed and/or amended to reflect the existing conditions.

NB: This case on women in the informal sector was adapted from the research on labour relations in the informal sector conducted by Blessing Chiripanhura on behalf of the Zimbabwe Industrial Relations Association (ZIRA).

The findings of the studies (mentioned earlier) show the extent, composition and importance of the informal sector in the economy. It is quite clear that the sector is very important in terms of employment. Given the ever-declining size and shallowing of the formal sector, it means the sector will play a major role in terms of addressing the current high rate of unemployment. At the same time, because of the poor facilities and too basic technology used in the sector, productivity is very, and the many people here spend too much valuable energy on very little return. Thus its productivity needs to be enhanced. We should note that lost labour is total waste, and cannot be reclaimed in future.

Indeed, the sector is gaining momentum, and has the potential to ease the unemployment problems in the economy. However, the conditions under which the workers here operate, leave a lot to be desired. Because of its reclusive nature, labour regulations are not observed. As a result there are vices like child labour, exploitation of young workers and women, and there is non-observations of health and safety regulations. The ministry concerned doesn't have enough manpower to supervise the sector. The result is that the majority of the labour

force in the country is not covered by the principal labour legislation, hence does not benefit from the conventional and international labour standards. In this regard, there is need for action to address this anomaly. Moreover, there is environmental damage emanating from activities in the sector, which need to be corrected. A case in point is the land degradation resulting from gold panning in the Shurugwi and Zvishavane areas.

#### **7. Insecurity in the Labour Market**

A number of insecurities have been created in the labour market since the introduction of economic reforms. The high rate of unemployment has generally resulted in the loss of job security. For the labour intensive and semi-skilled operations, the situation has been terrible, as employers have taken advantage of the inherent allocative inefficiencies to pay low wages. Collective bargaining becomes threatened as there are a lot of people willing to do the jobs the workers will be doing at even a lower wage rate. Issues of survival have thus taken centre stage, and labour standards have been severely compromised. Businesses are resorting to multi-tasking as a way of reducing employment, but at lower rates of pay. Companies have also scaled down education and training as a way of cutting costs. This results in skill reproduction insecurity, which will affect industry and the whole economy in the long run. While there is access to skill acquisition through technical and vocational training institutions, the syllabi there are usually outdated, with archaic machinery still being used, implying the wrong skills are learnt.

Insecurity in the job market has increased during the reform period, as opportunities to participate in the labour market have always been limited. Using the now cliché statistics available, it is envisaged that while the education system produces about 200,000 – 300,000 school leavers annually, only a tenth manage to enter the labour market. The cumulative effect of this is indeed high levels of unemployment of an educated labour force, which is increasingly becoming restive. Currently, there is open unemployment of university graduates, signifying the lack of labour market security. These, with the retrenchees, find themselves with no option but to join the survivalist informal sector.

Over the years since the reform of the labour regulations to make detachment in the work place easier, employment security has been compromised. With the coming of competition and closure of companies, the labour force has found itself increasingly at the mercy of business. The issue of retrenchments and high unemployment compromise employment and income security.

While the current legislation has provisions that try to eliminate arbitrary loss of employment, the ineffectiveness of the labour administration system and information asymmetry, have increased the insecurity in the labour market. Since the adoption of economic reforms, there has been a growing phenomenon of companies substituting contract labour for permanent employment. Thus permanent employment is under threat and with the lack of an active labour and market policy advocating for the contrary, the situation is likely to worsen. Employers are opting more for casual labour because they will not have the obligation to provide for the workers' pensions and other benefits. Because of the high levels of poverty, and the majority of the workers being poorly remunerated, in the long run, these policy failures will result in very high pressure on the fragile social welfare system.

Claimed occupational injuries amounted to 19,447 in 1994, and increased by 6% to 20,551 in 1997 suggesting that security at the work place has generally been declining. Companies seem to be ignoring the health and safety protection regulations at the workplace as a cost cutting measure, but endangering the lives of the employees. However, the figures have been declining since then, reaching 13,367 cases in 1999. The number of persons killed is high also, with the highest of 246 persons recorded in 1995, before declining to 151 in 1999. There can be a number of reasons regarding the decline recorded over the years. Firstly, official statistics have to be used with caution, because their accuracy is largely dependent on the method of collection, and many could be going unrecorded. Nonetheless, the decline could be due to increased supervision by the authorities, or due to increased education and training, among other possibilities. The situation on the ground however points towards the contrary, with the 'Millennium Tower' tragedy still fresh in the mind, a construction accident that killed 15 workers at the construction site of the CABS' 'Millennium Tower' office building. Because of the cumbersome procedures to receiving compensation for occupational injury and the quantity of the compensation, some cases go unreported.

Good as the deregulation of the labour market may be, the process has affected a number of security issues that are important for any active labour market policy. A lot in terms of labour standards has been lost than gained from the reforms. Given the new forms of employment under globalisation, which include performance related pay and contract employment, organised labour is viewed as a distortion. Hence employers, armed with the powers to hire and fire, compel their employees to individually waive their right to join trade unions.<sup>11</sup> This leaves such workers exposed to poor representation, and their capacity to influence the work environment is highly compromised. There has also been abuse of the power vested in employers, to the extent that they have been exploiting the weakness of workers (both political and financial), as exemplified by the case in box 4:

**Box 4**

**Challenges of a liberalised labour market: The dispute between Standard Chartered Bank (SCB) Zimbabwe and 211 workers.**

In early 1997, the SCB employees, through a letter copied to the Ministry of Public Service, Labour and Social Welfare and the Bank's board of directors, advised their employer of their intention to engage in collective job action. The major reasons cited for the action were:

1. Workers were not satisfied with the new profit sharing scheme, which was to be performance related, and was alleged to have been imperfect to qualify as the sole basis for the distribution of bonus. The bank was also alleged to have been reducing the bonus pool progressively over time;
2. Management was alleged to be victimising workers committee members, especially those who were members of the pension fund trustees, after they resisted the appointment of a particular administrator.

We should note that these causes emerge from a structural adjustment context, which emphasises work place flexibility and work related pay. The orthodox policies strive to reduce costs by any means possible, and, as with the fundamental principle of capitalism, maximise profits.

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<sup>11</sup> The power to hire and fire is prone to, and has been abused by employers. A case in point is that Pioneer Engineering firm owner, Mr. Brand, who after losing a case of underpayment to a Mr. Manjengwa, confined him in a circle at his work place without tea or lunch breaks (the so called 'Circle of Despair'). This was done to try and coerce him into resigning.

On receiving the letter, the bank approached the Ministry of Labour for intervention to avert the strike action, and the ministry recommended compulsory arbitration. The employees went ahead and called for a strike. The bank responded by applying for both a show cause order and a disposal order from the ministry, which were issued. The bank then engages Fawcett Security to deliver the two orders to employees' residence, accompanied by an order to return to work by Monday 28 April 1997, or face disciplinary action. However the bank did not keep an updated register of the addresses of the employees, and hence some did not receive the letters, hence did not take heed of the ultimatum. Consequently, the bank instituted disciplinary action against the employees who had not returned to work from the 29<sup>th</sup> of April 1997. The bank based its action on Statutory Instrument 201 of 1995. The Zimbabwe Banks and Allied Workers Union (ZIBAWU) warned the bank against manipulating the code of conduct, highlighting the difficulties of implementing the code in the absence of the workers committee, and hence suggested dialogue. Nevertheless, the bank went ahead with the disciplinary action, and found the workers guilty of misconduct, and dismissed them. The employees appealed to the Grievance and disciplinary Committee (G & DC) in terms of the same statutory instrument used by the bank.

Since elected workers representatives of the G & DC had been dismissed, the bank went ahead to hand pick and set up ten such committees to hear the appeals, and all ten dismissed the workers. Hand picking of members to the G & DC is forbidden by the code of conduct. The employees refused to participate in blatantly flawed process.

The workers appealed to the high court, which declined to hear the matter saying all other channels should be exhausted first. This implied that the case was supposed to go to the national employment council (NEC) first, then to the Labour Relations Tribunal and the Supreme Court. Instead, the workers took their case to the Supreme Court, which upheld the decision by the high court.

The workers took their case to the NEC, before which all their appeals succeeded. The bank appealed to the Labour Relations Tribunal and lost the case. It appealed to the Supreme Court, which ordered the case to be heard before a properly constituted G & DC, and surprisingly awarded the costs to the bank. After only two hearings, the whole G & DC process was abandoned after the current workers committee withdrew citing irregularities in the process. The affected workers then stormed the bank's head office and went on a hunger strike. The hunger strike only stopped after the bank had agreed to set up a committee comprising two representatives for the bank and two for the workers to arbitrate over the case.

There are a number of issues arising from this case:

- Because of structural adjustment, some benefits which used to be enjoyed by workers were being stopped in favour of fashionable globalisation-related forms of payment (performance related pay);
- There seems to have been general lack of commitment on the part of the supreme court, noting its failure and / or unwillingness to deal with the matter conclusively, which has caused prolonged suffering for the workers. The prolongation of injustice was underlaid by the ability of the employer to appeal, because it has the money and the employment regulations have been made loose to allow the employer a lot of free play. The courts perpetuated a cycle of litigation which they could have resolved a long time ago;
- The dispute has been going on since 1997, and still remains unresolved despite the bank having lost twice before competent labour courts. Despite condemnation of the poor conduct of the bank by the International Labour Organisation (ILO) and Union Network International (UNI), the bank remained adamant. So far nine of the affected workers have died, and the majority and their families are living in abject poverty;
- The bank blacklisted the fired workers such that they could not easily get employment in the financial sector. This seems like they committed a crime, when in fact they were just exercising their constitutional rights.

## **7.1 Flexibility in the labour market**

Flexibility is the chief stimulus of liberalisation of the labour market under economic reforms. There are many forms of labour market flexibility, one of which is wage flexibility, and has been covered elsewhere. There are two forms of flexibility that have not been discussed, and these are employment flexibility and work process flexibility. These flexibilities are related to the extent to which they both seek to achieve competitiveness.

Employment flexibility is the reorganisation of work patterns. Because of the premature opening up of the economy, companies were faced with stiff competition from foreign counterparts. This forced many to reorganise work so that they could adapt to new demands and achieve efficiency for competitiveness. Some went on to change work methods and



processes. They have been making their production processes more capital intensive, which in itself does not promote employment, given the surplus labour in our economy. All the same, this process places new demands on workers, who are forced to adapt to the changes and learn more and new skills. This is in the background of a rigid and largely irrelevant education and training system. We should note that the reorganisation included issues of multi-skilling, multi-tasking, and job rotations. Such changes enlist the total support of the workforce for them to succeed, but not without pressure on them.

Employment flexibility has seen companies reorganising their production processes, and in many cases has been associated with retrenchment. The government has gone to the extent of enhancing this flexibility by legislating retrenchment through statutory instruments 404 of 1990 and 252 of 1992. A twin devil coming with this is the casualisation of labour and the emergence of fixed term employment. It should be noted that while proponents of this flexibility talk of it as preserving and promoting employment, the quality of the employment promoted is low, and insecurity takes the stage. Thus this reorganisation has not brought much joy into the labour market. Companies continue to close operations and relocating mainly to South Africa. Also, regulations are inadequate in so far as training and retraining of retrenched is concerned, given the failure of the SDF to do so.

## **7.2 Is Labour Market Flexibility Appropriate?**

Considering that wages have other important roles such as being a reward for labour services, an instrument for allocating human resources across sectors, regions and occupations, and an inducement for greater effort and productivity, falling real wages have had adverse effects. Falling real wages, and especially in government, have often triggered adverse adjustments that negate efficiency, thus hindering the recovery process. Such adverse reactions include moonlighting, declining morale, shirking, absenteeism, high labour turnover and outright corruption.<sup>12</sup> The often quoted case in this respect is the extreme example from Uganda, where civil servants were reported to spend only a third or half their normal working time on government duty. The Public Salaries Review Commission (1982-Uganda) established that “the civil servant had either to survive by lowering his standard of ethics, performance and dutifulness, or remain upright and perish. He chose to survive,” (Lindauer *et. al.*, (1988); Schiller, (1990)). In this regard, Singer contends that “...it does not follow that squeezing wages is the best way of getting labour out of non-tradables and low productivity sectors ... exploitation wages must themselves be treated as a labour market ‘distortion’,” (1992). A recent study of labour markets and adjustment by the World Bank came to a similar conclusion, observing that “... beyond a certain point the macroeconomic consequences of real wage declines may lead to an additional cost of adjustment that relies too heavily on labour markets,” (Horton *et. al.*, 1991). These observations are not far from true in the Zimbabwean situation. The problems identified with regard to labour market flexibility equally apply in the private sector.

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<sup>12</sup>The Public Service Review Commission of 1989 found that these reactions already exist in the public service in Zimbabwe (see Kanyenze 1993).

The projected employment response did not occur, effectively adding to the social costs of adjustment. This lack of employment response is not only unique to Zimbabwe, as it has been found elsewhere where such programmes have been applied (see Turnham, 1993). In fact, the expected switch from capital-intensity to labour intensity may not occur due to the fact that firms had already adjusted to the absolute shortage of foreign exchange in Zimbabwe by employing an 'optimal' workforce. Any further shifts towards labour intensity would adversely affect the quality of products (Muzulu, 1993).

In any event, promoting the extensive use of unskilled labour is no longer suitable in a world economy where competition is increasingly skill-driven (Lall, 1990: Carnoy *et.al* (ed), 1993). In the face of globalisation, skills need to be updated every now and then. In fact, there is a general shift towards highly skilled labour, able to quickly adjust to technological changes. Thus, sustained growth is increasingly associated with the building of technological capabilities, the provision of incentives especially for research and development, and the establishment of requisite institutions.<sup>13</sup> Within the current division of labour, the location of production is highly influenced by the level of technological capacity existing, and in particular the level of human resource development. In this context, "...labour tends to be seen as much as an innovatory resource whose potential has to be maximised than as a factor whose cost should be minimised," (Kaplinsky and Posthuma, 1993:1). After recognising that action was necessary given the challenge posed by globalisation, and in the context of economic reforms, the ZCTU (1996) advocated for a two tier strategy: one that involves adopting the technology-intensive techniques essential for international competition in the formal sector, while at the same time promoting labour -intensive informal, small and medium scale enterprises in both the rural and urban areas.

## **8 Conclusions and recommendations**

### **8.1 General Observations**

The labour market structure in Zimbabwe has never been the same since the reforms started. The orthodox theory of adjustment places emphasis on the role of the labour market in ensuring that resources switch from the production of non-tradables towards the production of tradable goods. This expenditure and production switching is induced by incentives generated by the real depreciation of the exchange rate, trade liberalisation and restrictive monetary and fiscal policies. The real product wage in the tradable goods sector is expected, *ceteris paribus*, to fall relative to that in the non-tradable goods sector. This shifts income distribution in favour of factors used in the production of tradables. At the same time, within the tradables sector itself, income is redistributed away from workers who are argued to have a high propensity to consume, in favour of capitalists who have a high propensity to save, and therefore investment should rise (Ghani, 1989).

With the given incentives, theory suggests that the tradable goods sector is expected to be more profitable relative to the non-tradable goods sector, resulting in higher investment and

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<sup>13</sup>These involve human skills - entrepreneurial, managerial and technical - required to operate industries efficiently' (Lall, 1990).

consequently high output levels. As a result of these adjustments, employment is expected to rise faster in the tradable sector relative to the non-tradable sector. Interestingly, and based on this premise, a major objective of Economic Structural Adjustment Programmes was to create employment, however this seems not to have been the case after the implementation of the reforms. Some of the sectors in the economy have experienced marginal increases in the employment growth rates, but are still far below expectations.

Despite its failure to implement fiscal reforms, Zimbabwe has gone a long way in terms of policy prescription. The only area where progress is limited is that of civil service and public enterprise reform. The predicted fall in real product wages did occur, implying that real wage rigidity, often blamed for hindering employment creation, did not exist in Zimbabwe. However, the expected employment response did not occur. Real consumption wages fell dramatically during the reforms. The fall in real consumption wages has had adverse effects on aggregate demand in the economy and productivity. This has in fact raised economic contraction.

Contrary to theoretical expectations, the exporting sectors did not perform well during the economic reforms. The observed fall in real labour productivity was not induced by the substitution of labour for capital, which would have resulted in increased employment. This fall in real labour productivity was in fact caused by falling real output, with minor changes in employment. The anticipated employment response did not occur. It is important to recall that the welfare-enhancing effect of reforms is expected to come from rising employment such that the decline in real wages is more than compensated for.

The conjecture of declining real wages and employment implies rising poverty. In order to survive, those adversely affected by the social costs of adjustment resorted to survival strategies by engaging in informal sector activities. Given the lack of a coherent strategy on the informal sector, and with increasing competition, participants in the sector are locked in a low productivity and low profit trap. Women are the most adversely affected. This implies that there is little room for them to effectively participate meaningfully in the development process. The SDF did not do much to alleviate the problem either. As the World Bank observed, "... the SDF appeared to have been tacked on to ESAP more as an afterthought than as an integral part of the overall program," (1995c). In this context, the social costs of adjustment were not mitigated satisfactorily. In the apt words of the World Bank, ESAP "...entailed considerable pain but little visible gain" (1995c).

Of importance is to trace the causes of the failure of ESAP. The severe drought of 1992, and to some extent, that of 1994, contributed to economic contraction. However, drought alone cannot account for its failure. A number of weaknesses have been identified concerning the design of the programme, a serious shortcoming that the World Bank itself now accepts. The World Bank's "Performance Audit Report" provides an interesting self-examination when it contends that, "... The Bank's overall performance was satisfactory, but its shortcomings were in focusing, almost exclusively, on policies and targets. In retrospect, it is clear that the Government needed assistance in formulating specific action plans, as well as institutional strengthening to enable it to carry out, in particular successful fiscal and parastatal reform and an effective program to alleviate the burden of adjustment on the poor," (ibid.). The lack of

institutional capacity, and absence of strategic planning, with so much emphasis on meeting numerical (quantitative) targets, meant that the goal of achieving development was lost.

Hawkins makes a pertinent observation that "... the arbitrary decision to retrench 25% of the civil service is a meaningless exercise. The civil service (parastatals) need a root and branch reform, not just number shedding. The starting point would be to ask what services are needed? What resources are needed to satisfy them? Only then can we say how many public servants are needed in each department. Cutting numbers is not the problem. It is a culture problem, an attitude problem, a matter of getting people to understand that they are there to provide a service, not to obscure and obstruct. Its a qualitative issue, not a quantitative one," (1995). Quantitative targets should therefore be a means to attaining a desired objective, and not the end themselves. In this regard, we may conclude with Kapoor that, "Given the weak implementation capacity in African economies, ...structural adjustment programs, in general, have unrealistic expectations about how fast adjustment can occur; consequently, the political cost of speedier implementation are also often underestimated," (1995).

Another dimension of economic reforms is the issue of sequencing. Toye (1996) argues that for reforms to be sustainable, they must begin with those areas that promise the greatest benefits. Thus, before liberalising the trade regime, the financial sector should be able to provide credit at affordable rates so as to broaden the economic base. Because this did not occur first in our economy, the absence of an enabling macroeconomic environment meant that it was more profitable to "...park resources in the money market or engage in trading speculation, rather than manufacturing, resulting in a destruction, over time, of the productive sectors in the economy," (Kapoor, 1995). Thus the result was an untoward and non-productive resource allocation process. The speedy liberalisation of the trade regime, did not give local industries sufficient time to adjust, resulting in de-industrialisation. Given that issues of capacity, infrastructural development are medium -long-term issues, the sequencing of reforms becomes of crucial importance. Of paramount importance is the realisation that structural adjustment should be preceded by stabilisation, so as to ensure attainment of set targets and policy effectiveness.

The emphasis of ESAP was, as in the orthodox principles, on " getting prices right" and hence over reliance on ' free markets'. However, successful exporting requires the upgrading of export infrastructure, the provision of export finance, and the development of market intelligence. Industrial development, as the lessons from South East Asia suggest, requires a strategic role of the state in guiding and leading the market through provision of incentives to those productive sectors offering the best returns. Leaving the market alone to dictate the course of economic development did not work, cannot work, and will not work. Instead, the guiding hand of the state will always be necessary.

More importantly, the failure to consult other social partners hindered progress. In the words of the World Bank, "... the Zimbabwe case demonstrates the importance of popular ownership and participation throughout the process of adjustment. An open, transparent dialogue can help generate realistic expectations, reduce uncertainty, and contribute to a unified sense of national ownership of reforms," (World Bank, 1995c). Thus, as the World Bank (1996) found, ESAP was highly unpopular in Zimbabwe. Given its failure, it is

necessary that we explore strategies of dealing with the labour market situation currently prevailing because of the reforms.

## **9. The role of the labour market beyond the economic reforms.**

It has been argued that ESAP promotes a passive labour market policy, with a strong emphasis on creating a highly flexible labour market. Most unfortunately, this approach will not enable Zimbabwe to resolve the underlying structural rigidities and inefficiencies arising therefrom. Concentrating exclusively on the formal sector will only further entrench the inherited enclave and dualistic structure of the economy. In the process, the underdevelopment of the non-formal sectors of the economy is sustained, to the detriment of the majority of Zimbabweans.

Beyond the reforms, Zimbabwe has to adopt a two-pronged approach involving both a top-down formal sector driven strategy and a bottom-up transformation of the non-formal sectors. Such an approach provides the most realistic way of resolving the enclave and dualistic legacy of the past, which has been further reinforced under ESAP. This therefore entails the need to promote and upgrade the economy to enhance its international competitiveness and to transform the non-formal sectors so as to tap the hidden potential of the economy. To achieve this two-pronged strategy requires the adoption of a proactive labour market policy. In this regard, it is important to identify elements of the strategy that are necessary in revamping our labour market policies.

### **9.1 Strategic Elements**

#### **a) Labour Market Administration through a "Smart Partnership".**

To ensure proper co-ordination and harmony of labour market policies, it is essential that a Labour Market Commission (LMC) be established. The Commission should be tripartite in nature and have an autonomous existence so that it can reach decisions and respond quickly to changes on the labour market. Because of its tripartite nature, labour market administration will therefore be based on close and active participation of the social partners. The direct involvement of the social partners is essential for swift decision-making and smooth implementation. When labour market policy falls under one authority, it is easier to create conditions for co-ordinated effort and develop a common vision. The involvement of workers and employers creates a culture of joint responsibility, which promotes a long-term commitment to problem solving. The problem with the current system is that, while labour market administration is vested in the Ministry of Public Service, Labour and Social Welfare, there is an element of competition from (parallel) programmes elsewhere e.g. from the Ministry of Youth, Gender and Employment Creation, and the Public Service Commission.

#### **b) Pursuing an Employment-Intensive Growth Strategy**

After the reforms and stabilisation, the employment strategy should have the following elements: increasing capacity utilisation of existing industries; development of new industries, especially small and medium scale enterprises; promotion of the urban informal sector; creating employment through land reform and raising the productivity of the rural non-farming sector especially through promoting labour intensive community-based works programmes<sup>14</sup>. Other ways of encouraging intensive use of labour, such as through wage subsidies should be explored.

Employment-intensive growth strategies could easily be pursued within the framework of the indigenisation programme. Government agencies that seek to promote (SMEs), such as SEDCO, Zimbabwe Development Bank and the Venture Capital Company of Zimbabwe need to be adequately financed. SMEs remained the cheapest sector with a lot of hope in employment creation and poverty alleviation. The provision of working and seed capital would increase the size of operation, and training would improve on the efficiency and quality of the output. In this regard, linkages with the formal sector can be enhanced, so that the SMEs output finds a ready market in the well established formal sector.

The public works component of the Enhanced Social Protection Programme must be effectively and efficiently implemented. The public works should be in infrastructure development e.g. road construction, dam construction or housing projects. This will create jobs for the poorest in the short run. International agencies like the ILO can be consulted so as to use their expertise in issues of employment intensive programmes and good labour policies and practices.

### **c) Strengthening the Capacity for Policy Analysis, Formulation and Implementation**

Human resource development in Zimbabwe has proceeded with little data on the skill requirements of industry or comprehensive data on the wage structure and changes thereto. This has resulted in mass production of personnel with skills that are hardly relevant to the demands of industry. This has negatively affected the desire for international competitiveness.

Given the limited capacity of government departments in providing timeous, detailed data on occupational structures and tracer studies on the effectiveness of training, it is essential that other organisations be involved. In this case, it is particularly interesting to note that the Institute of Mining Research carried out a detailed study of skill distribution in the mining sector covering the period 1981-1993. The pharmaceutical industry has also recently completed a study on skills in that industry. It is therefore recommended that National Employment Councils, which cover all sectors of the economy, should provide detailed information on occupational and wage structures, skill distribution and requirements on a regular basis. With such a detailed data system, it will be possible to redesign the curriculum,

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<sup>14</sup>In many African countries, small and medium scale enterprises account for more than 80% of manufacturing employment. In Zimbabwe, they account for less than 10%, suggesting that they have great potential.

and adapt the education and training system to meet the specific and changing needs of industry, the informal, small and medium scale and rural sectors of the economy.

To formulate policies, up-to-date labour market information should be collected to make the labour market more efficient and demand-oriented. In this regard, a centralised and computerised, but accessible labour market information system (LMIS) must be established. A board consisting of stakeholders to ensure it is free from manipulation can manage the system. The LMIS must among other variables, capture the skills requirements and availability, the geographical distribution of skills, training opportunities and available facilities, and the placement opportunities available and filled.

The goal of attaining full employment must be integrated in all labour market programmes.

#### **d) Developing an Education And Training System Geared Towards Employment Creation**

The present education and training systems are designed to satisfy the human resource requirements of the formal sector. With high unemployment rates, the phenomenon of discouraged job seekers is on the rise. Under-utilisation of skilled human resources has become common (with even engineers teaching). Formal sector enterprises are becoming more capital intensive as they re-equip and update obsolescent equipment so as to become internationally competitive.

All this calls for the reorientation of the education and training systems, which are mainly geared towards credentialism. Those that may not be good enough to obtain the necessary qualifications are doomed. In this regard, a parallel system that promotes the acquisition of practical skills should be developed. This way, the inefficiencies associated with academic-oriented education, where thousands of students have to retake examinations to attain the required qualifications will be avoided. Thus, while this may call for the expansion of the technical and vocational education system, we must be cautious to ensure that the training institutions are adequately staffed, and that they get access to state of the art technology that the students will find in industry. This avoids the waste incurred when they have to be retrained when they enter the job market.

Curricula have to be redefined so as to meet the specific demands of the informal and small-scale sectors. Skill requirements of the small-scale enterprises and informal sectors should be addressed within the formal education and training systems. A culture of entrepreneurship needs to be inculcated from an early stage of a child's education (as in countries like Mauritius). This implies that changes are needed in attitudes at home (parental guidance) and through labour market counselling. Traditional apprenticeships need to be fully recognised as a form of skills acquisition. Those with exceptional ability from this angle must have a chance to distinguish themselves, and linkages with the formal system must be closely intertwined.

**e) Semi -Autonomous Institutions, Decentralisation and Labour Market Flexibility**

For the curricula to be sufficiently and flexible to adapt to the changing skill requirements, it is essential that the gap between policy makers and “users” of trained personnel be reduced. This can be promoted through involving the stakeholders (workers and employers) in the running of training institutions. In this regard, training institutions should be accorded a semi-autonomous existence to enable them to react quickly and timeously to changing skill requirements. National Employment Councils, which are composed of both worker and employer organisations, should play a more active role in designing the training curriculum for their specific sectors. They should take-over the recruitment of apprentices, so as to encourage participation of enterprises.

In addition, given the failure of the Department of Employment Development to provide an efficient and effective job placement service, and in view of the urgency of the rationalisation of government’s expenditures, job placement, career guidance and counselling services should be provided by National Employment Councils. While the Ministry of Labour has a department dealing with the issues, in collaboration with employment agencies, visibility is very low, and there is inadequate coverage and orientation of those requiring guidance.

**f) Role of Private versus Public Sector Training Institutions**

Considering the limited financial resources within the public sector, and in line with current international trends, the private sector should be encouraged to participate more in human resource development. Given the prevalence of market failures and information asymmetry in human resources development, government should put in place a transparent incentive system to promote private sector participation especially in the provision of firm-specific skills. This could be in the form of tax incentives for companies that train people in a certain field.

**g) Guidelines on Retrenchments, Retraining and Redeployment**

The tripartite Retrenchment Committee should design national guidelines on retrenchments, retraining and redeployment of retrenched in order to minimise the social costs involved. Assistance for those experiencing hardships should be provided under PAAP. NECs can be encouraged to mobilise resources and discharge the retraining of retrenched too.

**h) Technological Capacity Building**

At international level, consensus has now emerged on the importance of re-organising the industrial structure towards the technology intensive production techniques. In terms of human resource development, this entails introducing new courses at tertiary level with a bias towards product design, quality control and marketing. Workers are required to acquire multi-skills so that they can perform several tasks. New forms of work organisation must be encouraged to the extent to which they do not constitute exploitation of workers.



Recent studies show that new techniques require radical changes in management attitudes. Within the framework of the fashionable Japanese approaches, firms are shifting from the traditional vertical organisational structure towards a horizontal one, with emphasis on teamwork.

**i) Consolidating the Institutional Framework**

Zimbabwe has an already developed educational and institutional capacity, but, however, some of these institutions are operating with excess capacity due to shortages of lecturers and equipment. As such, enrolments at some institutions can easily be increased by 70% without any additional capacity being installed. In this regard, priority should be given to improving technologies currently in use in technical colleges. These have been found to be using obsolete technology compared with what industry is now using, which in turn lags behind international trend and standards. New equipment, books and other resources have to be acquired and the curricula must be redesigned so that the training will meet today's world requirements. Working conditions have declined in public sector institutions, so mechanisms have to be developed to improve these conditions, thereby enhancing productivity.

**j) Creating Opportunities for Disadvantaged Groups**

In order to achieve the required shift in resources towards promoting non-formal sectors, detailed studies of the different needs of these sectors should be undertaken. These studies should, among other things, examine the existing institutions to determine whether they could be re-oriented to serve the non-formal sectors as well.

Affirmative action, especially in recruiting disadvantaged groups with weak links to the labour market, (such as women, the disabled and the youths) needs to be intensified. Incentives (such as tax refunds) should be used to encourage the employment of these disadvantaged groups. Everyone has the right to work, so are the disabled. Labour market policy must entrench this right in a manner that involves workplace adaptation and other measures that enhance their employability. Sweden developed Employability Institutes for such purposes. Special public sector enterprises that could fall under the Industrial Development Corporation should be established to encourage private sector participation in employing disabled persons.

Given all this, it is important that Zimbabwe as a country adopt active labour market policies to ensure that all stakeholders participate effectively in the formulation and implementation of labour market policies.

## Appendix

**Table A: Employment by gender 1980-1999**

YEAR	MALES	FEMALES	TOTAL	FEMALE/ TOTAL (%)
1980	838.5	171.4	1009.9	17.0
1981	871.9	165.9	1037.8	16.0
1982	881.8	164.1	1045.9	15.7
1983	864.5	168.9	1033.4	16.3
1984	864.4	172	1036.4	16.6
1985	863.2	189.3	1052.5	18.0
1986	890	194.1	1081.1	18.0
1987	889.5	195.5	1085	18.0
1988	929.5	201.5	1131	17.8
1989	956	209.9	1166.1	18.0
1990	977.6	214.5	1192.1	18.0
1991	1015.8	228.2	1244	18.3
1992	1012.1	224.1	1236.2	18.1
1993	997.6	242.7	1240.3	19.6
1994	1008.8	254.5	1263.3	20.1
1995	983.7	255.9	1239.6	20.6
1996	1002.7	271.1	1273.8	21.3
1997	1036.9	286.4	1323.3	21.6
1998	1052.6	295.9	1348.5	21.9
1999	1021	293.1	1314.4	22.3

Source: Central Statistical Office

**Table B: Secondary and Primary School Enrolments.**

### 10 A: SECONDARY SCHOOLS

### 10 B: PRIMARY SCHOOLS

YEAR	Male	Female	TOTAL	Male	Female	TOTAL
1980	42132	32189	74321	647761	588233	1235994
1981	86550	62140	48690	892680	822489	1715169
1982	134084	93563	227647	991111	916114	1907225
1983	187583	128855	316438	1060154	984333	2044487
1984	248116	168297	416413	1101899	1030405	2132304
1985	287061	194939	482000	1142480	1074398	2216878
1986	320788	216639	537427	1160166	1104887	2265053
1987	354175	250477	604652	1146361	1104958	2251319
1988	373026	267979	641005	1122662	1089441	2212103
1989	386928	283687	670615	1131986	1091185	2223171
1990	381030	291626	672656	1073452	1046429	2119881
1991	397954	312665	710619	1168450	1126484	2294934
1992	368070	289274	657344	1162565	1143200	2305765
1993	355262	284890	640152	1258465	1178206	2436671
1994	361835	296083	657918	1202569	1163651	2366220
1995	386775	324319	711094	1259891	1222686	2482577
1996	404405	346944	751349	1265891	1227900	2493791
1997	421039	367565	788604	1259888	1231473	2491361
1998	442226	387751	829977	1265177	1223762	2488939
1999	443067	391813	834880	1251533	1208790	2460323

Source: Ministry of Higher Education and Technology.

**Table C: Dropout Rates by Grade and Gender: 1990 - 1998**

	GRADE 1		GRADE 2		GRADE 3		GRADE 4		GRADE 5		GRADE 6	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
1990	4.5	7.1	0.9	0.1	2.1	0.5	2.8	1.4	6.2	6.1	1.5	2.8
1991	14.3	10.3	5.5	3.9	6	4	5.4	2.7	3.2	0.7	6.9	8.1
1992	10.3	11	3.5	4.2	3.7	3.3	2.8	3.1	0.4	1.1	7.1	2.3
1993	14	14.3	6.7	5.8	6.3	5.6	5.3	6.2	3.7	5	3.2	6.3
1994	8.5	8.9	2	0.5	0.8	0.3	1.2	1.1	4.2	4.2	2.4	1.6
1995	11.5	12.3	4.9	4.6	4.3	3.8	3.1	1.7	1	0.2	2.5	3.4
1996	12.2	12.6	5.2	3.3	4.8	3.5	3.4	2.6	0.6	1.4	5.5	4.6
1997	12.1	13.2	4.4	3.3	3.4	3.7	1.9	2.5	0.2	1.1	5.9	8.7
1998	12.87	12.70	4.77	4.10	4.25	3.59	3.34	2.92	1.26	1.38	5.46	8.28

Source: Ministry Of Higher Education And Technology.

**Table D: Dropout Rates by Form and Gender: 1990 - 1998**

	FORM 1		FORM 2		FORM 3		FORM 4		FORM 5	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
1990	6.15	10.32	4.75	8.87	5	4.94	91.82	92.55	2.18	-17.17
1991	14.85	15.68	10.88	14.77	13.56	20.4	93.36	95.11	3.83	23.33
1992	11.38	11.26	5.63	9.47	10.5	18.47	92.45	94.51	-2.83	-6.52
1993	8.12	9.71	3.68	9.69	7.99	14.64	91.65	93.09	1.33	-5.22
1994	5.84	8.08	-0.63	3.27	4.13	8.49	91.67	93.16	5.34	9.02
1995	7.66	9.13	2.66	5.81	6.11	11.14	91.44	93.01	1.71	0.28
1996	7.64	7.93	4.54	7.57	9.83	14.01	91.55	92.79	4.84	8.57
1997	6.56	8.13	1.67	6.9	6.93	11.92	91.56	92.53	3.67	4.67
1998	6.12	7.80	4.80	6.61	8.35	13.52	95.30	95.93	9.68	15.30

Source: Ministry of Higher Education and Technology.

**Table E: Annual average employment ('000)**

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	*1999
Agric	275.5	265.6	277	284.6	290	304.2	300.6	323.6	329.4	334.0	347.0	355.1	345.1	337.7
Mining	54.9	56.7	57.7	55.7	51.4	50.9	50.2	47.5	52.5	59.0	59.8	59.1	61.0	59.5
Manuf	176.9	177.4	187.3	195.3	197.1	205.4	197.2	187.7	199.8	185.9	183.5	197.8	207.6	200.7
Elec	8.2	8.2	8.6	8.8	8.7	8.9	8.2	7.9	8.6	9.5	12.4	13.1	15.5	17.1
Construc	47.4	49.6	58.6	66.6	75.8	81.1	89.5	90.5	85.2	71.8	77.5	78.1	79.1	69.2
Finance	15.4	16.3	17.2	17.1	17.6	18.2	18.6	20.2	21.9	21.1	22.2	26.3	27.9	31.0
Distrib	81.2	83.6	87.3	91.9	96	100.7	99.3	95.9	105.1	100.6	101.4	106.3	112.9	115.3
Trans&Com	50.7	50.7	51.1	51.8	53.3	56.4	52.6	49.8	52.5	50.9	50.3	51.3	51.0	44.9
Pub Admn	90.8	93.5	92.4	93.5	93.4	94.9	93.4	89	76.5	77	70.9	67.1	66.2	62.5
Educ	95.7	98.8	100.4	104.2	108.1	109.5	109.9	111.3	112.8	115.6	127.1	137	146.4	134.9
Health	21.8	22	22.8	23.6	25	26.5	25.8	25.7	25.9	26	26.6	27	28.2	28.0
Pvt. omestic	100.1	101	102	102.4	102.1	102.1	102.1	102.1	102.1	102.1	102.1	102.1	102.1	102.1
Other	62.5	61.7	68.8	71.2	73.7	85.3	89	88.4	91	86.1	92.9	103.1	105.4	113.2
Total	1081.1	1085.1	1131.2	1166.7	1192.2	1244.2	1236.4	1239	1263.3	1239.6	1273.7	1323.2	1348.4	1316.1
% Change	2.72	0.37	4.25	3.14	2.19	4.36	-0.63	0.21	1.96	-1.88	2.75	3.9	1.9	-2.4

Source: Quarterly Digest of Statistics, various issues.

\* 1999 figures are provisional.

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