Economic reform programmes, labour market institutions, employment and the role of the social partners in Namibia[1]

by

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Abstract

Namibia does not represent a case of structural adjustment, that is, a kind of economic reform in a situation of crisis with a high leverage of external actors (IMF, World Bank). Rather, the agenda for economic reform is set by the government, and addresses the problems of the high poverty and extreme inequality of a dualistic economy which emanate from a mineral-based enclave economy and from a past policy of racial segregation (apartheid), which restricted the benefits of education and other social services to the privileged.

Government policy is aimed at promoting growth and employment and reducing poverty and inequality. Key instruments for achieving these aims are high expenditures on education, health, a universal pension system, and other social services. Further to this, measures have been taken to create employment and to redress inequities on the labour market. At the same time, the Namibian Government follows a market-oriented and open economic policy, based on acknowledgement of the fact that the problems of poverty and inequality can only be overcome in the context of economic growth. The aims of the government include a balanced budget, a conservative approach to foreign debt, and public sector reform. However, progress in the achievement of these remains limited.

Namibia's economic record since independence in 1990 compares favourably to both the pre-independence decade and the sub-Saharan African (SSA) average, but remains inadequate to the task of significantly raising per capita incomes - in fact, since 1994 per capita incomes have been stagnating.

Independent Namibia inherited a highly segmented labour market, where every defined 'ethnic group' had differentiated access to employment and to wages, with a major underlying factor being unequal access to education. Figures do not exist for tracing the record in social development precisely, but it is clear that poverty and inequality remain a major problem. Unemployment has increased, as the declining importance of agricultural employment has not been compensated by commensurate increases in employment in the industrial and services sectors.

Namibia's formal sector is characterised by its large size and high incomes. Sheltered by the high tariffs of the Southern African Customs Union (SACU), these are increasing and outstripping productivity increases. They also reflect the high degree of unionisation and the scarcity of skills. Then there are the small non-agricultural informal sector and agriculture, with low, market-determined incomes.

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Poverty is concentrated among the rural population (subsistence farmers, agricultural and other workers).

Significant progress has been made when one compares the present to the inequitable situation of the past. However, despite high expenditures in the social sectors, the outcome remains limited, due to inefficiencies.

Confrontational labour relations were inherited and have not yet been overcome, despite a policy of reconciliation and collective bargaining, and are identified as a key problem by investors. A related problem is that the trade unions represent mainly the predominantly non-poor urban workers and employees.

The involvement of labour market institutions in the process of economic reform is limited, due to two principal factors. Firstly, the institutions do not yet represent the social partners in their totality, and secondly, this capacity of economic policy analysis is itself limited.

Measures to augment the role of social partners in the formulation of economic policy reform include the following:

- strengthening the voice of presently underrepresented groups (low-paid workers, especially in the informal sector; informal sector operators)
- strengthening the capacity of the social partners in economic policy analysis
- strengthening institutionalised tripartite mechanisms
- providing better information to the general public (e.g. capacity-building of economic policy journalists)
- providing timely and comprehensive economic information (statistics) to facilitate an informed debate).

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Abbreviations

EPZ	Export Processing Zone
GDP	Gross Domestic Product
GNP	Gross National Product
GSSA	Government Service Staff Association
ILO	International Labour Organisation
IMF	International Monetary Fund
IPBC	Indigenous People's Business Council
LAC	Labour Advisory Council
LARRI	Labour Resource and Research Institute
MTI	Ministry of Trade and Industry
NANGOF	Namibian Non Governmental Organisations' Forum
NAPWU	Namibian Public Workers Union
NCCI	National Chamber of Commerce and Industry
NDP	National Development Plan
NEF	Namibia Employers' Federation
NEPRU	Namibian Economic Policy Research Unit
NGOs	Non Governmental Organisations
NPC	National Planning Commission
NPSM	Namibian People's Social Movement
NUNW	National Union of Namibian Workers
NWB	Namibian Women in Business
OHA	Okutumbatumba Hawkers Association
PEAC	President's Economic Advisory Council
PSUN	Public Service union of Namibia
SACU	Southern Africa Custom Union
SSA	Sub Saharan Africa
SWAPO	South West African People Organisation
TCL	Tsumeb Corporation Limited
UNDP	United Nation Development Programme
WASCOM	Wage and Salary Commission
WCCI	Windhoek Chamber of Commerce and Industry

1. Introduction

Namibia's record of economic and social development in general, and of economic reform, employment, labour market institutions, and the role of the social partners in particular, is, despite some similarities to other Southern African countries, significantly different in many respects. For example, although it could be argued that Namibia is following a policy of economic reform, this policy is not externally-induced. In other words, the process of economic reform is largely home-driven and does not fall into the category of 'structural adjustment', which implies a specific kind of reform policy engineered primarily by the World Bank and the IMF.

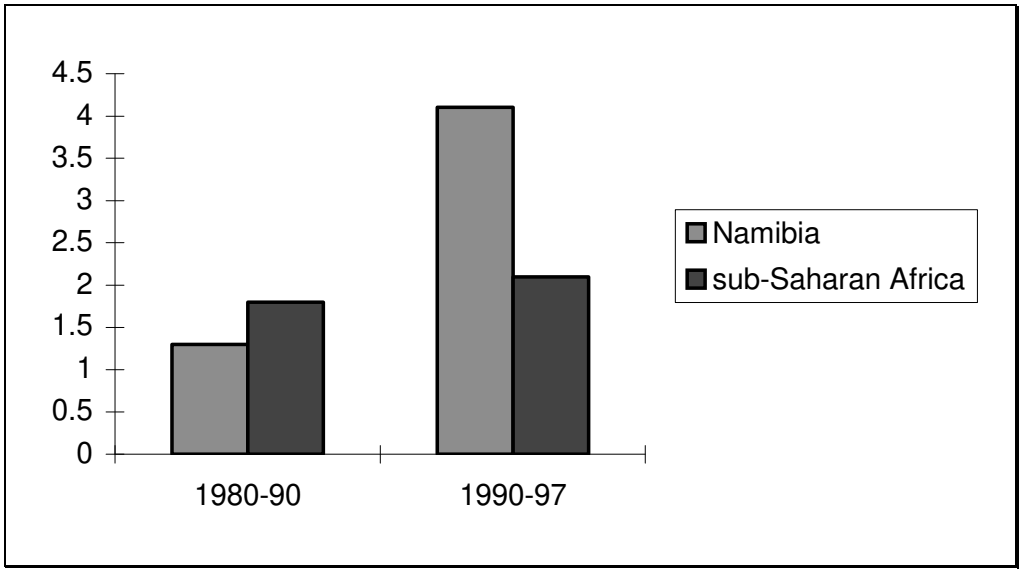
This introduction gives an overview of the specific characteristics of the Namibian economy (section 1.1) and social development (section 1.2), before addressing the issue of economic policy reform and its acceptance by the social partners (section 1.3).

Section 2 characterises the Namibian labour market and its development over time, an indicator of the effect of the economic reform policies. Section 3 describes the institutional framework of economic policy reform, with particular emphasis on the involvement of the Ministry of Labour and the social partners. Section 4 forms the conclusion, with an assessment of the impediments to tripartite involvement in the process of economic reform and recommendations for its improvement.

1.1 Namibia's economic record

Namibia gained independence in 1990. Its per capita income of US$ 2,220 per year (1997; World Bank 1999) is more than four times higher than the sub-Saharan African (SSA) average. Compared with both the pre-independence decade and with the SSA average, Namibia's growth record since independence is favourable (see following figure).

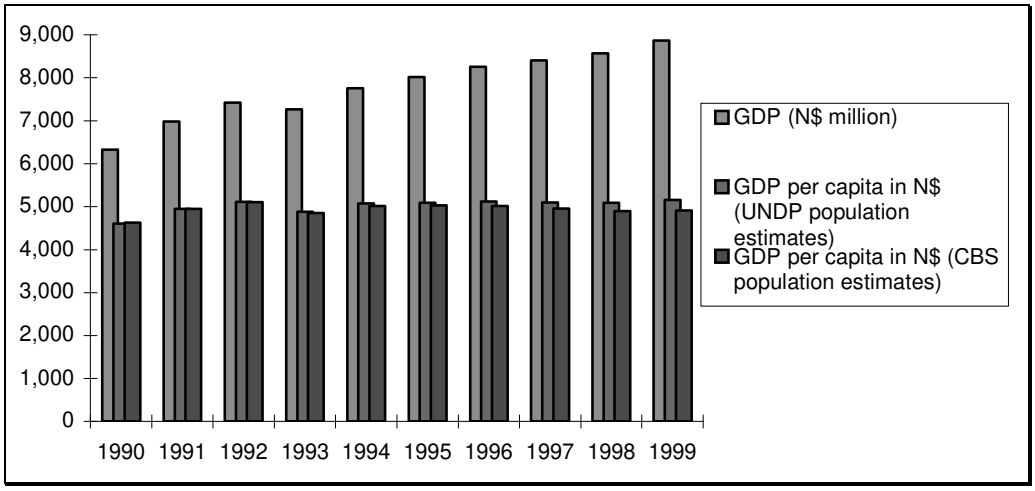
Figure 1 Average annual growth rates in Namibia and sub-Saharan Africa, 1980-90 and 1990-96



Source: World Bank (1999)

However, in comparison with the international situation, this growth is not impressive. In particular, growth has, on average, not been higher than population growth, so that per capita average incomes have stagnated. However, the official population growth projections may be over-estimates, not taking into account the impact of HIV/AIDS. The lower UNDP estimates indicate slightly higher per capita growth rates (see Figure 2).

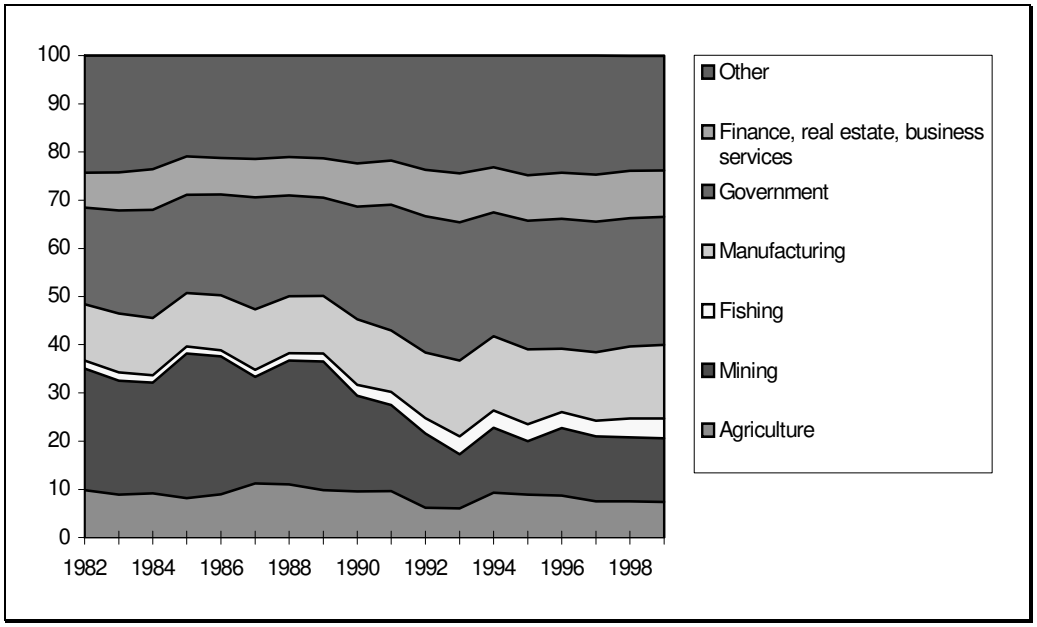
Figure 2 GDP and GDP per capita, 1990 - 1999



Source: CBS, 1998 and UNDP, 1998; for 1998 and 1999: NEPRU estimate.

Structural change in the Namibian economy, moving away from primary sectors (agriculture, mining) towards the secondary (manufacturing) and tertiary (services) sectors is continuing, but at a slow pace (Figure 3).

Figure 3 Change of GDP composition by sector, 1982 - 1997



Source: CBS, 1998; for 1998 and 1999: NEPRU estimate

Contradicting this trend is the growing fisheries sector, which has the potential for further growth, together with the fish processing industry. Growth within the manufacturing sector remains disappointing. EPZ activities are not yet included in the official statistics. In general, economic statistics are not comprehensive at this stage.

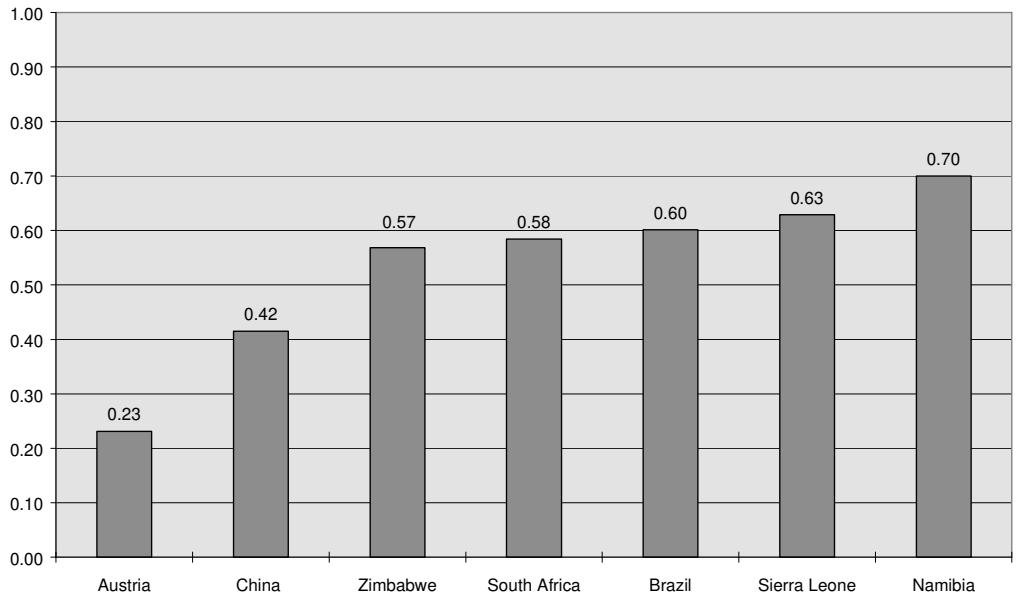
The Namibian economy, which is characterised by the small dimension of its internal market, is essentially driven by a large non-tradable sector (government services) and an export-oriented primary sector (fisheries, agriculture and mining). The fisheries and mining sectors are mature and relatively capital intensive, and therefore not able to improve the unemployment situation in the country significantly. Moreover, the fisheries and diamond mining sectors are quota-driven, while the remaining mining sub-sectors are demand-driven, indicating that growth is mainly influenced by external factors. Growth in the supply-driven agricultural sector has been low as a result of drought-related shocks.

1.2 Namibia's record in social development

The statistical averages reported in the previous section conceal the real situation in Namibia to some extent. The local economy and society is largely characterised by a dualistic nature that emanates both from its mineral-based enclave economy (with high levels of income and living standards) and from the past policy of racial segregation, *apartheid,* which restricted the benefits of education and other social services to the privileged (Hansohm and Presland 1998).

Namibia has one of the highest income inequalities world-wide. Its Gini-coefficient of 0.70 (UNDP 1998: 9) is higher than any recorded in the latest World Development Report (World Bank 1999: 198-199).

Figure 4 Income inequality in selected countries (Gini index*)



Sources: World Bank (1999: 198-99): for Namibia: UNDP (1998: 9)

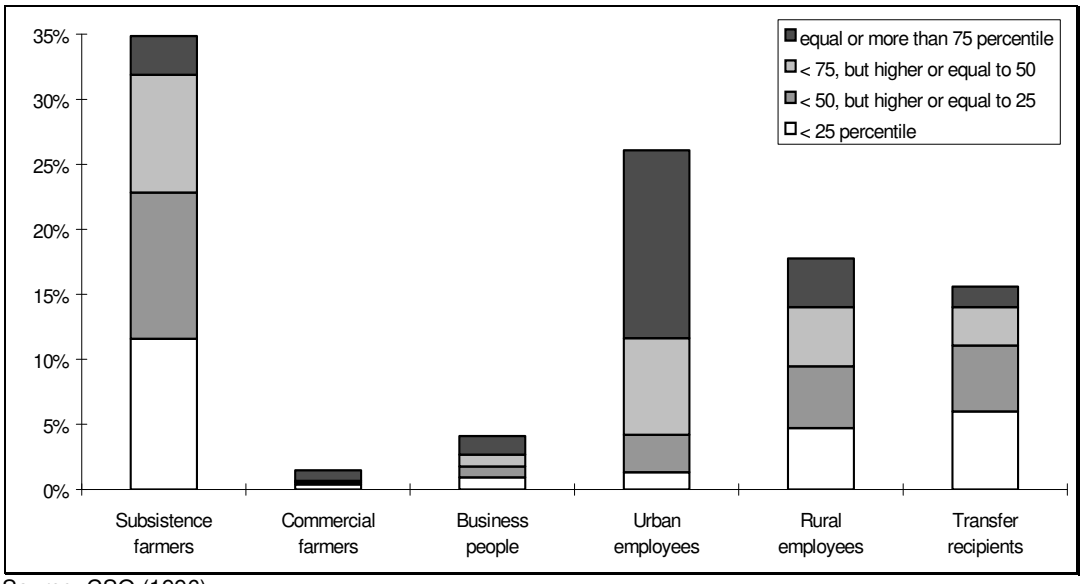
** The Gini coefficient is used to show the level of inequality in a country. It can vary between 0 an 1. 0 represents the max. level of equality, while 1 represents the max. level of inequality.*

The income disparity between the poorest and highest income groups is vast (CSO 1996): the household income of the highest quarter (N$ 52,672) is 26 times that of the lowest 25% (N$ 2,067). The income disparities are substantiated by relative figures. Since households of the lower income group consist of more members, the income inequalities per capita will be even higher than the inequalities between households. In the official statistics (CSO 1996b), 38% of the households are regarded as poor (spending 60% or more on food), while 9% are very poor (spending 80% or more on food; CSO 1996).

34% of households are based in urban areas, earning more than three times that of those in rural areas (CSO 1996).

These data are further corroborated by the percentile distribution of income (fig 5)

Figure 5 Percentage of functional groups belonging to certain income percentiles



Source: CSO (1996)

The following points are noteworthy:

- poverty is concentrated among subsistence farmers;
- the second and third largest pockets of poverty are among transfer recipients (state pensions) and rural employees (mostly in agriculture);
- different from the "typical" SSA country, urban employees contain the largest segment of the highest quartile of income earners, and a very small pocket of poverty.

Namibia is also characterised by huge regional income disparities. The northern communal areas, where the majority of Namibia's population lives, are worse off (average household income of the poorest region Ohangwena: N$ 6,439) than the affluent commercial agricultural regions of Karas (N$ 26,991), Hardap, Omaheke and Otjozondjupa, for example.

However, the high average income of these regions masks intra-regional income differences, since poor communal farmers exist besides affluent commercial

farmers. The commercial and political centre of Windhoek in the Khomas region has by far the highest average household income (N$ 47,409).

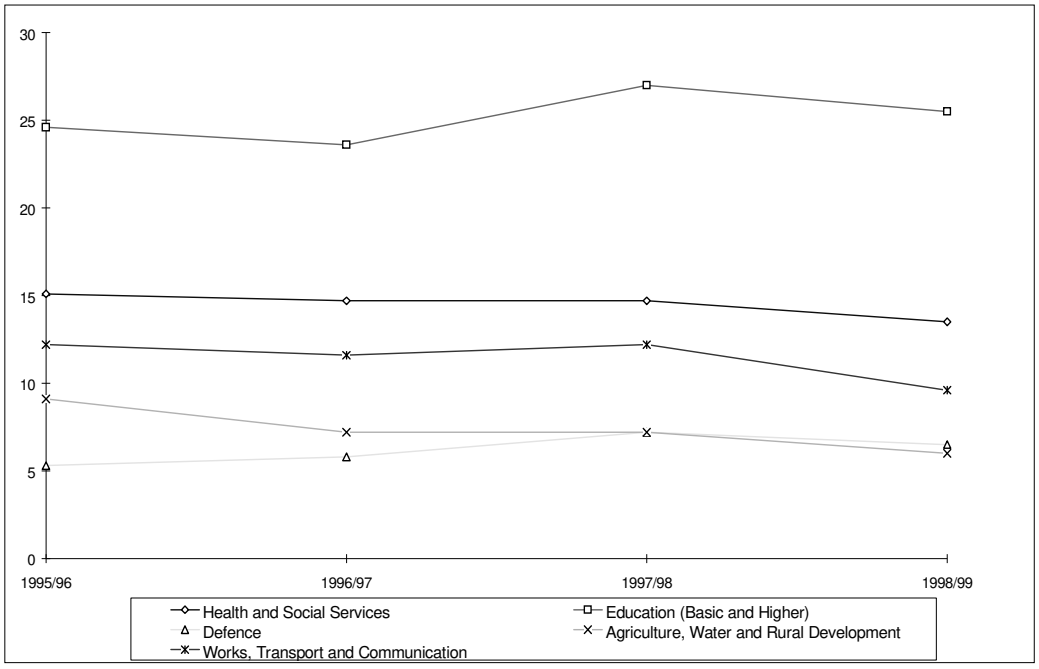
1.3 Economic policy reform in Namibia

Government policy aims to promote growth and employment and to reduce poverty and inequality (the four objectives of the First National Development Plan (GRN). A key instrument for achieving these aims is high expenditure on education, health, and other social services (section 1.3.1). Furthermore, measures have been taken to create employment and to redress inequities on the labour market (section 1.3.2). At the same time, the Namibian Government follows a market-oriented and open economic policy, based on an awareness that the problems of poverty and inequality can only be overcome in the context of economic growth. From this perspective, policies of liberalisation and public sector reform are of considerable importance (section 1.3.3).

1.3.1 Social policies

Namibia has spent consistently large amounts on education, health and agriculture (the sector on which most of the poor depend), which is important for redressing the structural inequalities on the economy (see following figure).

Figure 6 Expenditure structure by area (% of total budget; 1995/96-1998/99)

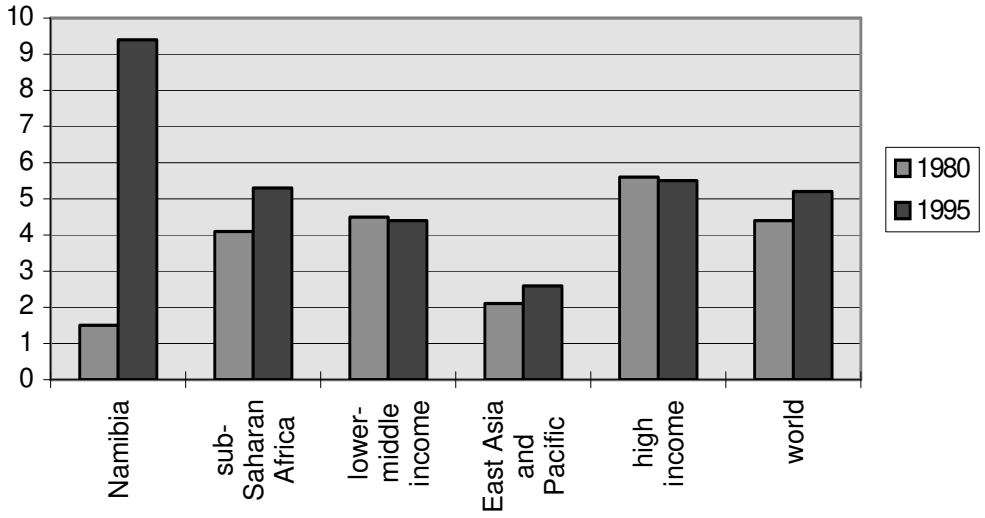


Source: NEPRU 1999

It is however worth noting that in the period 1997-1999, all but the defence sector saw a decline in the percentage allocation of the total budget.

Over the years Namibia has afforded an exceptionally high share of public expenditure on education (9.4% of GNP), which is more than double the average of countries with comparable incomes (see following figure).

Figure 7 Public expenditure on education in an international comparison (% of GNP, 1980 and 1995)



Source: World Bank (1999)

This seems appropriate in the light of an increasing acknowledgement of the importance of skills (and therefore education) as a powerful explanatory factor for growth. Expenditure on education is also directly pro-poor, as education is an important way out of poverty. However, the efficiency of the expenditure on education remains limited, as shown by the high rates of drop-out and repetition of students (Schade et al. 1998: 39-45).

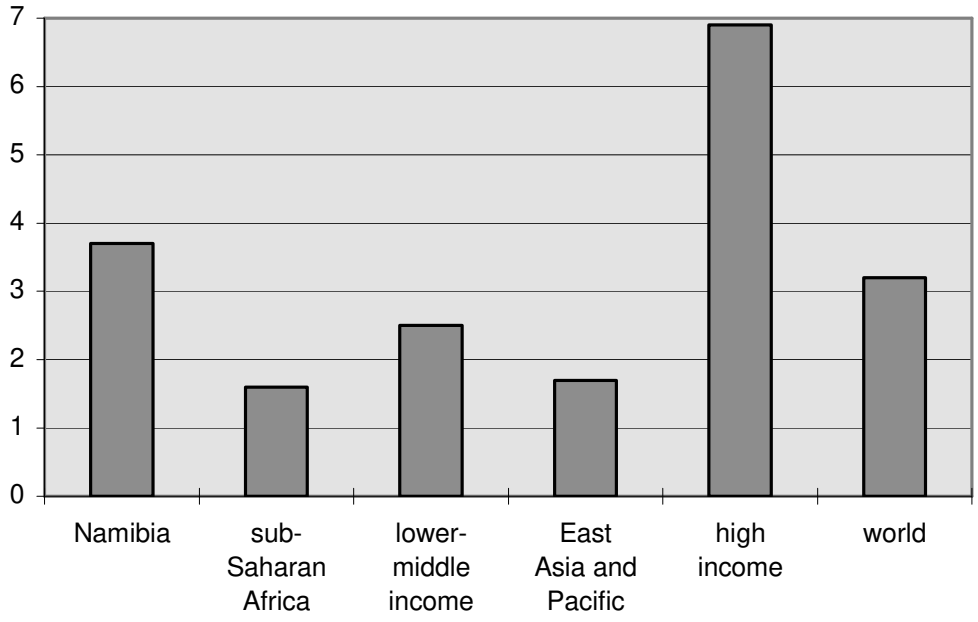
Areas limiting poverty alleviation include:

- the high subsidisation of tertiary education (which has higher private rather than social returns);
- persistent regional inequities (to the debit of the poorest regions with most of the poor);
- limited attention to needs of the labour market (e.g. emphasis on vocational training, entrepreneurship).

Namibia's health expenditure is also exceptionally high (more than double the SSA average; see following figure).

This is principally pro-poor, both directly, by improving the living standards of the poor, and indirectly by improving the quality of the labour force.

Figure 8 Public expenditure on health in an international comparison (% of GNP, 1990-1995)



Source: World Bank (1999)

Health indicators (such as infant mortality) are already showing improvement. Limitations of poverty orientation are continuing regional inequities (bias against the poorest regions) and the limited accessibility of health services.

Namibia inherited a non-contributory pension scheme. Every elderly, blind or disabled person is eligible for a monthly pension of N$160. This system plays an important role in the alleviation of poverty and vulnerability, as it is a major income source for the poor, reaching through the extended family beyond the beneficiaries. Drawbacks in terms of poverty alleviation are the fact that it is not targeted (the non-poor also benefit) and the fact that not all eligible persons actually receive their benefit: It is estimated that only 79% of the elderly and 27% of the disabled receive the pension to which they are entitled (UNDP 1996: 70).

Another important area of policy is agricultural subsidies. These have proven to have frequent detrimental effects, and have not always reached the target group. For instance, a drought scheme aimed at assisting communal farmers with the marketing of their cattle, implemented in 1995, in fact led to an increase in the head of cattle. It would appear that money realised from the marketing scheme was used to purchase more cattle, increasing the pressure on already overgrazed land (Mupotola-Sibongo 1997: 54). Subsidies for tractor hiring, ploughing, other inputs and credit have also had shortcomings concerning the target group. A study conducted in the northern communal areas found that not only did very few farmers receive subsidies, some 3,500 of 159,000 communal farmers (2.2%), but also that it was not always the poorest farmers who benefited from these schemes, but farmers who were easily accessible and more vocal (NEPRU 1995). This example provides an indication that a cut in government expenditure will not necessarily hurt the poor.

In summary, Namibia is able to afford a high level of social expenditure. Such expenditure is important for enabling the poor to benefit from market integration and to participate in growth. However, there are problems with inefficiency and the targeting of the poor, who generally have less access to facilities such as primary

schools and clinics/hospitals. The real problem is not so much the total value of social expenditure, as how effectively the available resources are used. Other countries have in fact achieved more with lower levels of social expenditure (Husain 1996).

1.3.2 Policy reform to overcome inequities of the labour market

The Government of independent Namibia recognised the necessity of creating employment, but also the urgent need for skilled Namibians to occupy strategic positions after the colonial period. Employment creation was given high priority in the NDP (it is one of four development objectives).

In 1990 the Ministry of Labour and Manpower Development (now the Ministry of Labour) was established. The government enacted policies and legislation aimed at furthering labour relations conducive to economic growth and improved wages and conditions of employment, through the promotion of an orderly system of free collective bargaining (GRN 1995: 129-30). This includes policies and legislation to:

- advance persons who have been disadvantaged by past discriminatory laws and practices;
- ensure equality of opportunity for women, particularly in relation to remuneration;
- provide maternity leave and employment security for women;
- promote sound labour relations and fair employment practices by encouraging freedom of association by way of, *inter alia*, the formation of trade unions to protect workers' rights and interests, and to promote the formation of employers' organisations;
- lay down certain obligatory minimum basic conditions of service for all employees;
- ensure the protection of the health, safety and welfare of people at work and to prevent the abuse of child labour;
- where possible, adhere and give effect to international labour conventions and recommendations of the International Labour Organisation.

Relevant policy instruments include:

- the Labour Act (1992)
- the National Vocational Training Act (1994)
- the Social Security Act (1994)
- the Export Processing Zones Act (1995)
- the Public Service Act (1995)

Other relevant policies include the promotion of labour based works (a Green Paper has been published which forms the basis for a White Paper currently under preparation) and employment in Government and parastatal organisations.

The Labour Act (1992) establishes a Labour Advisory Council (tripartite) and labour courts, sets out basic conditions of employment (including maximum working hours, overtime, annual, sick, and maternity leave), regulates the termination of contracts and unfair disciplinary actions, trade unions, employers' organisations and collective agreements. Despite some exceptions, the Act is basically valid for all employment. No information is available on the actual coverage, but it can be assumed that it is largely confined to employment in the 'formal sector'. Activities such as domestic service, farm work and informal business are on the whole not covered. The ability of the Ministry to enforce the Act remains limited due to the small number of Labour Inspectors.

The Social Security Act (1994) stipulates that every employee has to be registered. Every registered employee is a member of the Maternity Leave, Sick Leave, and Death Benefit Fund, as well as the National Medical Benefit Fund and the National Pension Fund, unless s/he is a member of any other fund approved by the Minister on the recommendation of the Social Security Commission.

The EPZ Act of 1995 and other laws provide generous incentives for investment in Namibia and especially for training.

Presently under consideration by Parliament is the Affirmative Action (Employment) Bill. The Bill defines affirmative action as 'a set of affirmative action measures designed to ensure that persons in designated groups (including 'racially disadvantaged persons', women, and persons with disabilities) enjoy equal employment opportunities at all levels of employment and are equitably represented in the work force of a relevant employer'. The act has established an Employment Equity Commission to supervise relevant employers (yet to be determined by the Labour Minister) attempting to adopt and implement an affirmative action plan, through which preferential treatment is given to suitably qualified persons of designated groups.

1.3.3 Liberalisation and public sector reform

Namibia is officially committed to an 'orthodox' policy of openness, balanced budgets and public sector efficiency, and follows a conservative approach to foreign debt. Accordingly, trade liberalisation, public sector reform, and parastatal reform are on the agenda. However, the progress of such reform remains limited. This can be explained by the availability of mineral rents. As the thesis of the 'resource curse' explains, the richer the natural resource endowment (Auty 1995):

1. the longer poor macro policies are tolerated

2. the less pressure there is to achieve rapid industrial maturation

3. the longer rent-seeking groups are tolerated (and the more entrenched they become)

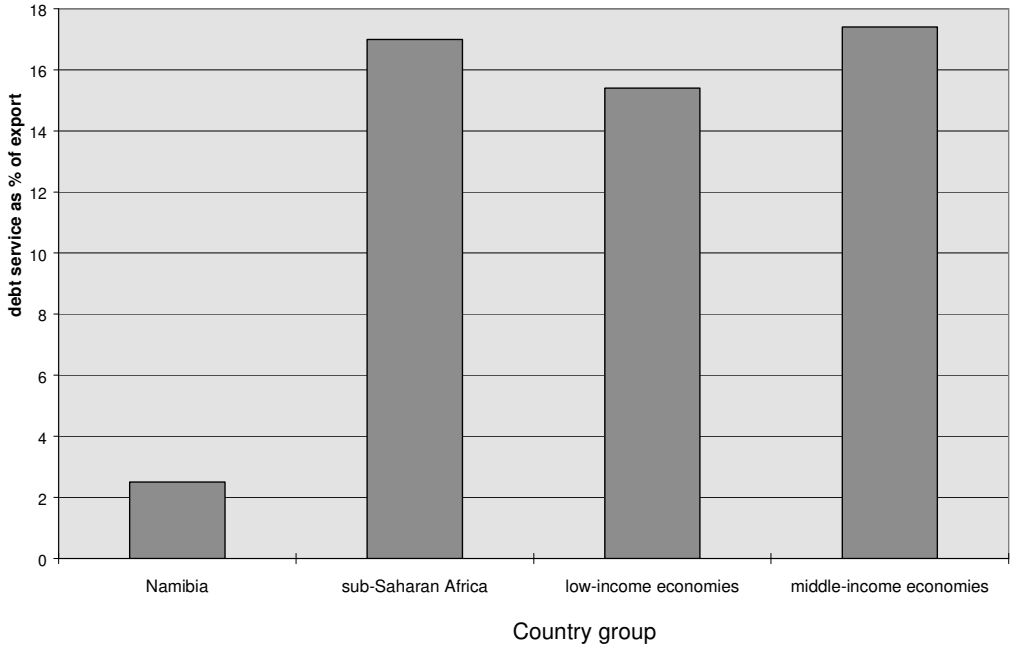
4. the greater the likelihood is of decelerating and erratic economic growth.

Another factor that can help to explain the slow progress of economic reform is the fact that in Namibia, the government's fiscal position remains relatively comfortable, and compared to other SSA countries, macroeconomic indicators remain stable.

The foreign debt of the public sector has risen, but remains limited: 2.9% of GDP, or 12% of public debt in 1999 (Republic of Namibia 1999). Thus, Namibia does not

have a 'foreign debt problem', as do most other SSA countries (**Error! Reference source not found.**).

Figure 9 Debt service ratios in comparison (1995)

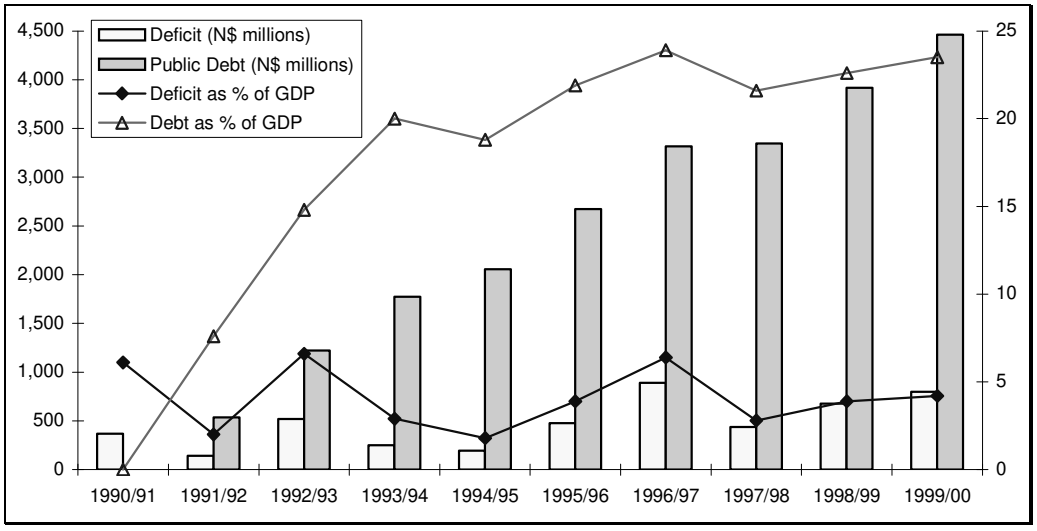


Source: World Bank (1997), Bank of Namibia (1997)

Budget deficits have oscillated around 5% of GDP over the years (Figure 10), though public debt as a whole has increased steadily and reached N$4.5 bn this financial year, equal to 23.5% of GDP.

Due to the integration of Namibia's financial market into that of South Africa, public debt does not crowd out private investments. However, rising debt - and with it, debt service - increasingly limit the freedom of government to spend on other items, including social spending.

Figure 10 Public debts in N$m (left hand scale) and as % of GDP (right hand scale), 1990/91 - 1999/00



Source: Republic of Namibia, 1999

This situation of relative economic stability, together with the resistance of those benefiting from present policy, explain the gap between well-intentioned policy plans for economic reform and their limited progress.

It is, however, acknowledged by Government that there is a need for public sector reform, both to reverse (or at least halt) the growing employment in the public sector, and to improve the efficiency and effectiveness of public spending. In 1995 the Wage and Salary Commission (WASCOM) delivered its report. The report's recommendations for public sector reform centred on three areas:

1. increasing public sector salaries in order to be more competitive with the private sector;

2. introducing performance appraisal simultaneously;

3. creating a leaner, i.e. smaller public sector.

Up to now, only the first recommendation has been implemented, resulting in the steadily increasing share of salaries in public expenditure. A system of performance appraisal has been proposed, but not yet introduced. Recently the trade unions and Government agreed to shelve plans, while the trade unions stated that they agreed in principle with the concept of appraisal. Despite a principle stop to further public recruitment, there are many exceptions to the principle, and the public sector continues its pattern of growth. Present public employment is estimated at over 78,000 (NEPRU 1999), while the employed labour force amounts to 357,000 (Ministry of Labour 1998: Table 4.2). The parastatal sector, inherited from the pre-independence administration, is also growing. The parastatals have a dominant position in many of the markets in which they operate (Abdel Rahim 1996). The process of reform within this important sector, which has negative repercussions on the development of the private sector, is moving very slowly, due to the entrenched interests of the powerful parastatals and their highly paid employees.

In the area of trade policy, Namibia's membership in the Southern African Customs Union (SACU) provides a comfortable tax income (about 30%), but limits the potential for liberalisation. The high tariff barriers imply high costs for consumers as well as for producers (in an economy which is highly import-dependent). While the

progress of re-negotiation of the SACU agreement drags on, Namibia is attempting to overcome its anti-export bias through an export-processing zone (EPZ) scheme. The success of this scheme has so far been limited, mainly due to bureaucratic procedures and limited skills (MTI 1999a).

2. The labour market and its development over time

Unfortunately, information on Namibia's labour market is limited (Hansohm 1996, World Bank/NAMAC 1999). No information is collected regularly on key indicators such as employment, wages, and productivity. Instead, extensive surveys are carried out every few years. The results of these are only available following a considerable time lag (for example, 4 years in case of the 1993 informal sector survey). The following surveys have been conducted on the labour market and employment:

- Population and Housing Census 1991
- Establishment Survey 1992/93 (published 1994)
- Informal Sector Survey 1993 (published 1997)
- Namibian Household Income and Expenditure Survey 1993/94
- Labour Force Survey 1997 (draft available)
- Establishment Survey (1998, to be processed by end 1998)

There are a number of inconsistencies in these data sources. For example, the 1992/93 survey was to be confined to the 'formal or modern' sector, although no operational definition existed to demarcate the formal from the informal sector. Previous surveys had not made any distinction between these two economic segments (MLHRD 1994: 7). For the 1993 survey, the formal sector was defined as consisting of all establishments with more than 4 employees, but strict adherence to this definition was precluded by lack of information on employment size of most enterprises.

Following an introduction to the situation regarding the labour market at independence, the following sub-sections present available data on employment, and its distribution and wages.

2.1 The labour market at independence

Namibia inherited a highly segmented population, where each defined 'ethnic group' had significantly differentiated access to employment and wages. In 1981, for example, the average incomes of 'whites' were more than 6 times higher than those of 'blacks' (Kleist 1986). Conditions of employment were discriminatory and unfair; there was no freedom of association, and the trade unions, which played an important role in Namibia's fight for independence, were suppressed. Labour relations were unhealthy and confrontational in nature. Industrial strife was frequent, and health and safety standards poor. Last but not least, labour market statistics were inadequate.

A major underlying factor of this inequality was unequal access to education. Learner-teacher ratios varied from 13:1 in 'white' schools to 37:1 for 'Ovambo'

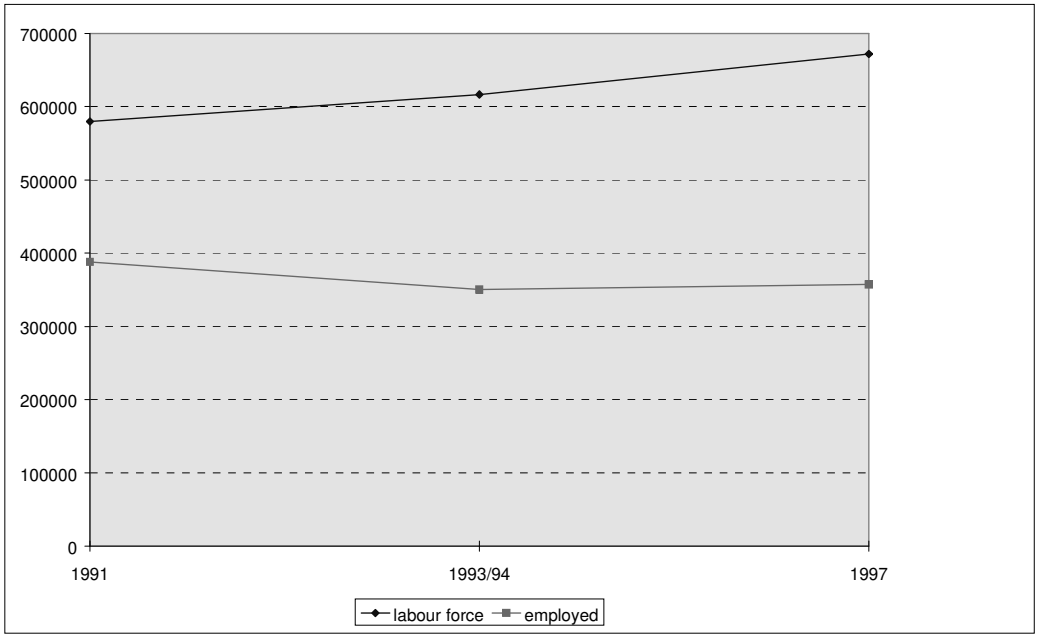
schools (NPC 1998). This system created on the one hand a large army of unskilled and unemployed persons, and considerable skill shortages on the other.

2.2 Growth of employment and unemployment

According to the Labour Force Survey 1997 (MoL 1998), unemployment has grown steadily since independence, from 19% (1991) to 33% (1997). The combined un- and underemployment rate is estimated to be as high as 60%. However, this should be seen in the context of Namibia's rapid population growth. Only employment growth above population growth can be considered real employment growth.

The following table is based on ILO calculations and projections of the population and labour force. Combined with Government figures of employment, (Fig. 11), it shows a widening gap between the growth of the labour force and employment, which is consistent with the assumptions of policy makers.

Figure 11 Employed share of labour force (1991, 1993/94, 1997)



Sources: ILO, CSO (1994, 1996), NPC 1998

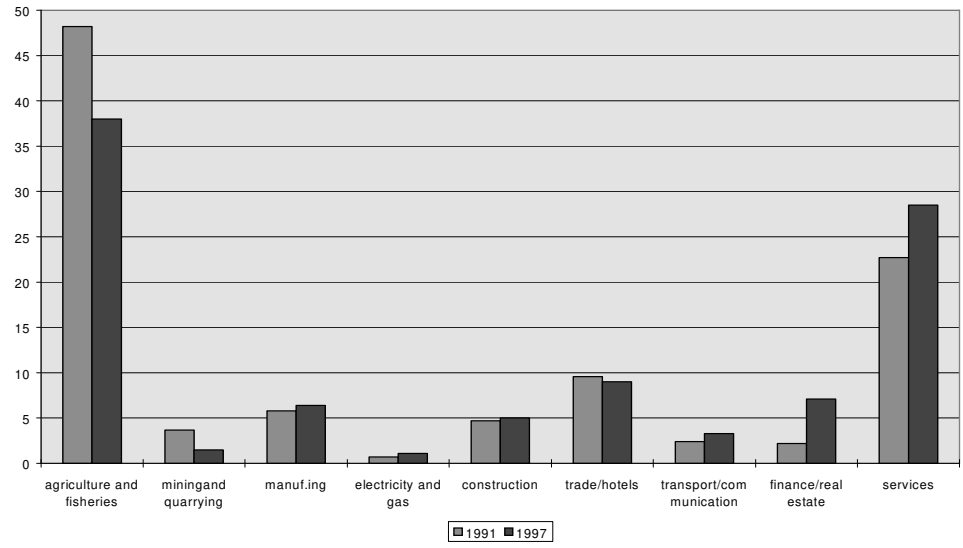
2.3 Changes in the distribution of employment

Only two sources can at present be compared in order to trace changes in the sectoral distribution of the labour force. The following figure shows:

- the declining importance of agriculture & fisheries, mining & quarrying, and to a lesser degree, trade & hotels;
- the slow increase of manufacturing, construction, electricity & gas, and transport & communication;

- a sharp increase in finance & real estate and other services (mainly Government, with an increasing number of public servants from approximately 46,600 to almost 77,000: an increase of over 65%).

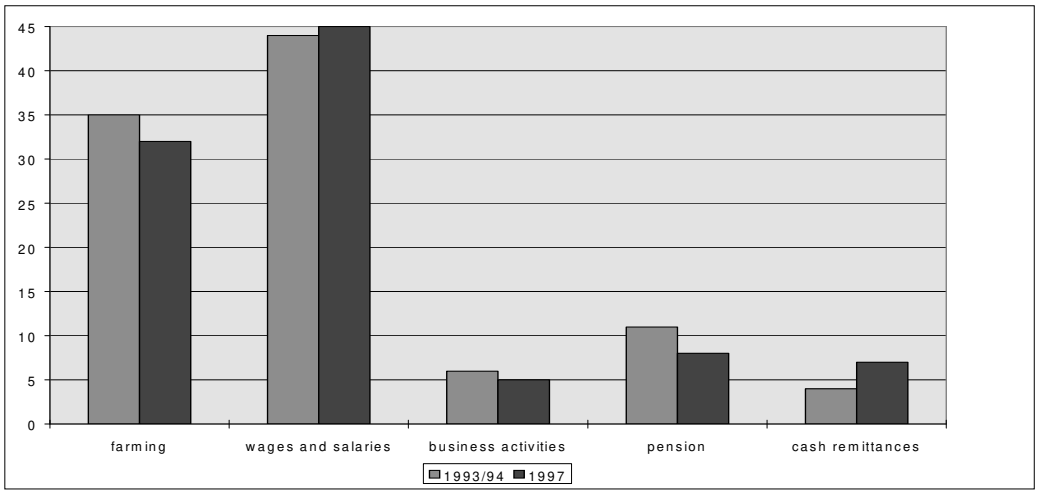
Figure 12 Distribution of employment by industry (in %, 1991 and 1997)



Source: Ministry of Labour (1998)

The following figure shows the high and increasing importance of wage incomes as main income sources (unusually for sub-Saharan Africa), while the importance of agriculture is decreasing.

Figure 13 Distribution of households by main source of income (1993/4 and 1997)



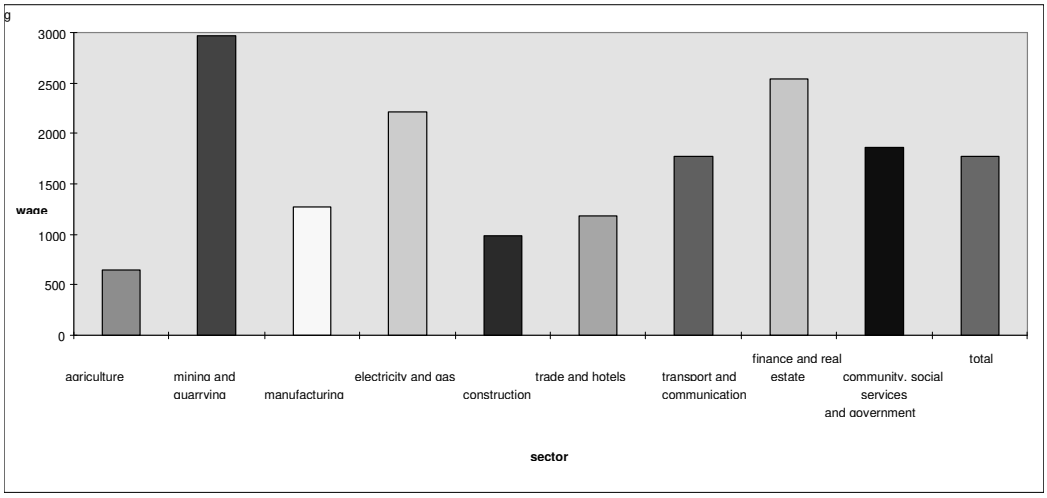
Sources: CSO (1996), NPC (1998)

Unfortunately, information isn't available on other sources of income, or the shares of different income sources in total income, which precludes a clearer picture of the condition of the poor, since they generally depend on multiple sources of income.

2.4 Wage developments

Namibia's labour market consists of an informal and a formal sector. The scant evidence on wages suggests that incomes of informal sector workers are largely market-determined and probably stagnating, while formal sector workers, highly organised through various trade unions, have seen real wage increases, especially at the higher levels.

Figure 14 Average monthly wages of employees by industry (1992/93)



Source: MLHRD (1994)

A detailed view, distinguished by type of establishment, gives the following picture:

Table 1 Average monthly wages by industry and type of establishment (1993)

Industry	govern-ment	para-statal	public limited	private limited	coope-rative	partner-ship	sole owner	others	total
agriculture and fisheries	1070	1176	1236	521	2538	339	315	439	586
mining	-	-	6080	2696	2497	2604	807	871	3001
manufacturing	-	1503	851	1446	1121	867	712	762	1201
electricity/gas	1655	3466	-	2062	1725	1400	712	-	2138
construction	1067	-	1440	952	-	2078	736	521	1043
trade/hotels	630	1388	2026	1514	1980	889	664	952	1166
transport	-	1525	1902	2009	1087	1333	1062	1800	1588
finance etc.	2947	2786	3306	2691	1955	2409	1187	2396	2677
community and social services	1854	3102	617	1541	-	878	1002	832	1956
total	1773	2240	3388	1952	2069	1178	582	1043	1761

Source: MLHRD (1994: 99)

Notable points include the following:

- average wages in pubic limited companies were by far the highest: almost double those in Government;

- average incomes in private limited companies were higher than in Government, but much lower than in parastatals;

- other private incomes (partnership, sole owner) were much lower;

- surprisingly, incomes of co-operatives were very high;

- there are high differences within these average figures in the various service sub-sectors.

Unfortunately, reliable figures on the development of individual wages are lacking. However, policy researchers agree that three groups can be distinguished:

- informal sector workers (mainly in commercial and communal agriculture), who are not strongly organised as an interest group;

- lower-income formal sector workers;

- high income formal sector workers.

Incomes of the first group are largely market-determined and probably stagnating, while the other two groups are highly organised in various trade unions. Since independence, income disparities both between informal and formal sector participants as well as within the formal sector have probably further widened, as most wage agreements provided for percentage increases.

Recent examples of wage agreements include:

- 1995 salary agreement of the Mineworkers Union of Namibia (MUN) and Rossing Uranium Ltd.: 10% across the board (75% of this for some employees)

- 1996 salary agreement of the Mineworkers Union of Namibia (MUN) and Rossing Uranium Ltd.: 9% across the board, plus 24% one-off bonus and rental allowances

- 1997 and 1998 salary agreement of MUN and Rossing Uranium Ltd.: 11% for 1997 and 10% for 1998; to be adjusted by income group (120% for lowest, 60% for highest)

- 1998 Namwater and MUN salary agreement (1997/98): 8% across the board

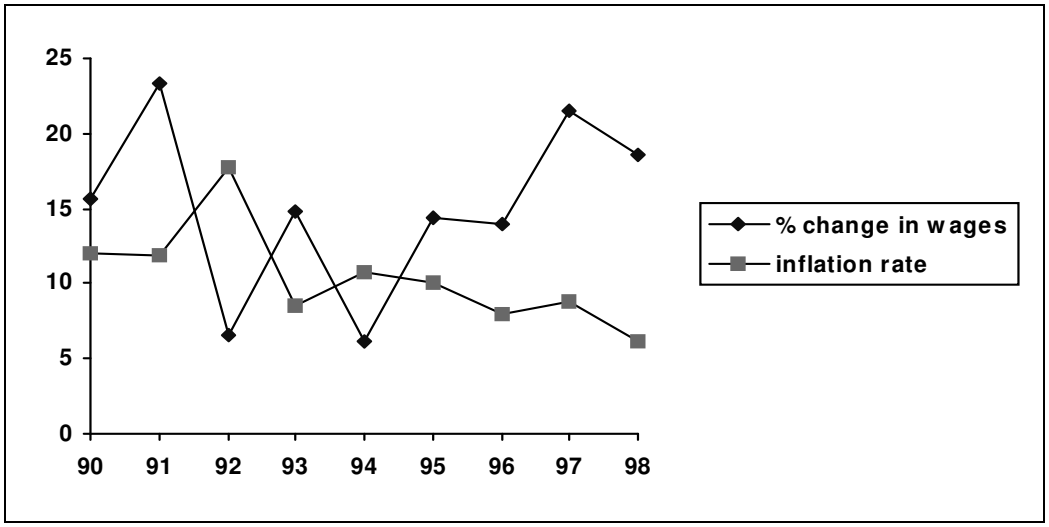
- Municipality of Otjiwarongo and Namibia Public Workers Union (NAPWU): 18% for lowest, 15% for medium, and 12% for highest income groups

- Nampost and NAPWU 1998/99: 9.25% for lower, 8.25% for higher income groups.

These figures suggest that labour costs in the formal sector in Namibia are increasing at a faster rate than that of inflation[2], and higher than the opportunity cost of labour. Focusing on one of the most significant sectors of the Namibian economy, both in terms contribution to GDP and in terms of trade union representation, - i.e. the mining sector - we have confirmed such findings (see following figure).

[2] Inflation rates were the following 1995, 10,06%; 1996, 8%; 1997, 8.85 %; 1998, 6.2%

Figure 15 Mining sector wages vs. inflation rate (1990/98)



Source: NEPRU DataBase

Figure 15 shows how during the period 1992-98, wage increments in the mining sector were higher than the inflation rate.

As the labour market is not unduly regulated (there is no minimum wage, although this is being discussed), a main factor determining high labour costs is the strong influence of the trade unions in the formal sector (public and private). The trade unions are very vocal and influential on account of their close links with the ruling party. As they largely represent only the relatively highly-paid employees of the public sector and large private firms, Namibia conforms to the picture of a 'labour aristocracy' (Arrighi 1973), rather than that of an 'informalisation' of the labour market (Jamal and Weeks 1988, Vandemoortele 1991). A trade union of domestic workers has been established which has helped to publicise the case of this low-paid group, members of which often work under exploitative conditions, though this has not yet had a significant influence on wages or working conditions.

2.5 Regional comparison of wages and productivity

Available figures are contradictory. The 1994 figures of the Ministry of Trade and Industry suggest uncompetitive wages (see following figure). Wages of semi-skilled employees are more than 4 times higher than those in Zimbabwe, while managers' earnings are almost double. However, wages in Namibia tend to be lower than in South Africa, but due to the low skills' level, this difference may be overcompensated by higher skills in South Africa.

Table 2 Wages in Southern African Countries

	Semi-skilled	Skilled	Managers
Botswana	100	600	1,000
Lesotho	97	-	-
Kenya	40	90	160
Malawi	33	-	-

South Africa	350	-	-
Zimbabwe	65	500	1,000
Namibia	277	1,111	1,944

Source: Ministry of Trade and Industry (1994)

This picture of high wages is confirmed by the following table.

Table 3 Industrial wages for selected Southern African countries (N$)

	manufacturing	mining	construction	transport	agriculture	year
South Africa	1863	1420	1237	2281	n/a	1991
Zimbabwe	457	396	215	647	88	1992
Botswana	602	1049	517	1250	221	1992
Namibia	1201	3001	1043	1588	586	1992/93

Source: Namibia establishment survey 1992/93 and ILO Yearbook of Labour Statistics 1993, quoted by: MoL (1994a: 9)

A recent study of the Ministry of Trade and Industry (1998) paints a much more positive picture, with much higher labour productivity in Namibia (see following tables). According to the following table, Namibia's average labour cost per unit of output is comparable to that of South Africa, but somewhat above the levels of the other selected SADC countries.

Table 4 Labour costs per unit of output in Specific SADC Countries, 1994 (% of total cost)

Country*	Fish processing	Meat processing	Machinery & Equipment	Total Manufacturing Sector
Namibia	20	6	21	16
Botswana	n.a.	n.a.	n.a.	12
Zimbabwe	n.a.	9	11	12
Mauritius	13	6	20	15
South Africa	17	16	15	16
Swaziland	n.a.	n.a.	10	9

n.a.-Not Available

* = All 1994 figures except for South Africa and Swaziland (both 1993)

Source: MTI (1999a)

In terms of average labour cost in the manufacturing sector, Namibia (US$ 6,587 p.p.)[3] ranks 4th behind Mauritius (US$ 4,435 p.p.), Zimbabwe (US$ 5,139 p.p.) and Botswana (US$ 5,243 p.p.). Average manufacturing sector labour costs are still lower in Namibia than in South Africa (US$ 9,358 p.p.).[4]

Although average labour costs are higher in Namibia and South Africa relative to the SADC member countries compared, labour productivity in the sector is much higher

[3] p.p. - per person

[4] All 1994 figures except for South Africa and Swaziland (both 1993).

in these two countries than in the cheap average labour countries. This can be seen in Table 5 below.

Table 5 Labour Productivity Figures for Specific SADC Countries, 1994 (US$ per person)

	Namibia	Botswana	Zimbabwe	Mauritius	South Africa	Swaziland
Labour productivity	15,911	10,187	8,950	6,226	21,133	13,500

Source: MTI (1999a: 9)

Clearly, Namibia's labour productivity appears to be much higher than in all other countries except for South Africa. Cheap labour economies seem to fail in terms of labour productivity comparisons. Indeed, this is an advantage to Namibia although increasing average labour costs in the sector could send investors to cheap neighbouring economies wherein longer hours may solve the productivity constraint.

2.6 The informal/small enterprises sector

Namibian's economy, as distinct from other countries in the region, is highly formalised and highly integrated into the South African economy. While in other SSA countries small enterprises (with fewer than 10 workers) consistently provide more than half of all industrial employment, in Namibia this share is 12% (Hansohm 1996: 9) - the informal, small enterprise sector remains small and trade oriented: 70-90% provide services.

Furthermore, since informal sector workers often combine this work with other activities, they are generally classified as 'urban employees' (but under their major activity) increasing the difficulty in obtaining accurate information on the informal sector.

As the sector is very heterogeneous, so are the incomes. Precise data are not available, but most surveys have found relatively low incomes. This is consistent with the focus of the sector on a few low value activities. The data of the 1994 National Household Income and Expenditure Survey supported the contention that incomes from business activity are comparatively low. Only in the more developed and urbanised regions (Khomas, Hardap, Otjozondjupa) are incomes of households whose major income source is business higher than those of households dependant on wage incomes. Sole-owned firms (which can be taken as a proxy) have a low income of N$582 (less than 1/3 of the average income of all classes), and in manufacturing, N$712 (60% of the average manufacturing income).

Wages appear also to be lower in small enterprises than in large ones. According to the establishment survey of 1992/93, the average monthly wages for establishments with 50 or less employees is N$1143, compared to N$2187 for those working in firms with more than 100 employees (MLHRD 1994).

Another survey found that at the coast (Walvis Bay and Swakopmund) most small businesses have a monthly income of about N$1,300. In the North, 2/3 earn less than N$1,000 (Kadhikwa et al. 1996). Other studies reveal wide variations.

In the absence of reliable information on incomes in the informal sector, information about the factors motivating people to work in the informal sector (push- and pull-

factors) are good indicators. According to most reports, these appear to be push factors of unemployment and the need to earn a livelihood (Hansohm 1997: 13).

Low income levels and high levels of underemployment in subsistence agriculture are widespread in the sector. The survey of Norval and Namoya (1992) indicated that the search for survival and employment are the principal motivations for small scale entrepreneurs (76%), rather than an expectation of higher incomes (a 'pull factor'; only 21% of respondents).

It appears that people take up small business activities more as a 'last resort' than for any more positive reasons. According to an ILO survey (MoL 1997), the most important reason for starting a business was also the lack of any other job opportunity (push factor, rather than pull factor). This contrasts with evidence from South Africa, where a high percentage of small entrepreneurs prefers this occupation.

It also contrasts starkly with a NEPRU study (Kadhikwa et al. 1996) covering Namibia's coastal and north central areas. In both areas, most interviewed entrepreneurs mentioned positive, 'pull factors' as reasons for going into business ('better income', 'independence', 'I like this job'). As mentioned above, the NEPRU/GOPA study found that most small business people had worked in formal businesses before, and had been pulled into the small business sector by a lack of other possibilities, rather than pushed into it.

The MTI's 1999 baseline survey for Erongo and Otjozondjupa (MTI 1999b) found that 55% of interviewed entrepreneurs were positively attracted by self-employment, while the rest would have preferred to be wage earners.

2.7 Education and skill levels

As already mentioned in the section 1.3, consistently high levels of public expenditure have been allocated to education (Figure 7, in 1.3) in order to improve the quality of the labour force and to address the constraints of this market.

However, some shortcomings restrict the benefits of this policy:

- inefficiency, measured in low output (high school fail rates)
- inappropriate priorities, such as:
- the attempt to provide a wide spectrum of training regardless of the scale of need, to the detriment of quality, and
- a bias towards formal sector employment.

As shown in the following table, several subjects are exceeding demand. Inefficiencies are apparent, for instance by the fact that it is not always possible to find candidates for scholarships offered (NPC 1998: 79).

So far, efforts in education planning have tended to be haphazard, and to focus on quantitative aspects, by accelerating the supply of needed manpower (NPC 1998: 83)

Table 6 Projected demand and supply of skills in Namibia

	needed new manpower 1995-2010	educational output 1995-2010	match & mismatch
financial, legal and administrative	9860	12260	2400
science	863	752	-111
social science	1937	4135	2198
medical	573	0	-573
agro, nature and tourism	631	3065	2434
engineers	746	0	-746
technicians	4141	633	-3508
health	5726	3944	-1782
teachers	12208	14243	2035
technical skilled	18671	4952	-13719
non-technical skilled/sec.	150332	426227	275895
un- and semi-skilled/primary and no school	137236	467800	334564
Total	342924	938011	595087

Source: NPC (1998, Table 29)

As clearly indicated in table 6, institutions are not geared towards the requirements of the labour market. In particular, they are strongly oriented towards paid employment opportunities, to the neglect of self employment. Among the underlying reasons are (NPC 1998: 83):

- inadequate institutional facilities to help create/strengthen entrepreneurial skills;
- absence of out-of-school training exposure to develop industrial skills and culture;
- lack of co-operation and interaction between industry and educational institutions
- inadequate financial incentives to encourage self-employment.

As result, there is a chronic deficit of skilled labour. The following table gives an indication of deficits by sector.

Table 7 Under-qualification, vacancies and additional requirements, as % of employed by occupation (1993)

Occupation	employed with less than required qualification	vacancies	additional required for expansion	total skill deficit
senior officials/managers	6.1	6.4	4.3	10.7

professionals	7.0	15.1	9.3	24.4
associate professionals and technicians	6.8	12.2	6.2	18.4
clerical	4.6	4.2	3.0	7.2
sales/services workers	11.8	3.6	6.9	10.5
skilled agricultural worker	3.5	1.7	17.2	18.9
craft and related worker	4.7	3.7	4.6	8.3
plant and machine operator	3.5	4.6	2.2	6.8
elementary occupations	6.2	5.6	3.2	8.8
Total	6.0	6.0	4.4	10.4

Source: MLHRD (1994: 50)

3. Labour market institutions

The World Economic Forum's first 'African Competitiveness Report', based on comparative statistical data and the perceptions of business people, gives a high rating for Namibia (4th out of 23 countries). However, the chief liabilities identified are in the area of labour: the supply of educated workers, the quality of university education, unions and strikes, labour regulations including minimum wages, government interference, and government regulation of hiring and firing.

Namibian labour relations often remain confrontational in nature. Information on industrial disputes is incomplete (see following table). The protracted strike at TCL in 1996 is the most obvious example for the difficult labour relations in Namibia. It also shows that the intervention of Government, after months of stalled negotiations, provided the solution.

Table 8 Industrial actions

	1990	1991	1992	1993/94	1994/95	1995/96
legal				1	2	4
illegal	24	8	23	3	6	6
duration (man days)	15676	580	5594	50132	n/a	n/a

Source: Ministry of Labour.
note: for the first Annual report of the Labour Advisory Council, the reporting period was the calendar year, and the second report runs from 1 April - 31 March; for each year there are a number of strikes with unknown numbers of participants: 1990: 10 one-day strikes (1991: 2; 1992: 14; 1993: 2)and one 6-day strike (1992: 1); 1991 and 1992: 1 two-day strike; 1992: one 10-day strike; 1994: one 4-day strike

This indicates that, where in an ideal world employer and employees' organisations would negotiate wages and other aspects of labour relations, in the Namibian context the active role of Government seems necessary to overcome incidents of confrontation.

Tripartite co-operation can be seen as one of the main instrument for addressing the problems faced by the labour market and by the Namibian economy as a whole. As stated in paragraph 5 of Recommendation 113 [ILOLEX, (1999)] consultations and co-operation should aim not only for a reduction in labour conflicts, but also for the joint "...elaboration and implementation of plans of economic and social development". Although the term "tripartism" is mainly found in industrial relations' jargon, and can refer to a wide range of concepts, we will use it mainly with the latter definition, i.e. as institutional arrangements for consultation and/or negotiation between representatives of workers, employers and the Government in the formulation of public policy on social and economic issues.

In order to analyse the mechanisms that regulate tripartite co-operation/consultation in the Namibian economy, in this section we have looked at the main actors involved in this mechanism, namely the Ministry of Labour, the employer federation/organisations and the employees' organisations, as well at the role of non-governmental organisations. From here we will move on to consider the main bodies wherein these consultations occur.

A short presentation of each acting institution/organisation is presented, followed by a description of their views regarding their role in economic policy reform, their evaluations of the Namibian economic situation, and their views of the tripartite mechanism.

3.1 Ministry of Labour/ Labour Commissioner

The Ministry of Labour, created in 1990, was given the lead responsibility for developing and implementing labour and employment policies. Its responsibilities include (GRN 1995: 131):

- promoting employment, sound labour relations, equitable conditions of employment, and a safe working environment;
- carrying out research on human resources' availability;
- planning, designing, and implementing basic skills' development and artisan training; and
- protecting workers against loss of income as a result of work-related accidents or diseases.

The most import instrument for tripartite consultation as indicated in the 1992 Labour Act is the Office of the Labour Commissioner, to which was added in 1993 the Labour Advisory Council.

3.1.1 The Labour Commissioner structure

The Office of the Labour Commissioner was created in 1992 by an Act of parliament. It is a neutral office whose main objectives are dealing with social partners' consultations, providing advice on labour issues and mediating in conflicts. The Labour Commissioner has responsibility for monitoring the compliance of Government laws to the Labour Act. It has three divisions: the Collective Agreement and Registration Division, which deals with the registration of trade unions; the Conciliation and Mediation Division, which deals with issues pertaining to labour relations; and the International Relations Division, which deals with regional and international organisation. It is linked to the Ministry of Labour for finance and personnel, and the Commissioner is appointed by the Minister of Labour. However, the office undertakes its activities independently of the Ministry.

Role in economic policy reform

The Labour Commissioner does not have a precise mandate on policy reform, but is involved in policy reform through its role on labour matters. The Government consults with the Labour Commissioner each time it formulates policies related to employment whereby the Commissioner prepares and submit its recommendations. The Labour Act Amendments, Affirmative Action Policy and the Social Security Act are examples of this exercise. However, not all Ministries consult the Commissioner, reasoning that some policies are industry-related and not labour-related. Although the Commissioner has tended to be regarded as more labour-related, this trend is slowly disappearing. Experience has shown that the Labour Commissioner cannot be evaded in any policy formulation. The Export Processing Zone is an example where the office was consulted when the implementation of the policy was blocked by the trade unions.

According to the Labour Commissioner, the relationships between himself, trade unions and employers has improved since independence, and a spirit of 'togetherness' is growing, in turn diminishing confrontational attitudes. Although consultation is commonly held when there are disputes, tripartite consultations are arranged occasionally on request by any party, with regular meetings organised through the Labour Advisory Council. This is a statutory body for which the Labour Act makes specific provision and is devoted to tripartite consultation. It was established in 1993 and its members are appointed for three years. The social partners - trade unions and employers - and the Government are represented by four members each, with the Labour Commissioner as the chairperson. Its main objectives are to advise the Government on the following:

- Formulation and implementation of national policies relating to basic conditions of employment, including vocational training, apprenticeship and health, and safety and welfare at work.
- Promotion of labour relations.
- Amendments of the Labour Act or any law related to labour matters.
- The prevention or reduction of unemployment
- Any other matter the Council deems fit.

The Labour Advisory Council meets every two months. The agenda of the meeting is determined by the members, a document is prepared and recommendations are given to the Government.

It is through such a body that holistic tripartite consultations should be carried out, though we can observe that consultations are commonly practised on labour matters rather than on general economic issues. With Namibia being a member of ILO, the Labour Commissioner has benefited from training courses and workshops. In conjunction with the ILO, the Labour Commissioner has organised workshops for trade unions and employers on health and safety, child labour, social security and affirmative action.

E*conomic situation and economic policy reform*

The Commissioner has a positive view of the performance of the economy, though his main concern lies in the attracting of investors. In his view, although the environment is conducive to all investors, incentives for local investors are picking up at a slow pace and are not catered for under the recent Export Processing Zone Act, since the standards are unattainable for emerging enterprises. In the view of the Labour Commissioner, a forum is needed whereby foreign investors can meet their counterparts, instead of politicians.

3.2 Employer organisations

The second pillar of tripartite consultation is represented by the employers' organisations.

Historically in Namibia, such organisations have not been common, often taking the form of business peoples' 'clubs', and furthermore the need for consultation was

minimal. The result of this has been a lack of experience in such issues, although tremendous strides have been made since independence.

The main structures that represent the interests of the business people's/employers' community are the Namibian Employers' Federation (NEF) and the newly-created Namibian National Chamber of Commerce and Industry (NCCI) which has among its affiliates one of the biggest Chambers, the Windhoek-based one (WCCI).

3.2.1 Namibian Chamber of Commerce and Industry

The history of CCIs in Namibia dates back to 1917 when an informal association of businessmen was established in Namibia. Prior to independence the Chambers of Commerce were comprised of small "clubs", exclusive business associations which were poorly-integrated with one another. Shortly after independence the Namibia National Chambers of Commerce and Industry (NNCCI) were established with no access-discrimination for business people. The creation of the NNCCI was accelerated by the Government's need to have an independent organisation with which to consult, representing the interests of the private sector. Over the years the NNCCI has not been particularly active, and little progress has been made, possibly because some sectors of the Namibian business community did not want to be affiliated to it as it was perceived as a 'black' organisation. However, in the last three years the chamber has been revitalised, and in September 1998 the NNCCI adopted a single structure adopting one constitution, transforming it into the Namibia Chamber of Commerce and Industry (NCCI) with the local chambers becoming local Councils of the NCCI.

The aim of the NCCI is to perform the function of advocacy, representation and the provision of relevant service to the local business community. The new single chamber does not intervene with the process of voluntary representation, articulation and accommodation of local concerns. The mandating process emanating from the local business council will determine the national agenda of the organisation.

With the restructuring of the NCCI, the organisation has committed itself to a more prominent role through tripartite consultation in achieving national economic objectives. Although the NCCI is still fine-tuning its structure, the focus is to influence economic policy both on a macro and micro level. This will be done through the launching of the Economic Policy Forum which is planned for later this year as well as through regular formal meetings with Ministries.

With the restructuring, the NCCI should have the capacity to deal with policy issues through the economic committee, which is composed of senior staff from various companies.

Currently the NCCI has a good working relationship with all the National Chambers of Commerce and Industry in the Southern Africa region, as well as with the Indian Chamber of Commerce and Industry.

Representing the entire business community in Namibia, the NCCI uses membership fees as its main source of finance, though it is also generates funds from donors.

Role in economic policy reform formulation

As the private sector representative, the NCCI has major role to play in economic development. This is done through advocating and lobbying Government on an enabling environment for private sector growth, thereby enhancing economic development. Although the NCCI has been regularly consulted by the Government and asked to submit recommendations, it has been pro-active on several occasions when not actually consulted. Time constraints have been identified as the main problem delaying the submission of recommendations due to internal consultations which are time-consuming. However, with the restructuring process, this problem has been addressed. Although the NCCI is unable to undertake follow-up on the implementation of its recommendation because of staff shortages, it is evident that some of their recommendations have been taken on. The tax deadline modification is an example. A relationship with the NEF and the trade unions does exist, although it needs to be consolidated with regular formal consultations.

Economic situation and economic policy reform

According to the NCCI, economic performance is stagnating. The manufacturing and service sectors have not received adequate attention, and as a result there is little sign of improvement. Despite considerable government input, the concern of the NCCI is that there is a lack of coherent consultation between Government and all social partners, as well as within Government ministries, which hampers policy implementation. It recommends regular consultations with social partners and a change of attitude from the trade unions' side towards a more proactive role in terms of policy reform and economic growth.

3.2.2 The Indigenous Peoples Business Council (IPBC)

The NCCI provides service capacity to the Indigenous Peoples Business Council (IPBC), which operates in close co-operation with the NCCI. The members of the Council are in fact also members of the NCCI and its local and regional branches.

The IPBC was launched by the Namibian President in September 1997, with the main aim being the representation of the interests of indigenous business people. In the past this group has been marginalised and denied the opportunity of representation by an organisation. The involvement of the Council will provide the opportunity for a broadening of participation of productive actors in the economy, improving the process of democratisation in the business organisations.

3.2.3 Windhoek Chamber of Commerce and Industry

The Windhoek Chamber of Commerce and Industry was established in 1992 merging with (CCI) Chamber of Commerce and Industry. With Windhoek the main centre of business, the WCCI is the largest chamber in terms of capital investment, representing no less than 70% of the capital invested in commerce and industry. It is a voluntary organisation which has among its members both small and large enterprises established in Windhoek. Its mission is to promote business expansion as well as to preserve and champion a competitive economy in the region and in Namibia as whole. In this respect, part of its mission is to get involved in economic reform.

Although the WCCI has been working independently, it has joined the Namibia Chamber of Commerce and Industry which represents more than 80% of independent chambers, with only the Swakopmund Chamber of Commerce and Industry opting out. The WCCI has about 250 members, which represents

approximately 10% of the established businesses in the region, and more than 50% of the registered businesses. It is led by a volunteer Executive Council with a full-time manager and one staff member. Its main source of income is membership fees.

Role in economic policy reform

Given its mission, it is evident that the chamber is actively involved in economic development. Although the chamber has occasionally submitted recommendations, it does not has the mandate to enforce policy formulations. The chamber is not always invited to contribute in policy formulation. For instance, it was involved in the policy formulation process of the energy policy, where it estimates that about 70% of its recommendations were accepted. Invited or not, the chamber submits its recommendations to various Ministries on pressing issues as they arise. This has been the case particularly with the Ministry of Transport and Communication on customs duty, and with the Ministry of Finance on tax. In most cases their decisions are partially accepted or acted upon. With the unification of the chamber and the creation of the NCCI, it is expected that standing committees will be established to deal specifically with policy formulation and implementation.

Economic situation and economic policy reform

The WCCI shares the negative view of the NCCI on the current economic situation. Judging from the private sector point of view, the situation is not promising. Businesses are experiencing poor cash-flows, decreasing turnover and are generally struggling to survive. On the other hand, the public debt is rising and its size is a cause for concern.

Although the Government has taken action in many respects, the chamber is concerned about a number of problems that are inhibiting the efficacy of many Government policies. The size of the Government expenditure and mismanagement of available funds are the major concern. Crime prevention is a necessity for an investment-friendly environment. This is true for local and foreign investors, and the view is that funds should be diverted to crime prevention by increasing the police staff. Education is another main concern. Although a study was carried out to identify the needs of the private sector, it seems as the Government is not well acquainted with these needs. There is an excess supply of teachers as well as of unqualified people. Another concern is the lack of attention to local business, with the view of the chamber being that although Namibia is a free-market economy, more consideration should be given to local investors, since foreign shops and retail chains are "*squeezing out*" local business.

Tripartite co-operation and consultations.

The WCCI believes that these problems arise on account of insufficient consultation with the social partners. Although institutions for specific sectors are in place, these institutions do not meet regularly. However, WCCI acknowledges that there are signals that Government is gradually considering these issues as well as tripartite consultation.

Tripartite consultation is hence seen as a necessity for sound economic policy formulation. However, at the moment, such consultations focus mainly on labour issues rather than social and broader economic issues. The LAC as a tripartite body has worked well on Health and Safety regulations, and similar patterns are needed for economic policy. The chamber recommends the creation of a Public Sector

Forum to look at different sectors of the economy and conduct follow-up investigations as required.

3.2.4 Namibian Employers' Federation

The NEF was created in 1992, mainly as a reaction to the provisions of the Labour Act which required the existence of an employers' federation for the tripartite structure to operate (Klerck G. and Sycholt M. 1996). In this way its role differs role to that of the NCCI, which does not deal directly with labour disputes. However in the past few years it has maintained a very low profile in the business community, only to revitalise its role with the election of a new board in 1996.

Its mission is to generate an understanding of all issues relating to employment, and to promote the interests of employers and of its members. The NEF has 72 co-operative members and 6 association members. 12 people work on a part-time basis, constituting the Board of Council, with 11 members and the president. The organisation is run on a voluntary basis. Lack of commitment from members is the main problem inhibiting the effectiveness of the organisation. As the organisation is run on a voluntary basis, it does not have a department dealing with economic issues, but relies on its professional members when submitting recommendations regarding policy formulation. Its only source of finance is membership fees.

Role in economic policy reform formulation

The vision of the NEF is to promote a stable and mature employment environment, thereby contributing to the generation of a better life for all Namibians. To realise its vision, the organisation has to be actively involved in all issues affecting the development of the country. The organisation has been asked to contribute to the formulation of a number of policies. The Labour Act, Affirmative Action Act and Social Security Act are examples, and some of their contributions have been incorporated. Although the need for regular consultation with NCCI and trade unions is acknowledged, the Chamber is not satisfied that consultations take place sufficiently routinely. Consultation with the Government and trade unions often only take place when labour dispute arises.

With the restructuring of the NCCI, NEF representatives hope for an improved level of consultation within the private sector.

Economic situation and economic policy reform

The NEF is positive about the current economic performance., though it has expressed concern about the lack of consistency in policy formulation. There is a concern that Ministries are working in isolation, and that often plans are over-ambitious. The feeling is that Government has devoted too much attention to social issues, thereby producing unbalanced policies.

Judging from the business perspective, there is a need for educational reform to cater for the need in the market.

Tripartite co-operation and tripartite consultation

Tripartite consultation is regarded by the NEF as the correct instrument for economic growth. The NEF believes that the right tripartite institutions are in place (the Labour Advisory Council is given as an example) and tripartite consultation does exist,

though not in all pressing issues. The creation of new institutions will complicate matters, especially if this is imposed from outside and not driven by internal needs.

The consolidation of existing institutions is what is required to make these institutions more efficient and effective.

3.3 Trade unions

The history of trade unions in Namibia, as in other parts of the world, has a political link. Almost all the trade unions have had some sort of political fighting background which has affected their effectiveness and representation. Namibian independence gave birth to a new phase of trade unions through the Labour Act, which provides workers with the right to organise with representative bodies and to bargain collectively, putting an end to the colonial restrictions which had prevented them from having an active role in addressing the need of the working force.

Trade unions in post-independent Namibia do however still bear the marks of the colonial legacy. During the colonial period trade unions were concerned with mobilising workers towards the objective of national struggle rather than addressing work-place issues (Bauer 1997 Ch. 2). This proved to be a problem in that it limited the ability of the movement to develop a clear strategic vision of its role in the society of independent Namibia.

Although trade unions have effectively extended their position - trade union density in Namibia is among the highest in the developing world[5] - they are still primarily concerned with the workers' "basic needs" i.e. wages and working conditions, and have little impact in the policy-making arena. They are, however, gradually moving from the "basic needs" culture to a more holistic approach of trade union objectives.

The Labour Act, through the establishment of Labour Advisory Council, provides a tripartite consultation mechanism - as the trade unions, employers' federations and the Government are represented - providing the unions with the opportunity to play a role in economic policy formulation.

Trade Union structure

The Namibian trade union structure is highly fragmented, with a plethora of associations (Table 9). The major union federations are the National Union of Namibian Workers (NUNW), which covers both the private and public sector and is politically affiliated to the ruling party, the Public Service Union of Namibia (PSUN) and the Namibian People's Social Movement (NPSM).

Table 9 Trade Unions by affiliation

Sectors	TRADE UNIONS NUNW	NPSM	Others
Mining	MUN	SWAMU	

[5] Half of the work force in the mining, fishing, education and health sectors, more than 40% in transportation, and 40% in the public administration are unionized, but only 10% in agriculture (Ministry of Labour 1998). Half of the employed labour force is registered with social security, ranging from 33% for agriculture to 75-80% in public administration, education & health, and financial intermediation (Ministry of Labour 1998)

Agriculture	NAFWU		
Domestic Service	NDAWU		
Construction	MANWU	NABWU	
Manufacturing	MANWU /NAFAU		
Wholesale/retail	NAFAU		NTLF/PFUN
Finance	NBU	BAWON	BONSA
Communication	NAPWU		PSUN/NTU
Transport	NATAU		NAPA/NSGF
Education	NANTU		TUN
Local Authority	NAPWU	LAUN	
Public Service	NAPWU		PSUN

Source: Murray A. and Wood G., (1997), Table 5.1

This fragmentation has on the one hand reduced the bargaining power of the trade unions when negotiating with their counterparts - employers and Government - and on the other, prevented them from being more actively involved in the formulation of economic policies. In an attempt to understand the role of trade unions in the tripartite consultation we have mainly considered those unions that have the broader representation of the working force - wide coverage of the labour market though the affiliate -, and hence sit in the tripartite bodies.

3.3.1 National Union of Namibian Workers

The history of the NUNW is linked to that of SWAPO, because in the 1960s it was clear that political freedom was a condition without which protection of workers through union mechanism could not be applied. It was in 1984/85 with industrial action that the union emerged as such, becoming very strong after independence. Currently the NUNW has nine affiliate organisations in all economic sectors, who are autonomous when dealing with relevant issues in their sectors. The role of the NUNW is to fight for the well-being of its members economically and socially as well as to ensure that democracy is maintained. Out of about 240,000 workers in the formal sector, NUNW claims to represent about 120,000.

Although the informal sector in Namibia is not unionised, the NUNW has a good relationship with informal sector associations such as Okutumbatumba Hawkers Association (OHA) and the Namibian Women in Business (NWB). Among other organisations, the NUNW has relations with the World Federation of Trade Unions, Southern Africa Trade Union Confederation and Federation of Free Trade Unions.

Although the NUNW does not has a separate department for economic policy formulation, it has a Labour Resource and Research Institute (LARRI), headed by two professionals who deal with policy issues and carry out research for the organisation. At present we note that the LARRI has maintained a very low profile in the elaboration of policy reforms, with poor dissemination of information.

The organisation derives its finance through membership fees and by participating in private and public companies.

Role in economic policy reform formulation

As one of the largest trade union federations in Namibia, it has a role to play in economic policy reform through advocating the well-being of its members. The federation is constantly monitoring Government procedures of policy formulation. Although it is often invited to contribute, there have been cases where the federation was left out. In such instances the federation opposes where necessary and offers its recommendations. This has been the case with EPZ Act and the Land reform Act,

when the Bills where blocked by the opposition of the union, and were approved only after union recommendations were incorporated.

The relationship with other local union federations in terms of contribution to policy formulation is not very strong at present, mainly for political reasons. However, the federation recognises the need for a better and healthier relationship, which both parties should work hard towards.

Occasional discussions have taken place with the Labour Business Council, which was set up by the private sector. Regular consultations with other federations and the Government only take place when the need arises, particularly during disputes with formal consultation through the LAC.

Economic situation and economic policy reform

The federation does not have a very positive view of current economic performance, emphasising that it is not satisfactory. However, it has expressed the view that the situation is slowly improving, especially in the case of the previously disadvantaged who have seen an increase in their participation in business activities. The federation stresses that current economic policies are not discouraging but more attention should be given to educational policies.

Tripartite co-operation and tripartite consultation

The NUNW believes that tripartite co-operation does occur and is producing results. The legacy of the past, in particular the *dichotomy* which still exists between white employers and black employees, is hampering its effectiveness. Although the federation has benefited from ILO tripartite training, it still lacks the capacity to handle tripartite consultations and negotiations. There is a need for more professional people, especially economists, lawyers and industrialists. According to the NUNW, there is no need to have new tripartite institutions, since the LAC is fulfilling this role; rather it needs reform in terms of social partners' representation. In particular there is the feeling that the NUNW - being the most representative trade union - should have been allocated all the available seats.

3.3.2 Public Service Union of Namibia

As is the case with other trade unions, PSUN was established during the colonial era, in 1981, when labour laws did not allow trade unions to operate in the public sector. At that time it was called the Government Service Staff Association (GSSA). The PSUN was then created after independence.

With a total number of roughly 25,000 members, the PSUN is one of two unions representing civil servants. According to the Labour Act, Art. 58, in order for a trade union to be recognised as a sole bargaining body it has to have a 50% +1 majority, which was obtained by the Namibian Public Workers Union (NAPWU) - affiliated to the NUNW - during the 1996 election. For this reason, the PSUN is not legally recognised, and is not always invited to contribute on policy reforms. However, they do submit contributions as they deem fit, and whenever asked, as was the case with the Labour Act and Affirmative Action policy. PSUN does not have a separate department for policy formulation with properly trained personnel, but relies on its members who are part of the executive committee when its comes to policy formulations.

Its mandate is to look after the well-being of the workers through which the union becomes involved in policy formulation.

PSUN indicated that the economic situation is improving slowly, but the distribution of income is skewed. The union believes that economic growth is being hampered by a lack of vision and by individualism at the expense of consultations among different ministries, as well as by corruption. According to the union, the curbing of corruption and consolidating co-ordination among ministries are what is necessary for economic growth.

In the PSUN view, a tripartite Labour System emanates from :

- A strong belief in the power of sharing
- An acknowledgement of the interdependence of the social partners
- The acceptance that we all share a common destiny.

Tripartite co-operation and tripartite consultation according to PSUN exists in a limited capacity, since not all social partners are consulted. It is more common on labour issues than on economic policies. The union believes that the right institutions (Labour Advisory Council) are in place, but that it should broaden its composition and participation.

3.4 President's Economic Advisory Council (PEAC)

The PEAC is a relatively young structure which was created by the Government in 1997 with the main objective being to provide the President/Government with advice on issues relevant to the development of the country. The rationale was that each action of the Government has an effect on the private sector and other social partners, who in turn need to be informed. At the same time, the PEAC has been asked to provide policy makers with advice and recommendations.

On such grounds, the PEAC could be considered as a tripartite body *in pectoris* representing all sectors of the Namibian economy/society. It has about 100 members among business people, members of the academic community, trade unionists, members of the Government and members of NGOs.

To facilitate its activities, the PEAC is organised into six Standing Committees: three Committees related to macro economic issues (i.e. Monitoring Overall Development, Employment and Fiscal Policies and Programmes, Namibia in the Global Economy and Creating an Enabling Environment for the National Economy), and three sectoral Committees related to specific micro economic issues (i.e. Agriculture, Fisheries and Land Use, Industrial Development, and Tourism). These Committees, which are comprised of the most prominent representatives of the respective sectors, are required to meet regularly, debate the relevant issues and prepare reports to hand to the President/Government. Their actions are co-ordinated by the Co-ordinating Committee.

The PEAC until recently has produced little in the way of tangible results, creating a general feeling that it has failed to accomplish its mandate. The fact that meetings have often been a forum for exchange of opinions rather than for economically-informed discussion has resulted in the limited ability to provide recommendations that can be implemented. The high number of PEAC members is one of the reasons

preventing regular meetings from taking place. The Committees created for the specific purpose of overcoming the size problem have not met regularly, and only a few have been able to provide recommendations to the Government. The lack of a specific structure to follow up recommendations could also be considered a deficiency.

In order to revitalise the structure and make sure it fulfils its mandate, in April 1999 a PEAC Secretariat was created whose main responsibility was to oversee the activities of all the Committees, to ensure that they meet regularly, and that reports and recommendations are prepared and submitted as required. It also should ensure that these recommendations are followed up and implemented by the Government. Currently there are only two people working full-time for the PEAC Secretariat and this may hamper its activities. However, the need for an external consultant are being budgeted for, and these are hired whenever the expertise required cannot be provided by other PEAC members.

Economic situation and economic policy reform

The PEAC Secretariat has a positive perspective on the country's economic performance, though stressed that any problems are in part due to the performance of the world economy that influences the country, or to exogenous factors that cannot be easily foreseen - for instance drought. If reforms are to be carried out, the PEAC Secretariat recommends that these should be in the public sector, specifically in education. However, it indicated that research is required to provide ministries with an overall view of the effect of their policies on the economy, and acknowledged that this is its responsibility.

Tripartite co-operation and tripartite consultation

Currently the PEAC is not a tripartite body, although it could be considered as the main institution of tripartite consultation. If it operates properly it could contribute to the creation of an atmosphere of trust and co-operation among the different sectors of the Namibian economy/society.

3.5 Non-Governmental Organisations (NGOs)

Although NGOs are not expressly indicated actors of tripartite consultation, they could have an important role, giving voice to marginalised sectors of the society which are often not fully considered in policy formulations.

The history of NGOs in Namibia dates back to pre-independence. Their activities were initially concentrated on advancing the cause of the liberation struggle, since there was the feeling that proper community development activities could not be carried out in an apartheid environment.

With the transition to independence it become easier for NGOs to operate. They started to focus more on community development, and new NGOs were formed to render services to specific target groups. However, because of their previous involvement in political issues, they lacked experience, and furthermore most of their personnel was absorbed by the public sector as high ranking civil servants.

3.5.1 Namibian Non Governmental Organisations' Forum (NANGOF)

NANGOF was created as a national umbrella NGO in April 1991, becoming more effective in January 1995 following an agreement by members to have an office and full-time staff. It has about 60 member NGOs. In order to facilitate the role of its members, which is to address the need of the unemployed, disadvantaged and marginalised communities, NANGOF provides the following service to its members: Assisting with policy advocacy to influence the formulation of public policy in different sectors and assisting in capacity-building of its members.

Its main source of finance is donor funds.

Roles in economic policy reform formulation

Namibian NGOs provide employment to a significant number of people through their community activities. NANGOF, being the representative body of NGOs in Namibia, is involved in all policy formulation that affects the interest of the poor and marginalised. It has a Policy Advocacy Unit composed of UNAM (University of Namibia) law students who monitor the developments of bills within ministries as well as in the parliament and national council, inform the communities affected, and gather the community's opinions, at which stage NANGOF seeks consultants' advice and submits recommendations accordingly. NANGOF is usually invited by the government to submit recommendations on policy formulation. This has been the case with the NDP1, the Land Act, SME promotions programmes and wild life conservancy policies. According to NANGOF, in most cases their recommendations has been taken up, but some have met with criticism. Because of its limited capacity, NANGOF has been more reactive than proactive on issues concerning its target group. NANGOF has a good working relationship with trade unions and employers' organisations, especially with NUNW and NCCI. They formed a coalition with NUNW on a number of mutual issues such as land reform and privatisation. Their good relationship enables NANGOF to make use of the LARRI for information on labour issues.

Tripartite co-operation and tripartite consultation

According to NANGOF, tripartite consultation does exist through the LAC. However, this is more labour-relations orientated, and as a result does not cover all pressing issues. On the other hand, civil society is not proactive, and hence consultations only take place when the need arises, for example during disputes.

NANGOF is of the opinion that socio-economic issues are not catered for by the current tripartite bodies. Therefore there is a need for a forum that can organise consultation on economic issues. Although NANGOF acknowledges the presence of PEAC in this regard, it emphasised that PEAC's structure needs to be reviewed and restructured into a 'think tank' composed of real experts and not 'top figures'.

4. Conclusions

Consultation among the different actors of the economy is important for the sound development of any society. This is particularly true in the case of Namibia, where because of the colonial legacy and the diversity of cultures, there is a lack of experience in consultation. Consultation often starts only when conflicts arise, rather than preventing them, and in many cases each party finds it very difficult to move from its position. This element has undoubtedly hampered the effectiveness of tripartite bodies.

At independence the Namibian Government committed itself to the principle of tripartitism: "*The Government recognises the function of tripartism and will encourage the promotion of full co-operation and consultation between the Government, employees and employers, including the respective representative trade unions and employers' associations*" [National Policy on Labour and Manpower Development (1990)]. For this reason, relevant ILO recommendations have been ratified and specific bodies have been established to put those principles into practice.

However, in expressing an evaluation on the effectiveness of tripartite consultations, it is clear that while trade unions, employers representatives and Government have been successful in regulating labour disputes and in disseminating the principles of international labour standards and regulation, they still do not truly co-operate when planning the economic and social development of the country. The true spirit of the ILO Recommendation No 113 is thus not yet fully functioning in the country. Furthermore it seems that consultation is not seen as a means of "receiving and analysing" the input of the counterpart, but often merely as a means of informing the other parties of decisions already taken.

However, it is not the lack of tripartite mechanisms, but rather structural constraints that currently prevent the trade unions and business/employer organisations from being directly and effectively involved in policy formulation. Among them the most relevant is the lack of necessary experience and professional capability. Neither labour nor employers/business organisations have specific structures which deal with socio-economic issues. The LARRI is an exception to this, although at present its contribution to the dissemination of information and to the public understanding of such matters has been limited. The problem experienced by all is the shortage of full time personnel with managerial and technical experience to get involved in policy formulations. More efforts should therefore be made in training professionals in tripartite consultation and on policy formulation.

The scarce availability of information both in terms of reliable statistics and relevant economic data is hindering policy formulation.

The low degree of unity and co-operation among members trade unions, employer/business organisation and Government can also be seen as an obstacle to the formation of specific platforms for discussion with counterparts in order to develop a common path to development.

This situation is more evident among the trade unions, with the main union, the NUNW, strongly enmeshed with the ruling party, SWAPO [6], and often lacking autonomy and independence from the Government. This generates accusations and resentment from other unions preventing the creation of a common platform of trade unions[7]. It has also made the movement towards an effective multi-representative system more difficult.

Consultations have until recently also been poor among private sector representative bodies, although with the restructuring of both the NEF and NCCI, important efforts have been made to reverse such a pattern.

Government too has often failed to practice consultation between its Ministries, with the result being that social and economic actors have received the wrong signals and information.

When looking at the tripartite mechanism as a whole, it is still the case that consultations between trade unions and the business/employer organisations, and between these two and the government happen only on an *ad hoc* basis and often at the initiative of the Government.

It could be said that business/employer organisations on occasion *forget* to invite trade unionists to conferences/meetings, or when they do, that trade unionists *forget* to attend. Moreover it would appear that the Government is still reluctant to bring the social partners[8] into a policy reform debate, and does so only when suits it or is unavoidable[9].

There is no need however for new tripartite bodies, which could only create further confusion. Furthermore it would be quite uneconomical to create a new structure when the existing one has not yet had the opportunity to operate at its full capacity. The LAC is specifically designed for tripartite consultation and is in many respects a more advanced structure than those which can be found in the so-called industrialised countries.

The PEAC could also have a role to play in fostering tripartitism, although unfortunately it does not have a clear mandate to do so, nor a structure that would allow for follow-up of the recommendations proposed.

What it is necessary is that both structures form part of an istitutionalised tripartite system, to facilitate regular meetings, with a working system to follow up their activities. Representation on these bodies should also be revised, appointing

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[6] NUNW affiliation to SWAPO was confirmed during the NUNW National Congress in September 1993. In the 1994 General election, five leading trade unionists were nominated and three of them elected in the Parliament as SWAPO members , [H.M. Jauch (1998) p. 81]

[7] The Joint Co-ordinating Forum collapsed because in the 1994 public sector wage dispute PSUN accused NUNW of taking a "soft option" proposed by the Government.

[8] This is more evident in the case of trade unions, which have often been marginalised in many aspects of policy formulation. The links between the NUNW and the government can provide a partial explanation for this, since unionists may be tempted to use party affiliations rather than trade unions to protect the interests of the workers.

[9] The Exporting Process Zone Bill is a clear indication of such behavior: The Bill was presented to the Cabinet for ratification without even consulting the trade unions. Only when trade unions indicated that the Bill was against the Labour Act and ratified ILO conventions, threatening the Government to court, was the EPZ Bill discussed with the unions.

competent members to analyse the economic and political environment and provide recommendations to the policy makers.

This means that there is the need to strengthen the capacity of the social partners in economic policy analysis, giving them more training and facilitating the creation of an economic research centre for both the trade unions and the employers organisation/federation, with full time staff appointed.

There is a need to better inform the general public (for example, through capacity building of economic policy journalists) as well as to provide timely and comprehensive economic information (statistics) so to allow an informed debate.

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APPENDIX

Interviews

Institution	*Representative*	*Date*
Secretary PEAC	Ms. B. Artivor	12 July 1999
Director for Employment Planning Division -Ministry of Labour-	Mr. K. J. M. Hikuama	16 July 1999
Labour Commissioner	Mr. B. M. Shinguadja	6 July 1999
Windhoek Chamber of Commerce	Mr. T. Parkhouse	8 July 1999
NCCI	Mr. S. Geiseb	13 July 1999
NEF	Mr. H Ppkewitz / Mr. T. Truebody	12 July 1999
Public Service Union of Namibia	Mr. S. Rukoro	8 July 1999
NUNW	Mr. P. Ya France	13 July 1999
NANGOF	Mr U.Dampers	21 July 1999