Unit 6

Industrial and Labour Relations Challenges in the Namibian Industry

1. Introduction

In the previous Unit, we established that labour economics deals with real socio-economic issues such as supply and demand of labour, wage determinations and distributions, the effects of trade unions on wage and employment levels which are topical issues for every government. A good government aims to address challenges of unemployment, inflation, growing the economy as well as making its labour market operate efficiently (Venter and Levy, 2014). This central objective can best be achieved with a thorough understanding of the dynamics of the labour market. Labour economists play an important role of providing appropriate and timely information by systematically studying the market and applying the models we discussed under Unit 5, for them to be able to provide government with factual basis for decision-making and policy formulation. However, one needs to appreciate the fact that labour market issues though very important to the well-being of any society are viewed differently by different stakeholders. For this reason, Venter and Levy (2014) seem to imply that any proposed solutions or points of view tend to be biased. Despite these differences, it is pertinent that we understand and appreciate these issues that governments must deal with.

As a student of labour and industrial relations in Namibia, it is important that you appreciate the labour market challenges of the country, consider some of the questions they raise and how they impact on labour relations, the legal and institutional environment within which they operate. We shall therefore pay attention to pertinent relating to labour market flexibility, minimum wages, outsourcing, labour productivity and unemployment with the view to appreciate how they relate to labour relations and government perspective.

1.1 Learning Outcomes:

Upon completion of this Unit, you should be able to:

- Examine the concept of labour market flexibility
• **Describe** ways in which minimum wages are determined in Namibia
• **Analyse** the outsourcing phenomena and its features in the Namibian labour market
• **Evaluate** the roots of high unemployment levels in Namibia

1.2 **Prescribed Reading**


1.3 **Additional Reading**

2. **Labour market flexibility**

To understand issues relating to labour market flexibility in Namibia or any other economy, it is logical that we first understand the term, labour market flexibility itself. Venter and Levy (2014) explain that there is no single definition of what labour market flexibility is. The reality we get from Venter and Levy (2014) is that the term has become a reflection of the interests of the different stakeholders found in the labour market. These key stakeholders that is employers, trade unions, government often view labour market flexibility from different perspectives. What this means is that those groups whose interests are pro labour protection define labour market flexibility in way that is different from those that are not for the protection of labour. Respective legislation also has its own definitions that often reflect government stance.

That said, we find Barker (2007, p.127) in Venter and Levy (2014) defining labour market flexibility as:

*the extent to which an enterprise can alter various aspects of its work and workforce to meet the demands of the business such as the size of the workforce and working times.*
Such a definition presupposes an environment which is not regulated where market forces determine actions of the players. However, we now know that this is not the case. In fact, Venter and Levy (2014) refer to the existence of a perfectly competitive market without regulations as a myth. Governments have a role to regulate operations of the market, what differs is the level of controls every government puts in place which by and large depend on the degree of protection the government considers necessary for the economically vulnerable members of society.

Governments like that of Namibia also seek to establish programmes they believe will ease the pressures on the labour market. Such programmes the government sets aim to reduce unemployment and illiteracy levels, protect the health and safety of its people for example. What this means according to Venter and Levy (2014, p.160) is that, there isn’t a perfectly flexible labour market where the environment is not regulated in one form or another.

Venter and Levy (2014) however, point out that the most common usage of the term is one given by Barker (2007) referred to above. The common view is where labour market flexibility is associated with the relative ease with which organisations can exercise control over labour issues without experiencing hindrances set by law or trade unions on fundamental such as the recruitment or termination of employees or determination of wages.

The question you may ask is how then do we measure flexibility in the market?
From the view shared by Venter and Levy (2014) we learn that the ease with which an employer can dismiss or get rid of excess or unrequired labour is also one of the ways through which the market’s degree of flexibility is measured.

In situations where certain aspects of the economy cannot easily be measured, we learn again from Venter and Levy (2014) that economists use “proxy” variables which behave in the same manner with the variables they want to measure. Governments make trade-offs between what is socially or politically desirable that determines the degree of flexibility they allow in the country.
Studies in (Venter and Levy, 2014) which compared market growth between the United Kingdom and the USA from 1965 to 1975 established that while employment in the USA grew by 14.5 million, the UK experienced a decline of 0.04 million. Much of the declines in the UK were attributed to the inflexibility of the labour market while the growth of the USA market was attributed to the market having been more flexible. Venter and Levy (2014) however admit that though this view is oversimplified, it is indicative of the positive effect of having some reasonable degrees of flexibility in the market.

Reflection

Take a moment and reflect on the advantages of having a flexible labour market in Namibia.

2.2 Categories of labour market flexibilities

Labour market flexibilities can easily be examined when they are in placed in categories which we will briefly discuss below.

2.2.1 Wage flexibility

This relates to the ability of the market to respond to supply conditions of labour. We have already learnt that oversupply of labour reduces the value or cost of labour that is wages. In times of high levels of unemployment employers can access required labour at any cost if other factors are held constant. As expressed by Venter and Levy (2014), practically, this is not likely to happen in situations where governments set minimum wages (an issue we will discuss later under this Unit) or where trade unions intervene to influence wage levels in a given sector or firm.

2.2.2 Numerical flexibility

Venter and Levy (2014) relate this type of flexibility to the degree with which employers can increase or decrease their labour force according to demand conditions in the industry. In perfectly flexible market employers do not have to incur costs when hiring or getting rid of staff. The reality is that many governments put in place regulations that employers need to comply with when they want to shed off some of their labour.
Unit 2, we established that the Namibian Labour Act no. 11 of 2007 sets conditions to protect the vulnerable from abusive employers. These conditions therefore make numerical flexibility difficult.

In South Africa and Namibia, we experience a situation where employers over the years have tried to go around the limitations on shading of labour by making use of labour brokers. According to Venter and Levy (2014) Nel et al. (2016), outsourcing of labour from labour brokers became a popular way of taking in labour that a company could easily disperse of as need arises.

An outcry by trade unions to do away with labour broking in Namibia met with resistance from labour broking companies. The case between APS known as the APS case against government ended up in courts where total prohibition of labour broking was disproportionately more severe than what was reasonable and necessary in a democratic society (APS case no: A 163/2012). Section 128 of the Labour Act no 11 of 2012 was therefore repealed, a situation which led to the creation of the Employment Services Act of 2011 we discussed under Unit 2.

The conclusion we can draw from the legislative changes that came about because of the outcry by labour broking companies against a total repeal of labour broking is that there were concerns by trade unions regarding the abuses of labour broking services by some employers to which employers and labour broking firms felt were unconstitutional. The outcome was that labour hire could operate in compliance to the Employment Service Act of 2011. Therefore the hiring of labour is no longer as flexible and as abusive as it was before these regulations were put in place.

Let’s turn our attention to yet another category of flexibility that can be found in the labour market.

2.2.4 Functional flexibility
According to Venter and Levy (2014), functional flexibility relates to the employer’s ability to apply his/her labour in a flexible and variable manner. We learn that organisations that apply multiskilling practices tend to have better flexibility opportunities.
2.2.5 Work time flexibility

One other area where flexibility can be exercised is in the setting up of work times or work schedules that includes working hours of the workforce. Venter and Levy (2014) allude that the use of technology particularly in developed countries has increased flexibility in this regard. In Namibia, this level of flexibility is not yet fully applicable as the Labour Act pre-scribe maximum number of hours of work.

The Namibia Employers Federation (14 September 2011) expressed their concern over the restrictions set by Namibia labour legislation which the employers ‘organisation has said is the major inhibitor of employment creation in the country. The paper presupposes that lack of labour market flexibility due to restrictive legislation inhibits attempts by employers to employ more people thus also inhibiting economic growth.

Labour market participants that are pro labour seem to hold the view that the market has levels of “flexibility” and “casualization” of labour utilisation that has dwindled the growth of trade unionism in Namibia (Jauch, 2017, January 26).

Hover overall Namibia is experiencing pressure from employers in respect of labour legislations they regard to be negatively affecting their ability or propensity to increase employment levels in the country.

We can conclude this section by highlighting that though the notion of labour market flexibility is viewed differently by different players in the market, some level of flexibility is necessary for economic growth. Namibia like its counterpart South Africa is generally said to have legislations that are too restrictive for such economic growth and that supports employment.

Activity 1
Examine the concept of labour market flexibility as it relates to the Namibian labour market.
**Possible solution**

Labour market flexibility relates to the extent to which an enterprise can alter various aspects of its work and workforce to meet the demands of the business such as the size of the workforce, working times and sometimes the wages it can offer. However, those stakeholders that are pro labour are not kin on labour market flexibility while employers on the other hand consider it necessary for economic growth that impact positively on employment levels in the country. The concept of labour market flexibility can be categorised into some number categories which include flexibility in wages, in numbers of employees an employer can have at a given time, in working hours and schedules as well as flexibility in labour usage through multiskilling programmes in an organisation.

In Namibia it is generally believed that the market doesn’t allow the level of flexibility employers consider necessary for economic growth and for increasing employment levels. The labour market environment is said to be too restrictive from an employer point of view. Proponents of labour on the other hand think unions are not able to grow their influence because of policies that they consider to be anti-labour interests.

We can conclude that Namibia as a country needs for improvement in level of flexibility in wages, recruitment and termination practices, working schedules as well as utilisation of labour with minimum interference from trade unions or labour regulations. This will help ease the burden of unemployment and lack of economic growth. However, so many other factors which support economic growth need to be taken into consideration

This takes us to our next issue or challenge for the Namibian labour market regarding minimum wages to be discussed below.

**3. Minimum wage regulation in Namibia**

The debate of whether government should regulate wages offered by employers or leave market forces to determine wages is of great importance in any economy and Namibia is not an exception. The effect of minimum wages on employment levels, though debatable, is generally believed to affect employer’s ability to employ more people or to have new entrants in the market as expressed by Venter and Levy (2014).
According to Venter and Levy (2014), the South African labour market is reported to be marked by sectorial minimum wage regimes. Let's take a step further and establish what the situation is like in the Namibian labour market.

Minimum wage.org (2018, April 10) reported that though most countries have a nation-wide minimum wage that all workers must be paid, the situation is different from that of Namibia. Namibia is said to have sectorial minimum wages in such industries such as; mining, construction, security, agriculture and domestic work are typified by minimum levels of pay set through collective bargaining (Minimum wage.org. 2018, April 10). Venter and Levy (2014) point out that South Africa is also characterised by sectoral wages set through collective bargaining.

Examining the issue of sectoral wages helps us understand how wages are set in the economy which is by and large like that of South Africa. There are basically four determinants of wages in operation namely:

- direct contract between buyer and seller,
- sectoral minimum wages,
- extension of statutorily backed collective bargaining minimums to non-unionised staff and
- Voluntary collective bargaining at enterprise level.

We'll briefly examine each of these categories below in respect of the Namibian labour market environment.

3.1 Direct contract between buyer and seller

Wage determination of this type is said to be set directly between seller of labour (the job seeker) and the buyer (the company/employer) through a contract. This is the most common method of determining pay levels as employers may offer any wage which employees take due to desperation. According to Venter and Levy (2014), this situation is not only found at lower ends of the market but also at managerial or executive levels where factors of supply and demand largely determine remuneration.

3.2 Minimum wages levels are currently set on a statutory wage-fixing body

We have already pointed out the fact that there are minimum wage regulations set for specific sectors like security, agriculture, mining etc. highlighted above.
Sectoral minimum wages and related terms of conditions are therefore set in line with the applicable collective bargaining agreement in place.

3.3 Statutorily backed collective bargaining with extension of the agreement to non-participative parties

According to Venter and Levy (2014) these kinds of arrangements in South Africa apply to sectors where employers and trade unions have organised themselves into statutory bodies called “bargaining councils”. The councils reach a centralised agreement on wage and conditions that will apply as minima in the specific industry. The situation in Namibia is the same in that employers and trade unions in a specific sector enter into an agreement which is gazetted by law in respect of wages and other conditions of employment for that sector. By government gazette the agreement is extended to cover the entire sector. An extension of collective agreement was done through the Government Gazette of The Republic of Namibia (15 September 2017) to cover all employees in the security industry.

Nampa (2016, January 18) reported the gazetting of minimum wages for the construction industry on the 31 December 2015. This was done through a collective agreement entered between Metal and Allied Namibian Workers Union, the Construction Industry Federation and the office of the labour Commissioner. The agreement was said to cover all workers within the bargaining unit.

The above shows that wages are also determined at industry level through collective agreements and can be extended to non-unionised employees as shown with the example of the security extension of collective agreement referred to above.

3.4 Voluntary collective bargaining agreements at plant level

Whilst the above represents minimum wages determined through statutory extensions, there are collective agreements that are also concluded voluntarily at company between an employer and a respective trade union. Venter and Levy, 2014 report that sometimes the parties involved in voluntary collective agreements are also subject to sectoral agreements meaning that employees in these categories end up with wages that are far way higher than their counterparts.

The Quarterly Labour Force SA (1st quarter of 2014) quoted in Venter and Levy (2014) had some very interesting results. More than 50% of the employees who had their wages directly determined by their employers, while 21.2% of the employees had their wages negotiated by trade unions and only 9.1% negotiated directly with their employers. What the report showed was that despite the existence of minimum wages set at different levels there were a good number of employees who just take whatever offer the employer determines to present as long as they get the job. This is a common phenomenon in Namibia.

The conclusion we get from Venter and Levy (2014) is that employment at these lower levels where an employer determines payment, is undertaken outside the minima set for
the respective sector. Overall, we established four ways through which minimum wages are set in Namibia namely:

- wages determined by through contractual agreements made directly between employer and employee,
- wages that are determined through sectoral collective agreements,
- those wages that are determined by extension of sectoral agreements to all employees in the industry like the security industry example given above.
- finally wages that are set through voluntary agreements entered between the employer and the trade union at company level.

Lower level employees often end up taking jobs that pay much less than the minimum as they are desperate for jobs.

We therefore can safely say the issue of minimum wages is still of concern in the Namibian Labour market.

Before moving to examine yet another area of challenge in the Namibian labour market, take a moment and undertake the activity below.

**Activity 2**

**Describe** ways in which minimum wages are determined in Namibia

This activity will take you 15 minutes to complete.

**Possible responses**

There are four ways through which minimum wages are determined in the Namibian labour market. The four ways common ways are listed and described below;

- **Direct contractual agreement made between buyer (company) and seller (job seeker) of labour.** Wages are often determined directly between the would-be employer and job seeker directly and confirmed through a contract of employment. The challenge is that the employer offers any wage he or she decides to give since the employees in these categories are often desperate for employment. Whilst we do not have specific statistics of how many employees fall into this category, we learn that in a 2014 survey almost 10% of South African labour force fell into this category. One would want to believe Namibia’s situation is not far from the South African case.

- **Through statutorily determined collective bargaining agreements that are extended to non –participatory parties.** We can talk of the example of the security industry where several trade unions have formulated an association where they extend agreed wages to all employers and employees in the industry.

- **Voluntary collective bargaining entered at company level between the employer and trade union.** There are agreements entered voluntarily through collective bargaining at company levels that also determine wages. The participant in this
type of bargaining are often those who would have had been involved in statutorily determined wages. Wages offered at this level are often much high than those of the employees’ counterparts working elsewhere.

In the next section we will turn our attention on one area that has posed challenges for Namibia is what economists refer to as the grey area.

3.4 The grey area

Venter and Levy (2014) provide a very straight forward explanation of the grey areas in the market. They say that they arise when the market is over controlled or regulated. There are a number costs for example those associated with recruitment, provision of certain benefits, regulated annual and sick leave that are often neglected when analysing the wage offers. Venter and Levy (2014) decided to categorise these costs into substantive and procedural costs. Upon employment of a second employee in a company, the employer meets costs that are higher than the wage cost. The challenge is that the market rate is not known and often the employer ends up paying even more. Research shows that in South Africa, there are additional costs which come close to 18% that employers find themselves incurring. There are procedural costs which Venter and Levy (2014) associate with compliance issues. A good example is severance pay which is with retrenchment of staff.

We learn through Levy (unpublished) research quoted in Venter and Levy (2014) that the avoidance of these costs by employers is creating a grey market which is growing very fast. This is obviously a challenge for the country that the government has to find ways of resolving.

The issue of the grey market and its associated costs is said to have led to popularity of alternative sources of labour accessible through outsourcing which we’ll discuss in the next section.

3.5 Outsourcing

Venter and Levy (2014) view outsourcing from a perspective of the grey market we discussed earlier own. Based on the grey market perspective outsourcing therefore describes arrangements where employers access labour or services outside the framework of minimum wages and the other labour regulatory requirements. Under this section, we’ll are going to examine the issue of outsourcing with the view to appreciate how it impacts the labour market not just in South Africa but also in Namibia. Venter and Levy (2014) state that outsourcing has become quite popular with employers as a preferred arrangement that places them outside the realms of the law.

The diagram below provides the various components and views of outsourcing. We see business processes, the issue of lowering of costs, vendors, flexibility of employees’ software products, external company etc. which are all components of the outsourcing phenomenon.
The question to ask at this stage, is why do companies opt to outsource some of their functions?

**Reasons for Outsourcing**

A study by Schlemmer in Venter and Levy (2014)’s revealed the following reasons for outsourcing:

- Greater flexibility (no regular need for a function)
- Greater cost effectiveness
- Hassle free labour environment (resolve labour problems)

In summary the study concluded that, “The factors of quality, of labour, its productivity, and skill level the labour relations or hassle free factor and the factors of labour cost combine to form rather massive disincentive to increase labour absorption” (Schlemmer and Levitz, 1998)

Venter and Levy (2014) outline four major ways under outsourcing which employers use to lighten themselves of the burdens of the labour law that the statutorily based minimums that we find important to examine to get a better understanding of effects of outsourcing in the market.

**3.5.1 Outsourcing to a labour broker**

A labour broker is a company that deals with the supplies of labour to employers in need. Venter and Levy (2014) are of the view that in South Africa labour broking became popular because of employers trying to escape costs associated with
termination of contracts. Dismissals could easily be affected with labour brokers. In some cases, employees were terminated and handed over to the labour broker who then was contracted to supply services using the same people who now were no longer treated as employees but just contractors of the labour broker.

Surveys undertaken in South Africa revealed that labour broking became very popular for over a decade from the introduction of the Labour Act. In 2010 it was established through these studies that the number of employees engaged through labour broking arrangements increased by 150% to 3.98 million workers from 1.55 million in 2000 (Benjamin, 2005) cited in Venter and Levy (2014).

This represented a huge shift of workers from the formal to the more informal and grey labour market which started raising concerns by worker representatives. In Namibia the situation has been by and large like that of South Africa.

Labour broking known as labour hire in Namibia is the practice of hiring out employees to clients by a labour broker, has been a part of Namibia’s history since the early 1900s in the form of the contract labour system according to Bote (2013). Labour Hire was characterised by inhumanity and unfair labour practices until it was banned through the Labour Act no 11 of 2007. Bote (2013) reports that the ban was lifted and replaced by Labour Amendment Act no 2 of 2012 following a successful appeal by African Personnel Services (APS). The Amendment Act allowed labour hire to operate under specific regulations aimed at addressing the pitfalls that the system has been known for. Bote (2013) goes on to explain another piece of legislation, the Employment Services Act 8 of 2011, which contains provisions for the regulation of labour brokers as juristic persons per se, that was also introduced in 2012.

We can therefore in conclusion say that the magnitude of challenges that were associated with labour hire or broking is expected to have gone down because of the legislation that was put in place to regulate practices in this field.

Reflection
Take a moment and reflect on the effects of labour hire or labour broking on the labour market.

3.5.2 Casualisation and short-term contracts
Casualisation of the workforce has been regarded as one of the forms through which employers have moved away from the more formal forms of employment which is easily regulated to the less formal form. Venter and Levy (2014) state that employers use short term contracts which they renew as they wish. This form of employment enables employers to dismiss staff as they wish mostly because both employers and employees are ignorant of the controls stipulated by the Act.

3.5.3 Outsourcing the function to a service provider
This type of outsourcing is not the same as the one we covered under labour broking. Outsourcing a function to a service provider is undertaken by organisations that want to focus all their energies on the core business. In this regard, such organisations strip themselves off any support or ancillary functions which they “hand over” through a
contractual agreement to an outsourcing company (Venter and Levy 2014). What it means is that all responsibilities regarding labour or staff automatically shifts to the outsourcing company. Whilst there is nothing illegal about this arrangement, many employers have used it as a way of avoiding costs associated with direct and formal employment and termination procedures required by the Labour Act No. 11 of 2007 and all related statutes in the case of Namibia.

A retrenchment survey undertaken in South Africa referred to by Venter and Levy (2014, p.166) established that over 36% of the respondent companies indicated that they had retrenched their employees and placed them with the service provider who now function with the same employees. The issue is that the terms and conditions of employment were said to be less favourable than the ones they had with their original employer.

Before we proceed to the fourth method used by employers to try and move away from the requirements of the law, take a moment and think of the following;

Reflection
Think of one or two examples of outsourcing companies in Namibia. Do you think these outsourcing companies are use them as vehicles for “escaping” the costs associated with direct employment?

3.5.4 Extra-legal employment
According to Venter and Levy 2014) this type of work arrangement is made directly between employers and job seekers where minimum wages set for the sector are ignored. This type of arrangement is said to be the most prevalent. Observation of the domestic industry in Namibia tends to support this view.

The four methods discussed above are evidence of the shifts that are taking place within the labour market where employment is gravitating from the formal full-time towards casual and short-term contracts that seem to deny the employee the protection or privileges of the law (Venter and Levy 2014)

3.5.5 Atypical labour and the future

EurWork (2017, November 24) define atypical work as work that refers to employment relationships that do not conform to the standard or ‘typical’ model of full-time, regular, open-ended employment with a single employer over a long-time span.

Atypical work includes part-time work, temporary work, fixed-term work, casual and seasonal work, self-employed people, independent workers and homeworkers. Although the number of workers in non-standard employment has grown significantly over the past two decades, these workers continue to be regarded as being in ‘atypical’ employment (EurWork, 2017, November 24).
Venter and Levy (2014) share the view that the growth of the atypical work in the grey labour market opened the eyes of the trade union movement in South Africa resulting in them raising concerns at national economic platforms of abuse of workers. COSATU has called for the ban of labour broking referring to it as a typical example of human trafficking. Arguments against labour broking for example are hinging on these practices being unconstitutional in that they contravene human rights.

Though COSATU has called for total ban on labour broking, Venter and Levy (2014) believe that it is unlikely that total ban can be considered. Instead there could be measures included in the Labour Act that regulate labour broking activities. In Namibia, labour brokers are now regulated following the introduction of the Labour Amendment Act 2 of 2012 and the Employment Service Act we referred to earlier on. However, it is important to take note that absolute ban of labour broking will stifle employment opportunities.

Tapping from Venter and Levy (2014)’s views, it is therefore important to consider solutions that create a balance between the need for control and need for creating an environment which allows economic growth and employment opportunities. In that regards possible solutions should include:

- Review of labour laws in a manner that creates reasonable regulation of the market while allowing more employment as shown by the example of Namibia’s introduction of the Labour Amendment Act and the Employment Services Act.
- Ensure that constitutional rights are not infringed upon
- Allow courts to examine and decide on matters of unfairness irrespective of whether one is in formal or non-formal employment (the case of Simon Nape ITNCS Corporate Solutions(Pty) Ltd (LC) quoted in Venter and Levy (2014, p.168) where the labour court ruled that the labour broker’s client had abused its contractual power).

Having examined the concept of outsourcing, its nature and its effect on the labour market, under take the following activity.

**Activity 3**

**Analyse** the outsourcing phenomena and its features in the Namibian labour market.

This activity will take 20 minutes to complete.

**Possible responses**

Based on the grey market perspective outsourcing therefore describes arrangements where employers access labour or services outside the framework of minimum wages and the other labour regulatory requirements. Schlemmer (1998) has however put forward several reasons why organisations opt to outsource some of their functions to external service providers. The more common reason includes;

- Flexibility in labour utilization
There are various forms of outsourcing which employers use to try and “escape” the requirements of the law. We have established that some of these forms of outsourcing are legal while other are not.

The most common forms of outsourcing which can perhaps be regarded as its features discussed under this section include:

- Labour broking
- Casualisation of labour
- Outsourcing to a service provider
- Extra-legal employment.

The conclusion we could make of the Namibian labour market was that the various forms of outsourcing employers have tended to align themselves with have created what has typically been known as “the grey market”. In this market are what are called atypical forms of labour which are basically the type of employment which is part time, casual, or provided through labour brokers or outsourcing service, or extra-legal arrangements. The growth of this market which operates largely operates outside the framework of the law has seen a dwindling of the formal and more acceptable modes of employment in Namibia as well as in South Africa.

4. **The apartheid wage gap** argument

One other issue or challenge common to both the South African as well as the Namibian labour market has become known as the “apartheid wage gap” according to Venter and Levy (2014). The proponents of this view argue that wages in South Africa as well as in Namibia are artificially low because of apartheid. Under Unit 2 we established that the main reason for new labour law after independence and the affirmation Act was to deal with gaps created by the apartheid regime. As venter and Levy (2014) put across this issue of the apartheid wage gap is strongly held by unions during wage negotiations to justify their wage increase demands.

The argument is that the ratio between executive and low-level earnings is too high representing a very steep slope; apparently the highest in the world according to Venter and Levy (2014).

From an economic point of view, this argument, though emotionally sound and appealing, it is not as straightforward as it looks. The following arguments purported by Venter and Levy (2014) make it difficult to consider the apartheid wage gap conclusively;
There has not been a standard ratio of what the difference between the highest paid and the lowest paid employees should be. Therefore, the argument remains subjective.

The often-used ratio of ratio of 90:10 representing executive vis a vi lowest paid employee also varies from time to time and place to place and to some extent is depended on the supply and demand of labour.

America in 1997’s wage gap was reported to be at 326:1 by the America's business week even though America was never under apartheid rule (Venter and Levy (2014))

In the absence of a standard view on what is a high or low ratio, it becomes difficult according to some scholars to hold on the argument that South Africa and Namibia's wage gaps are too high.

Whilst the above arguments might hold water to some extent the fact remains that apartheid has played a big role in wage inequalities which the governments of both Namibia and South Africa are still dealing with. The picture below which shows women working in a grape processing company was adapted from an article entitled “Discrimination rife as gender wage gap widens” by a local newspaper the “New Era (2015, November 19). The article showed that in Namibia women are still receiving much lower salaries than their male counterparts.

Research has revealed that there are still income inequalities that labour protagonists such as unions, government representatives, civil society continue battle for in the market.

According to a government study, which was conducted with the assistance of the International Labour Organisation (ILO), the gender wage gap in Namibia increased to 16 percent in 2013, peaking at 37 percent in the services sector. The gender wage gap, also known as the male-female income difference, is the difference between male and female earnings expressed as a percentage of male earnings.
According to Albius Mwiya, Director of Labour Market Services in the Ministry of Labour, Industrial Relations and Employment Creation, women accounted for half of Namibia’s employed population in 2013, up from 43 percent in 2004 (New Era, 2015, May 19).

The above argument is just a small example of the challenges of income inequalities that have some of their roots stemming from the apartheid era as indicated in the reasons for the promulgation of the Namibian Labour Act, Affirmative Action Act and related pieces of legislation we discussed under Unit 2.

Let’s now take a brief look at the labour market discrimination and equality legislation in Namibia.

5. Labour market discrimination and equality legislation.
   The Namibian government since independence has tirelessly worked with employer and employee representatives to try and replace apartheid laws that discriminated largely blacks, women and people with disabilities as stipulated under the purpose for the Affirmative Action (Employment) Act discussed under Unit 2. The Labour Act no 11 of 2007 came about after several consultations were made at tripartite levels as we established again under Unit 2 when we looked at the Namibian legislative framework.

Despite these legislative efforts to curb or deal with discrimination, we find that the government is still battling with issues of discrimination as shown by the above example of inequalities in income.

Let’s take a moment to examine the labour market effects of discrimination.

6. Labour market effects on discrimination
   According to Venter and Levy (2014) the situation of labour market discrimination ensured that whites enjoyed discriminatory advantages over black employees. Parker (2012) echoed the same view which we discussed under Unit 2.

   Venter and Levy (2014) point out that discrimination consist of a situation where:
   - Jobs were reserved for whites
   - More and better education opportunities were given to whites at the cost of blacks
   - Whites earned higher salaries than blacks (A survey undertaken in South Africa indicated that whites earned between 5% and 10% more than their black counterparts.
   - Promotion policies favoured whites more than blacks resulting in white employees advancing much faster than their black counterparts.
   - Discrimination existed even among the blacks, with black men earning more than black women (the article discussed earlier on is a typical example).
   - Wide inequalities in salaries/earnings resulted between white and black employees. This was because of education which unfortunately was denied to blacks become a criterion for advancement in the workplace.
   - These inequalities had ripple effects on the social side causing high levels of crime, devastating effects on families leading to inefficiencies in the labour market.
Large proportions of black population were excluded from performing meaningful and productive work.

Middle class were enfranchised and placed in a situation where they received much less than their counterparts in both developed and developing countries.

The result has been a shortage of managerial employees in both South Africa and Namibia. There is need for strategies to build this level of skill if growth is to take place in the market.

From the above we can safely say that the effects that discrimination had in the working environment cannot be underestimated.

To understand discriminatory tendencies of employers in the labour market, theorists have applied models some of which we'll briefly examine under this section. We will look at three such models outlined by Venter and Levy (2014)

Discrimination models

The Filer, Hamermesch and Rees (1996) Model
- Discrimination seen as an exercise of choice although the person making the choice to discriminate might not be aware that his actions were discriminatory.
- Prejudiced employers are likely to treat a certain group of employees less favourably than another.
- Employers may treat a group of employees less favourably if they believe their customers are prejudiced.
- Employers may discriminate because government has a policy on discrimination or if it gives incentives to discriminate.

The Becker (1972) Model of discrimination
- Employers have a varying taste for discrimination (this evidenced by for example the differences in wage offered to a female white employee compared to her white male counterpart.
- Discrimination has no boundaries (USA study showed that discrimination may be affected by how the person looks; ugly, bald, fat people etc.)
- Discriminatory employers are likely to pay a wage which is higher than the normal. The rationale behind is not based on good business sense but presumably on some utility value the employer envisages. (Venter and Levy (2014).

Occupational crowding Model by Fawcett (1918) and Edgeworth (1922) quoted in Venter and Levy (2014)
- Certain occupations are traditionally associated with say women. For example, beauticians or engineering for men. An employer who prefers men in engineering is likely to create more opportunities for his or her preferred gender.
- Overcrowding in occupations where discrimination is practised will result in a reduction in wages.
There are also discriminatory tendencies against child bearing women where they end up in less secure positions and being paid less than their male counterparts (Venter and Levy (2014).

The discussions above testify of an existence of two labour markets namely; primary labour market often associated with males on fulltime positions earning higher wages then the secondary market. This is not as intact as the primary, the job holders are not in fulltime positions and are earning less and entry into the primary market is not easy (Venter and Levy (2014).

Reflection
Are there times when discrimination can be positive? Think of examples of positive discrimination.

Having examined the effects of discriminatory tendencies on the labour market, it would be of interest to examine challenges or issues around labour productivity, efficiency and globalisation in the next section.

7. Labour productivity, efficiency and globalisation

According the Venter and Levy (2014) productivity;
- refers to the rate of change of outputs to the rate of change of input.
- Measured in units produced or in financial value
- Can understood in relation to productivity of labour or capital
- In relation to labour it is the rate of change of labour costs input in relation to change in output value.

South Africa’s unit labour costs are said to be one of the highest in the world according to Venter and Levy (2014).

Productivity is said to increase where the value of the outputs is greater proportion to the cost of labour inputs. Labour productivity refers to the use of labour to produce goods and services expressed in a ratio as;

$$\frac{\text{amount of goods produced}}{\text{amount of labour costs utilised}}$$

Productivity therefore focusses on rate of change of unit output to labour input.

Factors that affect long term labour productivity
- Number of workers available in a market with the right skills and abilities.
- Hours of work
- Technology in place
- Behavioural impact (job satisfaction, work environmental factors contribute to job satisfaction)
- Sound planning (in addition to the above behavioural factors
- Wise investment
- Greater efficiency
Are all factors that affect long-term productivity. Labour productivity is one measure of economic growth in a given market (Venter and Levy (2014).

The effect of globalisation on the Namibian labour market
This is a subject we covered earlier on under Unit 3. However, we shall highlight the fact that globalisation has opened Namibia to international competition. One challenge we established under the previous sections is that Namibia’s labour laws are regarded as restrictive and therefore investment is not coming in as much as it should.

These discussions on labour productivity are by and large better understood in the context of employment; the formal and the informal sectors which we will examine shortly.

8. Employment and formal and informal sectors
The focus for this section is something that is critical to labour markets in developing countries like South and more specifically Namibia. A better understanding of the two terms would be offered through an examination of the characteristics of each. We will therefore look at the primary characteristics of the of the informal sector first as stipulated by Venter and Levy (2014).

8.1 Characteristics of the informal sector
- Employers are private
- Unincorporated companies without a legal personality
- Do not produce books of accounts
- Most likely not registered.
- According to Venter and Levy (2014, p. 179) the term therefore refers to type of employment which is non-standard, atypical, alternative as well irregular. It also involves various forms of outsourcing or casualisation of labour.
- Typically, non-compliant to labour regulations.
- Employees may not have formal employment contracts.

8.2 Characteristics of the formal sector
- Registered businesses
- Larger than the informal sectors
- Have office premises
- Have distinct functions of the business
- Some permanent positions which are covered by the labour law

Benjamin (2005) in Venter and levy pointed out that a good number of people in South Africa (16.4%) were employed in the informal sectors signifying that close to a quarter of the workforce were employed in the informal sector.

9. Legacy of apartheid on the labour market
Venter and Levy (2014) report that the population distribution of South Africa between 1992 and 2002 increased by 22.9% whilst the black component increased by 26.4% and the white by 6.8%. Indians by 14.9% while coloured increased by 18.1%.
Venter and Levy (2014) help us appreciate the effects of apartheid policies were therefore highest among the back population. One can think of the negative effect on education and rate of absorption into the working environment. What it meant was that more black people ended unemployed than any other race by their numbers. Negative social effects of crime and unrest pointed out earlier where also rifer among blacks.

The overall effect was that quality of labour available in South Africa and Namibia was a result of the discrimination against black where skills shortage is still something the countries are battling with according to literature.

Statistics showed the by the broad definition of employment 68% of the unemployed were educated to the level of grades 8 and 12.

The conclusions made by Venter and Levy (2014) are that the levels of unemployment South Africa is experiencing are not a result of mainly illiteracy levels and uneducated workforce. Venter and Levy (2014) argue that the workforce would have been trained based on supply and demand forces. They therefore attribute the shortages to factors like technological advancement, changes in industrial structures,

Venter and Levy (2014) take the argument further as they see increase in productivity while employment and remuneration levels went down in South African market during the period between 1994 to 2001 is indicative of the of the fact that there was an overall decrease in unit labour costs and that additional productivity could have been a result of capital or better utilisation of existing labour. This period shows that the country produced more with less labour units/costs.

Thus far we have examined some key aspects of the legacy of apartheid policies on employment and education levels based on race where the blacks were the most affected. The result was workforce characterised by lack of skills and corporate mobility among blacks.

However, the effect of education of unemployment levels during the early years is not supported by adequate research. The writer argues that there are other factors had an impact on unemployment such as technological advancement of the country.

We have discussed unemployment without necessarily defining what it constitutes for us to have a common understanding what we mean when we talk of unemployment. For this reason, we’ll dedicate the next section on the broad and narrow definitions of unemployment in the next section.

10. Broad and narrow definitions of unemployment

An understanding of unemployment levels in a given environment calls for understanding of the definition applied given that there are several definitions. In the previous Unit we established that there are two definitions of unemployment found in literature namely the “broad” or “expanded” definition and the “narrow” definition. Venter and Levy (2014) subscribe to this notion of two definitions and as such point out the importance of being clear on the type of definition used when talking of unemployment figures in a given environment.
The **broad or expanded** definition of employment given by Bendix (2015, p.433) and referred to in the previous Unit *includes all those people “who are willing and able to work, but who cannot find work, those who only find partial work and those who have given up looking for work”*.  

According to Venter and Levy (2014), the International Labour Organisation (ILO) tried to standardise the definition by excluding from the definition *those people who have not been actively looking for a job with the last 30 days*. The point is to *try limit the term to those people who really would like to work but are not able to find employment*.  

The **narrow** definition of unemployment *only focusses on only on those people who are willing and able to work but cannot find a job*.  

It is important to note that South Africa decided to use **both the broad and the narrow definition**. Firstly, in trying to meet the ILO standards, South Africa uses the **narrow definition which excludes those who have not been actively looking for jobs**. Secondly the country also makes use of the broad definition which includes those not looking for job opportunities but who may need a job. The reason for doing so is that there is an unemployed category who fall under what Venter and Levy (2014) refer to as the **“discouraged worker syndrome”** that has become discouraged in searching for work. The reason for the discouragement is that people in this category regard the cost of looking for work higher than the chances of getting the job.  

From the discussions of Venter and Levy (2014) we note that the discouraged worker syndrome a real phenomenon which we cannot afford to completely ignore when examining the broader perspective of unemployment in countries such as South Africa and Namibia.  

Before we take a further look at the discouraged worker, let’s consider some of the arguments found in literature given for unemployment levels in South Africa and Namibia.  

The most common arguments drawn from Venter and Levy (2014) are briefly outlined below as;  

- The existence of deficiencies in the demand side of labour  
- Employers who for one reason or another have lost the desire to employ  
- Insufficient skills  
- A different set of economically active people who chose not to work.  

Questions regarding the people who are said to choose not to work continue to arise regarding why one in his right frame of mind could simply chose not to work.
Let’s therefore take a further look into the notion of a discouraged worker with the hope of establishing how they relate to unemployment in the labour market.

10.1 Dealing with the question of the discouraged worker.

The question to ask is whether this discouraged worker should or should not be counted among the unemployed?

One argument put across in literature is that the discouraged workers chooses not to enter the market and are therefore regarded as “volunteers” meaning they volunteer not to seek for employment according to Labour Force Survey results of 2003 quoted in Venter and Levy (2014). Studies have shown that in South Africa the figure in 2003 was almost a fifth of the active population.

The discouraged worker category cannot entirely be ignored in the labour market as we gather from the ILO recommendations well-articulated by Venter and Levy (2014, p.185). The narrow definition is therefore recommended for purposes of comparison while the broader definition is recommended in labour markets that are less organised or labour force is largely self-employed.

Some of the reasons for the prevalence of the discouraged worker syndrome in certain economies or categories would show that the discouragement could be a result of genuine cause.

Reasons for the discouraged worker syndrome summarised by Venter and Levy (2014)

- Loss of hope for finding work 33%
- Lack of jobs in the areas the people live (25%)
- Lack of money for transport (18%)

These 1997 Stats SA statistics clearly explain the reasons behind the discouragement of people who perhaps could have looked for work if these barriers were removed.

Venter and Levy (2014, p.186) aptly put it across that failing to include these discouraged workers in unemployment figures would be masking reality.

Kingdom and Knight (2001) revealed that those that were least likely to look for employment were those:

- living in very poor environments who cannot fund for job search
- who live in remote areas
- who live in high unemployment environment.

Some studies have also added the view that in the high unemployment areas, there seems to be high remuneration expectations that is on offers for the jobs. This
arguement warrants us to briefly turn our attention once again to the issue of demand of labour by firms and its effects on unemployment.

10.2 Dealing with the demand aspect of supply and demand of labour

The general tendency in developed markets is that given a choice, firms have tended to opt for advancing their technology; increasing the capital side of production as opposed to the labour demand side (Venter and Levy, 2014). The reasons behind is that the costs of capital and increase in technology is believed to be more cost effective in the long run when compared with the hassles of managing labour.

One other reason negatively affecting labour demand has been the increased militant attitude of unions in South Africa. The result has been increased unwillingness to go for formal employment and a move towards the uninformal non-standard forms of work arrangements according to Venter and Levy (2014)

The conclusion that one can make from these discussions is that unemployment is a fact not only in South Africa but also Namibia whose economic environment is by and large like that of South Africa.

Reflection

Based on the discussed thus far, what would you allude reasons for unemployment in Namibia to?

Before we close the issue of unemployment, it would be important in the next section to consider the extent to which unemployment is a function of a lack of skilled labour in both South Africa and Namibia.

11. Is Namibia and South unemployment a function of lack of skills?

There are three major arguments postulated by Venter and Levy (2014) which do not seem to relate the level of unemployment to lack of skills. These are discussed below.

11.1 Increased economic growth

It is argued that the south African economy has grown since 1994 despite the loss of jobs in the formal sector. An increase in capital and technology intensity has also been experienced contributing to productivity levels.

11.2 The skills shortage argument did not arrest growth

Venter and Levey (2014) argue that though skills shortages have been experienced, these have not been able to entirely arrest economic growth except in small pockets of the economy.
11.3 Decrease in labour turn over in the skilled categories

Labour turn over in the skilled categories would have been expected to be more should the shortage of skills argument have been as credible as is often alluded to. Venter and Levy’s point of view is that not only there been a decrease in labour turn over but also the wages for these skilled levels have not really gone up to levels that could be used to link unemployment to skills shortages.

Whilst this school of thought holds water from a general point of view, the fact is that there definitely certain areas where shortages in specific skills have negatively affected employment levels. One could consider in the case of Namibia, the issue of the engineers that were recruited by government from Zimbabwe. The general argument given for the arrangements to obtain these skills from Zimbabwe was that the skills were not locally available. This view aligns with some of the reason behind the human development plan discussed earlier in under Unit 3 where the government's call for increased education is planned as one way of increasing economic development.

Research has shown that there are specific skills that are really sought out for in Namibia as well as in South Africa.

The rates of unemployment given by Ministry of Labour and Social Welfare (2013) showed that the figures were high among persons with primary and secondary school education showing the relationship between skills and unemployment. Therefore, the effect of education or skills development on employment levels cannot be ignored.

Activity 4

Evaluate the roots of unemployment in Namibia.

(This activity will take you 30 minutes)

Possible responses

There are several responses that could be given for the reasons behind unemployment in Namibia.

First and far most it is important to define how unemployment in the Namibia to be able to relate accurately to general standards. Both the broad and the narrow definitions are often used. From a narrow definition point of view, unemployment in Namibia is believed to be a result of some of the following factors;

- Decrease in economic growth
- Lack of skills in certain categories of employment
- The effects of minimum wages in certain sectors
- Lack of employment opportunities in certain areas or regions.
- Mismatch between skills available and skills required by the market.
- The effects of apartheid labour laws.
• To some extent employer representatives allude unemployment to the regulatory environment as was discussed under Unit 5.

From the above arguments, one can conclude that there are several reasons that are raised in explaining the reasons for unemployment in Namibia.

12. Unit summary

The subject of discussion under this Unit has been the issues or challenges that are of concern regarding the Namibian labour market. The discussions have mainly focussed on the South African market which is by and large like that of Namibia because lack or limited information specifically on Namibia.

Issues relating to the determination of minimum wages and ways through which employers try to avoid paying the minimum wages have been central to the discussions. These include direct contracting, use of labour brokers and outsourcing services.

Namibia has had a history of a labour market where employers utilised options such as labour broking to disadvantage employers and the government has in turn improved the regulatory environment through promulgation of such instruments as the Employment Service Act No. 8 of 2011 as well as the Affirmative Action Act of 1998.

Other issues of interest are the labour market flexibility, outsourcing, the apartheid wage gap, labour discrimination and related legislation, productivity as well as causes of employment and unemployment on the market.

Key Words

- Labour market – place where employers and employees interact
- Minimum wage – minimum amount of pay an employee must receive
- Outsourcing – obtaining services from an outside source (Sub-contracting)
- Labour productivity – measure of economic growth/ real GDP produced by an hour of labour
- Unemployment – Number or proportion of unemployed people/total number of able men and women of working age seeking work

References


