The Labour Market and Decent Work Agenda in Southern Africa: Evidence and Challenges

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   Fumane 'Malebona Khabo, 2008
# Table of Contents

List of Figures and Tables ................................................................. vi
Foreword ...................................................................................... vii
Introduction ................................................................................. 1
1. Labour Markets in Southern Africa ........................................... 3
2. The Decent Work Agenda: Labour Market Information and Success Stories in Southern Africa ............................................................... 7
3. The Decent Work Deficit in Southern Africa: Some Evidence ........... 9
   3.1 Unemployment and underemployment ....................................... 9
   3.2 Hours of work and wage developments in the region .................. 13
4. The South African Labour Market: Its Regional Dimension and Migration ............................................................... 18
5. Regional Challenges and Threats to the Decent Work Agenda in the Region ............ 21
   5.1 Globalization and labour market reforms .................................... 21
   5.2 HIV and AIDS ........................................................................ 24
6. Conclusions and Recommendations ........................................... 27
Bibliography ................................................................................. 30
Appendix A ................................................................................... 32
List of Figures and Tables

Figures

Figure 1. Employment distribution in Swaziland ............................................. 5
Figure 2. Monthly earnings in the formal and informal sector, by level of education (2002) . 6
Figure 3. GDP growth rate by country ................................................................. 11
Figure 4. FDI growth rates in Southern African countries (2001-2004) ...................... 11
Figure 5. Real wage developments in Zimbabwe .................................................. 14
Figure 6. Real wage developments in South Africa ............................................... 14
Figure 7. Real wage developments in Malawi ....................................................... 15

Tables

Table 1. The agricultural labour force as a percentage of the total labour force .......... 3
Table 2. Unemployment rates by region (%) ......................................................... 10
Table 3. Types of low-waged employment in South Africa (%) .............................. 12
Table 4. Working hours per week ........................................................................ 13
Table 5. Average hourly earnings of men and women active in the South African formal sector economy by skills category, 1995-2003 (constant 2000 prices) ............... 15
Table 6. Minimum wages ...................................................................................... 16
Table 7. Gender disparity indicators: the Southern African labour market ............... 17
Table A1. Employment distribution and the labour force ....................................... 32
Foreword

The Decent Work Agenda seeks to promote employment and productive work, workers’ rights, social protection and social dialogue.

This paper is a direct response to the challenges posed by the Agenda. Specifically, it examines the experiences of nine Southern Africa countries with emphasis on the aspects of employment and productive work. As expected, experiences in the region are varied. In particular, the paper notes a lack of comprehensive and up-to-date labour market information and makes recommendations about the indicators needed to fully understand and monitor progress on the Decent Work Agenda. Different countries have registered some limited success around decent work in, for example, the areas of minimum wages, public works programmes and social protection (to some degree, principally South Africa). On the other hand, the study found that the region still suffers from an enormous decent work deficit.

The paper notes that although Southern Africa is experiencing phenomenal growth of the informal economy, employment growth in the same cannot be seen as a plus, as it encompasses a substantial share of ‘bad jobs’. Besides an increase in informal labour, the quality of jobs has also been eroded by increases in casual and contract labour. The Decent Work Agenda is further negated by deep-rooted unemployment and underemployment that appear to overshadow other regional blocs. Today, youth and women bear the major burden of unemployment and underemployment. Other decent work deficits are located in wage regimes. In real terms, some countries’ wages are declining, with wage disparities being primarily driven by labour market discrimination. Given the economic muscle of the South African economy, the paper also notes that the labour market policies in the country to be effective, they should take into account regional socio-economic and political dynamics. Finally, the paper notes that the decent work agenda is under serious threat from globalization and the HIV and AIDS pandemic.

I would like to register my appreciation to Dr Mkhululi Ncube of the University of Fort Hare and Dr Miriam Altman of Human Sciences Research Council of South Africa, (HSRC) for her supervision; for the enlightening findings on the status of Decent Work in Southern Africa. Their recommendations can only help further the work of the ILO in the sub-region.

Tayo Fashoyin
Director
ILO Sub-Regional Office for Southern Africa
Introduction

The realization that the frontiers of poverty cannot be pushed back sustainably without some concomitant adoption of the Decent Work agenda has spurred on a number of policy reforms and programmes in labour markets around the world. The 1995 Copenhagen World Summit on Development was a milestone in this regard, in that it placed the Decent Work agenda at the forefront of poverty alleviation strategies in particular and development policies and programmes in general. This concept formally entered the labour economics discourse in 1999 through an ILO report entitled Decent Work (ILO, 1999a). Since then, the ILO has been instrumental in the global promotion of the Decent Work agenda. In addition, it is important to note that the United Nations has taken major steps to integrate the decent work concept in its broader strategy for achieving poverty reduction. For example, the Millennium Development Goal on poverty reduction partially addresses the Decent Work agenda.

The concept of decent work is based on four pillars: employment and productive work, workers’ rights, social protection and social dialogue (see ILO, 1999b). They represent the core domains in which the Decent Work agenda can be promoted. Since the 1995 World Development Summit, many countries have embraced this agenda and some have made concerted efforts to mainstream decent work into their labour market policies and development programmes. Attempts are also being made to translate the Decent Work agenda into implementable and deliverable outcomes at country level through the ILO’s ‘Decent Work Country Programme initiative’ (ILO, 2007).

Despite the above, our knowledge of the experiences of different countries in implementing the Decent Work agenda is limited. This is largely the case in many developing countries and in Southern Africa in particular. It is still not clear how many governments or ILO tripartite constituents have translated the agenda into outcomes that have positively influenced the livelihoods of workers and households. In other words, there is still a dearth of information on how labour market actors have contributed to the promotion of the Decent Work agenda at country level. In response, this paper seeks to examine the experiences of nine Southern African countries – Botswana, Lesotho, Malawi, Mozambique, Swaziland, South Africa, Namibia, Zambia and Zimbabwe. The focus is the employment and productive work pillar of the Decent Work agenda. In particular, it looks at employment and labour market reforms in the context of the Decent Work agenda.

The paper is structured as follows. Chapter 1 presents a brief overview of the structure and conduct of labour markets in the nine Southern African countries. On the whole, African labour markets are highly segmented rather than entirely homogenous. How these labour market segments operate forms the core of this section. Chapter 2 discusses the issue of labour market information and progress regarding the promotion of the Decent Work agenda within the region. Without labour market information, any analysis and attempts to monitor the Decent Work agenda are akin to groping in the dark. Chapter 3 looks at the decent work deficit in the region. In particular, this section focusses on unemployment, underemployment and wages. Chapter 4 discusses the South African labour market in the context of migration. In Chapter 5 the challenges and
threats to decent work in the region are examined. Two in particular – globalization and HIV and AIDS – come under scrutiny. Conclusions and recommendations are laid out in Chapter 6.
1. Labour Markets in Southern Africa

Labour markets in Southern Africa exhibit similar characteristics to those of the rest of Africa. They consist of various segments – rural and urban, formal and informal or public and private. They overlap and are not entirely homogenous, there being other sub-segments within these broader groups. These segments also define broader wage disparities.

Rural labour markets are dominated by agricultural and self-employed workers. Because of male-dominated rural-urban migration, the agricultural labour force is dominated by women (Ncube, 2005). Table 1 (below) shows the proportion of agricultural workers in the total labour force of the study countries. In addition, in Table A1 (see Appendix A) shows the distribution of employees in the formal sector, the total labour force and labour force participation rates in a number of countries. Two-thirds of the labour force in Malawi, Zambia, Mozambique and Zimbabwe work in agriculture – proportions far above the sub-Saharan African (SSA) average. Malawi and Mozambique each have proportions of over 80%. South Africa has the smallest proportion, the agricultural sector being home to less than 15% of its labour force. This is because South Africa has moved from the stage where the prime source of employment was in the agricultural sector to one where the industrial and tertiary sectors are dominant, a phenomenon that characterises industrialized countries (see Table A1, Appendix A). In fact, the services sector is playing an increasingly important role in the South African economy. The dominance of agricultural employment elsewhere in Southern Africa implies that many of these workers are low-paid. Indeed, agriculture workers generally ‘sit’ on the bottom rung of the pay scale. The dominance of agriculture employment thus condemns the majority of workers, women especially, to poor-quality and low-paying jobs. Long and

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Source: EarthTrends (2007)

1 The figures in Table 1 and Table A1 may not necessarily match as they come from different sources.
irregular working hours, a lack of pension and other social benefits, job insecurity and abundant contract and casual labour are some of the job indecencies that characterize the rural labour market. In addition, child labour abounds within the agricultural labour market.

The eradication of child labour in agricultural labour markets is another challenge for SSA and Southern Africa. The incidence and forms of child labour in Southern Africa are poorly documented, although anecdotal evidence suggests the widespread employment of children in farms and domestic settings. According to the ILO (1999b), about 80 million children were employed in Africa in 1999. These children have been deprived of both education and their childhood. Worse, this tends to be a vicious cycle: these young workers are vulnerable to poverty, which itself perpetuates child labour (ILO, 1999b).

The urban labour market is largely comprised of industrial and public sector workers in the formal and informal domain. Compared to the rural labour market, the urban labour market provides, on average, better quality jobs. In all Southern African countries, the urban labour market continues to attract large quantities of (surplus) labour from the rural sector. Ncube (2003) confirms this rural-urban drift is true of the employment situation in Zimbabwe. Such migrants relocate to try to escape the poverty and labour drudgery of rural life, the so-called ‘bright lights’ and prospects of finding employment being two of the factors that draw them to urban areas.

The distinction between formal and informal segments has not always been easy to define. The formal sector is regulated and contributes to the fiscus. The definition of the informal labour market has long been contested, as this sector means different things to different analysts. The definitions revolve around a sector that is unregulated, with unregistered enterprises, or one which does not contribute to the fiscus. Thirty years or so ago, the ILO came up with a comprehensive definition of the informal sector. The term then referred to unregistered and unrecorded activities. As the sector became more diverse and grew rapidly, the 2002 International Labour Conference (ILO) renamed it the ‘informal economy’. According to the ILO, this informal economy refers to:

‘… all activities, by workers and economic units that are either in law or in practice, not covered, or insufficiently covered by formal arrangements. Their activities are not included in the law, which means they are operating outside the formal reach of the law, or they are not covered in practice, which means that even if they are operating within the formal reach of the law, the law is not applied, or not enforced. Or, the law discourages compliance, because it is inappropriate, it is burdensome or imposes excessive costs.’

By contrast, Smith (1994) defines it as the ‘market-based production of goods and services, whether legal or illegal, that escapes detection in official estimates of GDP’. The ILO definition covers own account workers as well as self-employed workers in micro-enterprises. For an elaborate analysis of how this sector can be conceptualized, the reader is referred to Altman (2007).

Definitions aside, the informal economy is a large and rapidly growing sector in Southern Africa. With stagnant employment growth in the formal sector, the informal economy is fast becoming the key employer in Southern Africa, as well as a major contributor to gross national income (GNI) in the region. In 2000, this sector’s contribution to developing countries’ GNI was 41%, in transition countries 38% and in Organization for Economic Co-operation and Development (OECD) countries 18%. In terms of the
countries under study, the contribution was 33.4% (Botswana), 40.3% (Malawi), 40.3% (Mozambique), 28% (South Africa), 48% (Zambia) and 59.4% for Zimbabwe. In many Southern African countries, informal sector employment, though largely survivalist in nature, has overtaken that of the formal sector. In Swaziland informal labour constitutes 36% of the labour force (African Development Bank, 2005), but in Malawi and Mozambique it is almost 88 and 90% respectively (Icon Group International, 2000). For Zimbabwe, whose official unemployment rate now stands at over 80%, one would suspect that the informal labour market has increased rapidly. Many people who find themselves formally unemployed tend to eke out a living in the informal economy. Figure 1 uses the example of Swaziland to demonstrate the rapid growth of the informal sector.

Figure 1. Employment distribution in Swaziland

![Employment distribution in Swaziland](chart)

Source: African Development Bank (2005)

The informal economy comprises what Doeringer and Piore (1971) call ‘bad’ jobs, or what Altman (2004) more aptly terms ‘precarious’ jobs. Employment in this sector is irregular and highly insecure and wages are on average lower than in the formal sector (see Figure 2). Figure 2 shows that in South Africa earnings in the informal economy lag behind those of the formal sector at all levels of required proficiency and/or experience. Thus, as the informal economies of the region become employers of last resort, it is important to note that this clearly indicates that the decent work deficit is growing. It is therefore key that the decent work campaign targets the region’s informal economies.
Figure 2. Monthly earnings in the formal and informal sector, by level of education (2002)

Source: Altman (2007)
2. The Decent Work Agenda: Labour Market Information and Success Stories in Southern Africa

The analysis of the Decent Work agenda in the nine countries within the ambit of ILO Southern Africa is limited, largely by a lack of data. The region has an acute gap in labour market information, especially in terms of data that define the Decent Work agenda in its broader outlook or the decent employment pillar. Data on labour market indicators is often outdated, as some labour market surveys are not carried out on a regular basis. Census data – which often used to complement these surveys – is also deficient, owing to the long intervals between censuses and the information gathered being too general to adequately capture decent labour market variables. In some countries, data on households is non-existent. This is not necessarily the result of neglect. Various countries lack both the physical and human resources necessary to collect labour market information systematically. Their infrastructure is in many respects inadequate to generate comprehensive labour market datasets. South Africa is perhaps the only country that can, and does, carry out regular labour force and household surveys. As a whole, the region needs to put in place infrastructure that will ensure a systematic and timeous generation of comprehensive labour market information.

Data limitations aside, Southern Africa has substantial literature on the labour market. This allows for a comprehensive examination of the region’s experiences in terms of the Decent Work agenda. Many countries, including those in Southern Africa, have embraced the agenda’s principles since its initiation in 1999. It is important to note that efforts to promote the decent work environment have been a part of the labour market programmes and policies of these countries for a substantial period, despite there being no formal or organized drive towards implementation. This is also true of the current ILO initiative. In both the periods before and after the ILO initiative, the countries under study herein have made some progress vis-à-vis the Decent Work agenda, albeit on a limited scale.

Employment creation remains elusive for these same nine countries. Indeed, there are few success stories in this area. Recently, South Africa has witnessed decreases in its unemployment rate, thanks to an economy that has grown steadily over the past decade. Between 2001 and 2006 the rate dropped from 30 to 26%. Other countries, however, have not managed to reverse their unemployment trends. Even Botswana, which has also experienced sustained economic growth, has yet to succeed in lowering its unemployment rate.

One sphere in which the region has made progress as regards the Decent Work agenda is that of stipulating minimum wages. Virtually all countries in Southern Africa now have a minimum wage regime in place. However, a case-by-case examination of these regimes reveals mixed outcomes regarding their enforcement and the promotion of the Decent Work agenda. In Malawi, for example, though minimum wages are in place, poorer workers may still accept wages below the stipulated minimum. With the definition of ‘poor’ remaining unclear, many workers are likely to be left out of the minimum wage system. In Zimbabwe, although a minimum wage regime is in place, in real terms wages have fallen below what might be of any value to low-waged workers. In all countries – South Africa excepted – minimum wages have suffered from infrequent adjustments and
often lag behind inflation rates, and for long periods. South Africa, by contrast, has a robust minimum wage system running across all sectors, domestic workers and farm labourers included. However, with the massive entry of unskilled migrant workers, it may not be surprising to find hard evidence pointing to a situation where minimum wages are not observed for these workers, especially in the agricultural, domestic, private security and catering sub-sectors. Compromised by virtue of their status, migrant workers are usually unlikely to demand the minimum wage. In addition, minimum wage policies have limited coverage because the minimum wage is seldom applied in the informal sector, which is increasingly becoming an employer of last resort in many countries.

Some of the nine countries under study, South Africa, Zimbabwe and Malawi\(^2\), for example, have public works programmes in place to generate employment. These have afforded many unemployed people a chance to earn a wage. Moreover, most public works incomes are closely pegged to, or are on par with, minimum wage regulations.

After 1994, South Africa revamped its labour market policies, primarily to address previous imbalances in the labour market. The most important changes to its labour regulations included the Labour Relations Act, the Basic Conditions of Employment Act and the extension of minimum wages and standards to vulnerable sectors such as domestic workers, amongst others.\(^3\) Labour market policies such the Employment Equity regulations and the Affirmative Action policy were designed to do away with past discriminatory guidelines. These changes have made the workplace much more ‘decent’ for previously disadvantaged groups. In addition, South Africa has a robust social protection system in place as well as various social grants that have had an important impact on reducing poverty. Botswana also has a functioning social security system, but workers in other countries remain unprotected from the risks associated with unemployment.

\(^2\) Knowledge of the exact numbers of workers in the public works programmes is lacking for all nine countries, as this particular labour market segment is very fluid.

\(^3\) See Benjamin (2005) for a comprehensive discussion of labour market regulations and employment policies in South Africa.
3. The Decent Work Deficit in Southern Africa: Some Evidence

3.1 Unemployment and underemployment

Debates on decent work have often revolved around unemployment and underemployment, these being considered its principal indicators. The magnitude and type of unemployment give an indication of how far a country still has to go in order to achieve decent work for all. The level and nature of unemployment are significant measures of how the labour market is allocating labour resources and meeting its goal of decent work. The concept of unemployment in an African context is a contested one, to say the least. A question often asked is whether an able-bodied man in Africa could be unemployed (Mhone, 2000). This is at the heart of what we understand as unemployment in the African context and suggests that although able-bodied individuals may not necessarily be engaged in waged employment, they are certainly doing something to make a living. In other words, in developing countries the conventional definition of unemployment may be of limited use, as without some form unemployment insurance, few people can afford to be unemployed for long (Bescond, Chataigner and Mehran, 2003).

In developing countries, people tend to enter self-employment or the informal economy in order to earn a living. Thus, the applicability of the conventional unemployment rate may be limited in those countries with huge informal and self-employment sectors – as is the case with those in Southern Africa. For example, in Zimbabwe, where some estimates put the unemployment rate at 80%, this may simply be referring to the total labour force minus the waged employed, or the so-called wage-employment-specific rate of unemployment. Many Zimbabweans have joined the ranks of the self-employed or earn a living through the informal economy. As the informal economy has grown in leaps and bounds, if this fact is considered then open unemployment rates may actually be lower than estimated. However, even if unemployment rates were lower, the question still remains: do the informal economy and forms of self-employment, in which able-bodied men and women are engaged, yield decent incomes? The answer is usually negative.

Unemployment data in Southern African countries is, as elsewhere in Africa, sketchy and riddled with inconsistencies. It is not uncommon to find a variety of estimates for a particular country. Table 2 presents unemployment rates for the world’s different regions and individual countries. Southern Africa breaks the record in terms of unemployment – almost a third of the region’s labour force is jobless. The region’s unemployment rate is more than five times the global and three times the SSA average. Individual Southern African countries have unemployment rates ranging from 19% (Botswana) to 80% (Zimbabwe) (CIA, 2007). The question is, why is unemployment in Southern Africa in a league of its own compared to other regional economic blocs? Before discussing some of the factors that distinguish Southern Africa from other regions, Zimbabwe’s unemployment rate deserves further interrogation.

Zimbabwe is in its eighth year of economic decline. In this time, the economy has contracted by almost 40% – in July 2007 inflation was in the region of 7 000% – and investment has slowed to a trickle. As a result of the farm invasions, agricultural output has diminished by unprecedented proportions. An economic reform programme, which
went wrong in many ways, preceded this economic decline. Jobs have been lost in every sector of the economy. With the manufacturing sector operating at 30% capacity and agriculture having contracted dramatically, the greatest casualty has been employment. Quite surprisingly, official estimates put the unemployment rate at less than 10% (CSO, 2007). As discussed earlier, other estimates place the unemployment rate at 80% (CIA, 2007). The bottom line is that many workers are now condemned to unemployment and poverty.

Turning to the factors which precipitated the limited employment creation in the region, we note that Southern Africa had had decades of poor economic growth, low investment, poor terms of trade, disastrous policy regimes, high population growth rates, political conflicts and a fair share of natural disasters (see Figures 3 and 4 on the region’s economic and investment performance). Even in the 1990s, the economic reforms instituted in many Southern African countries, as well as the onset of globalization, amongst others, did not help to reverse the unemployment rates. Today, the region continues to experience stiff competition, poor international commodity prices and limited foreign and domestic investment.

Table 2. Unemployment rates by region (%)

<table>
<thead>
<tr>
<th>Country/region</th>
<th>Year</th>
<th>Unemployment rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>2003</td>
<td>6.3</td>
</tr>
<tr>
<td>Industrialized countries</td>
<td>2003</td>
<td>9.8</td>
</tr>
<tr>
<td>Transition economies</td>
<td>2003</td>
<td>9.4</td>
</tr>
<tr>
<td>Latin America</td>
<td>2002/2004</td>
<td>9.8</td>
</tr>
<tr>
<td>East Asia</td>
<td>2003</td>
<td>3.1</td>
</tr>
<tr>
<td>South East Asia</td>
<td>2003</td>
<td>7.1</td>
</tr>
<tr>
<td>South Asia</td>
<td>2003</td>
<td>4.8</td>
</tr>
<tr>
<td>Middle East and Africa</td>
<td>2003</td>
<td>11.9</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>2003</td>
<td>10.8</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>2003</td>
<td>31.6</td>
</tr>
<tr>
<td>Botswana</td>
<td>2006</td>
<td>23.8</td>
</tr>
<tr>
<td>Mozambique</td>
<td>2006</td>
<td>21.0</td>
</tr>
<tr>
<td>Lesotho</td>
<td>2006</td>
<td>45.0</td>
</tr>
<tr>
<td>Swaziland</td>
<td>2006</td>
<td>40.0</td>
</tr>
<tr>
<td>Namibia</td>
<td>2006</td>
<td>33.8</td>
</tr>
<tr>
<td>South Africa</td>
<td>2006</td>
<td>25.5</td>
</tr>
<tr>
<td>Zambia</td>
<td>2006</td>
<td>50.0</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>2006</td>
<td>80.0</td>
</tr>
</tbody>
</table>

*Source: Altman (2007)*

Recently, most Southern African countries have registered positive growth. (The exception is Zimbabwe, which recorded a negative growth rate of -4.4% in 2006 (-7.1% in 2005).) In 2006, the region registered an average growth rate of 5.9%, with growth for Mozambique being 7.9%, Malawi 6.9%, Zambia 6%, South Africa 5% and Swaziland 1.2% (see Figure 3). However, in most of these countries this growth has not translated into greater numbers of jobs, never mind decent ones. Mozambique is a good example. Its 7.9% growth in 2006 was mainly stimulated by two mega-projects – the US$2 billion Mozaal smelter and Sasol’s US$1.2 billion natural gas pipeline. By their very nature, these projects cannot create jobs, whether primary or ancillary (Emerging Market Focus, 2007 and Mail & Guardian, 3-9 August, 2007).
In addition, jobs have not been created in large numbers as some labour-intensive sectors – textiles, for example – have been unable to compete on the international market, particularly after China’s accession to the World Trade Organization (WTO) (ECA, 2007). Swaziland, Lesotho, South Africa and Zimbabwe are faced with this predicament. For example, Swaziland’s sugar plantations have been unable to absorb more labour due
to reductions in sugar prices in EU markets. Furthermore, the growing dominance of capital-intensive technology in mining (especially platinum mines), energy and manufacturing sectors from new investments has curtailed these sectors’ labour-absorptive capacity. This is particularly true of South African mines, where labour (especially foreign labour) is being retrenched in large numbers.

Perhaps the greatest challenge for the region is youth unemployment. Young people constitute a significant proportion of the region’s population. Their unemployment poses numerous difficulties that need to be contained. Globally, youth aged between 15 and 24 are three times more likely to be out of employment than adults (Altman, 2007b). Swaziland and South Africa are good examples of the regional severity of this problem. Swaziland has a very large youth population, with almost 69% under the age of 25. Those aged between 15 and 24 comprise 18% of the population (18.9% female, 17.7% male). This translates to almost 215 000 individuals. Youth unemployment in Swaziland stands at 40%. South Africa has an unemployment rate of around 26%. In 2005, unemployment of the latter’s youth (15 to 24 years old) was estimated at 50% (Altman, 2007b). This is particularly worrisome as they are also more vulnerable to other social ills. To compound matters, they lack skills and experience, have weaker job-searching skills and poor networks. The need to create jobs for this population group cannot be over-emphasized, as long-term unemployment, or underemployment, will reduce the likelihood of their ever engaging in stable employment.

Of further concern is the fact that the high levels of the region’s visibly unemployed may simply be the tip of the iceberg. Added to these rates are an unknown number of individuals who are either in disguised unemployment or underemployed – able-bodied individuals in Africa are rarely openly unemployed (Mhone, 2000). In economies that have long been stagnant, and with a swiftly growing informal economy, disguised workers and the numbers underemployed tend to expand rapidly.

Table 3. Types of low-waged employment in South Africa (%)

<table>
<thead>
<tr>
<th>Sector</th>
<th>≤R1 000</th>
<th>≤R2 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td>25.9</td>
<td>47.2</td>
</tr>
<tr>
<td>Commercial agriculture</td>
<td>16.5</td>
<td>11.5</td>
</tr>
<tr>
<td>Subsistence agriculture</td>
<td>8.5</td>
<td>5.2</td>
</tr>
<tr>
<td>Informal</td>
<td>28.9</td>
<td>22.0</td>
</tr>
<tr>
<td>Domestic</td>
<td>19.9</td>
<td>12.6</td>
</tr>
<tr>
<td>Unspecified</td>
<td>0.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Economically inactive</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Altman (2007)*

We may not know the actual figures of the underemployed, but Altman (2007) provides us with a picture of their distribution in the South African context. She proxies the underemployed for the working poor. In this case the working poor are defined as those earning less than or the equal of R1 000 (strict definition) and R2 500 (less strict definition) per month. We often assume that underemployment is a feature of the informal labour markets. Interestingly, in South Africa it is spread across, albeit unevenly, the informal, formal domestic and agricultural sectors (see Table 3). The informal economy accounts for almost a third (29%) of the working poor (earning less than R1 000 per month) and for 22% of those earning less than or equal to R2 500, while the formal economy is host to slightly more than a quarter (26%) of those earning equal to
or less than R1 000 and almost half (47%) of those earning less than R2 500. This runs contrary to the widely held belief that most of underemployment is concentrated in the informal economy. Other areas with high concentrations of the working poor are agriculture and the domestic sectors.

3.2 Hours of work and wage developments in the region

Hours of work are also a principal indicator of work decency. The ILO’s Hours of Work (Industry) Convention, 1919 (No. 1) stipulates that a working week should not exceed 48 hours. We consider these hours as an approximation of what can be termed ‘decent hours’. Despite a regional absence of figures that show the proportion of people that work for more than 48 hours, we can nevertheless infer the decency or otherwise of hours worked from the average weekly hours shown in Table 4. In general, the figures for Southern African countries are above the regional and global averages. For Zimbabwe, the number far exceeds the ILO benchmark, an indication of a deep-rooted decent work deficit. According to Standing et al. (1996), South Africa is no exception, having an average working week in excess of 48 hours.

Table 4. Working hours per week

<table>
<thead>
<tr>
<th>Country</th>
<th>Working week (hours): 1998</th>
<th>Regional average</th>
<th>Global average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>48</td>
<td>44</td>
<td>43</td>
</tr>
<tr>
<td>Malawi</td>
<td>48</td>
<td>44</td>
<td>43</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>54</td>
<td>44</td>
<td>43</td>
</tr>
<tr>
<td>Namibia</td>
<td>45</td>
<td>44</td>
<td>43</td>
</tr>
</tbody>
</table>


Wages are another prime indicator of decent work. In addition to being important determinants of worker productivity, they are important mechanisms for allocating labour inputs to their most efficient and productive uses. In addition, wages are an important part of family income and so a critical determinant of poverty and inequality. Wages that are offered to labour define their quality of life as much as they define the quality of the jobs in which they are engaged. The decency of employment is thus driven, to a larger extent, by the nature and behaviour of wages. It is in this regard, real wage developments and the incidence and levels of wage differentials in the region are now examined.

Declining real wages are a clear indicator of deteriorating working conditions. Wage differentials along gender, racial or other labour market characteristics may suggest the existence of productivity differences or outright discrimination. To examine this particular decent work indicator within the region, we focussed on real wage developments in selected countries, minimum wage developments and wage differentials.

Declining real wages are also a symptom of the waning quality of work and thus declining standards of living, particularly in terms of real consumer wages. In Figures 5 to 7 we show real wage developments in Zimbabwe, South Africa and Malawi. These three cases are good representations of the Southern Africa situation. As expected, Zimbabwe, having the highest inflation rate in the world, shows a downward spiral in terms of real wages. This signifies acute diminishing returns to labour and deteriorating living standards. On the other hand, the moderate increase of South Africa’s real wages
may indicate that South African waged workers’ living standards are steadily improving. Certainly, some working-class groups that have benefited are miners, metal workers and public servants. However, as Woolard and Woolard (2006) show, these average real wages mask some wage dynamics that might suggest a different picture. In Table 5, real wages across gender divides for low- and semi-skilled workers have either fallen or remained stagnant over the past decade. In Malawi real wages have experienced steady downward decelerations.

Figure 5. Real wage developments in Zimbabwe

![Figure 5](image)

Figure 6. Real wage developments in South Africa

![Figure 6](image)

Source: Own calculations for Statistics S.A (various)
Table 5. Average hourly earnings of men and women active in the South African formal sector economy by skills category, 1995-2003 (constant 2000 prices)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unskilled</td>
<td>9.0 ± 0.2</td>
<td>7.9 ± 0.4</td>
<td>10.6 ± 0.3</td>
<td>8.8 ± 0.4</td>
<td>9.7 ± 0.5</td>
<td>10.0 ± 0.4</td>
<td>10.4 ± 0.9</td>
<td>8.2 ± 0.3</td>
<td>5.9 ± 0.2</td>
</tr>
<tr>
<td>Semi-skilled</td>
<td>15.8 ± 0.2</td>
<td>15.2 ± 0.4</td>
<td>14.2 ± 0.3</td>
<td>12.8 ± 0.3</td>
<td>17.7 ± 0.4</td>
<td>15.3 ± 0.3</td>
<td>15.2 ± 0.4</td>
<td>13.3 ± 0.3</td>
<td>13.0 ± 0.3</td>
</tr>
<tr>
<td>Skilled</td>
<td>33 ± 1.3</td>
<td>31 ± 1.1</td>
<td>26.5 ± 1.1</td>
<td>26.9 ± 1.3</td>
<td>31.8 ± 1.5</td>
<td>34.0 ± 1.6</td>
<td>29.9 ± 1.1</td>
<td>30.8 ± 1.3</td>
<td>30.9 ± 1.4</td>
</tr>
<tr>
<td>Highly skilled</td>
<td>47.5 ± 1.9</td>
<td>46.9 ± 3.1</td>
<td>35.07 ± 1.3</td>
<td>44.0 ± 2.8</td>
<td>48.7 ± 2.7</td>
<td>53.4 ± 2.3</td>
<td>55.1 ± 2.9</td>
<td>55.2 ± 2.7</td>
<td>49.3 ± 2.1</td>
</tr>
<tr>
<td>Manager (no tertiary)</td>
<td>43.6 ± 3.9</td>
<td>35 ± 2.8</td>
<td>28.4 ± 1.4</td>
<td>28.5 ± 2.2</td>
<td>31.6 ± 2.2</td>
<td>34.9 ± 1.7</td>
<td>41.2 ± 2.1</td>
<td>38.1 ± 1.8</td>
<td>38.8 ± 1.9</td>
</tr>
<tr>
<td>Manager (with tertiary)</td>
<td>67.7 ± 5.4</td>
<td>65 ± 4.5</td>
<td>49.5 ± 4.2</td>
<td>56.9 ± 5.1</td>
<td>67.9 ± 4.9</td>
<td>69.2 ± 3.7</td>
<td>66.0 ± 3.7</td>
<td>60.5 ± 3.0</td>
<td>67.1 ± 3.7</td>
</tr>
<tr>
<td>Females</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unskilled</td>
<td>8.0 ± 0.3</td>
<td>6.9 ± 0.3</td>
<td>8.3 ± 0.4</td>
<td>7.2 ± 0.3</td>
<td>7.8 ± 0.3</td>
<td>7.4 ± 0.3</td>
<td>7.3 ± 0.2</td>
<td>6.5 ± 0.2</td>
<td>5.1 ± 0.2</td>
</tr>
<tr>
<td>Semi-skilled</td>
<td>13.7 ± 0.3</td>
<td>13.8 ± 0.5</td>
<td>13.3 ± 0.3</td>
<td>12.8 ± 0.6</td>
<td>13.6 ± 0.4</td>
<td>14.2 ± 0.5</td>
<td>14.3 ± 0.5</td>
<td>13.7 ± 0.4</td>
<td>13.1 ± 0.4</td>
</tr>
<tr>
<td>Skilled</td>
<td>26.2 ± 0.8</td>
<td>24.8 ± 0.9</td>
<td>21.1 ± 0.8</td>
<td>23.5 ± 0.9</td>
<td>25.9 ± 1.4</td>
<td>26.4 ± 0.8</td>
<td>25.8 ± 0.8</td>
<td>25.8 ± 0.7</td>
<td>24.0 ± 0.6</td>
</tr>
<tr>
<td>Highly Skilled</td>
<td>35.0 ± 2.3</td>
<td>37.5 ± 2.7</td>
<td>26.4 ± 0.8</td>
<td>31.1 ± 1.4</td>
<td>36.1 ± 1.8</td>
<td>40.7 ± 1.8</td>
<td>37.8 ± 1.7</td>
<td>38.6 ± 1.7</td>
<td>34.6 ± 1.4</td>
</tr>
<tr>
<td>Manager (no tertiary)</td>
<td>21.4 ± 1.6</td>
<td>21.9 ± 3.0</td>
<td>21.2 ± 1.4</td>
<td>21.0 ± 3.3</td>
<td>24.5 ± 2.3</td>
<td>34.1 ± 3.5</td>
<td>30.9 ± 2.7</td>
<td>28.4 ± 1.9</td>
<td>32.2 ± 3.2</td>
</tr>
<tr>
<td>Manager (with tertiary)</td>
<td>35.5 ± 3.5</td>
<td>54.6 ± 8.0</td>
<td>40.6 ± 7.9</td>
<td>33.0 ± 4.3</td>
<td>50.7 ± 101</td>
<td>53.0 ± 6.1</td>
<td>48.4 ± 4.4</td>
<td>54.5 ± 8.5</td>
<td>52.7 ± 5.9</td>
</tr>
</tbody>
</table>

Note: Errors indicated are for the limits of the 95% confidence interval

We also compared minimum wages in US dollars per month for a few countries within the region and more globally. One weakness of using minimum wages in a comparison with other countries in order to gauge job decency is that they often relate to in-country conditions, for example, domestic terms of trade and productivity. In spite of this weakness, minimum wages for Southern Africa do not compare favourably with global figures. Botswana fares considerably better than the regional average, while Malawi and Zimbabwe are far below the regional figure and less than a fifth of the global average. Probably with the exception of South Africa, the figures for these countries seem to represent Southern Africa fairly well. Although many have minimum wage parameters, these have been allowed to fall in real terms, allowing workers to slide into poverty.

Table 6. Minimum wages

<table>
<thead>
<tr>
<th>Country</th>
<th>Regional average</th>
<th>Global average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>82</td>
<td>50</td>
</tr>
<tr>
<td>Malawi</td>
<td>19</td>
<td>50</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>35</td>
<td>50</td>
</tr>
<tr>
<td>Namibia</td>
<td>n/a</td>
<td>50</td>
</tr>
</tbody>
</table>


In Southern Africa, the decent work deficit seems to be disproportionately distributed along gender divides. Women seem to shoulder the greatest burden. Despite the fact that they outnumber men in terms of population, their participation in wage employment is lower than that of men. In fact, as shown in Table A1, their participation in the formal labour market lags behind men’s throughout the region. Perhaps the biggest disadvantage lies in the wages they receive compared to those of their male counterparts. Table 7 presents female employment in industry and service sectors for Botswana, South Africa and Namibia. (As indicated above, the reader is also referred to Table A1, Appendix A). Men overwhelmingly dominate the industrial sector. This disproportionate showing of women is more pronounced in Namibia where they comprise only 7% of the industrial workforce. Women dominate the services and retail and distribution sectors. In the African context the services sector is very diverse, ranging from the sophisticated financial services sector to basic services such as petty trading and backyard hair salons. Women are concentrated within the latter services, with men dominating the former. The end column of Table 7 shows these gender wage differentials. In Botswana and Namibia, female-earned incomes tend to be just over half (51%) earned by men. For South Africa, this figure is even worse – it stands at 45%. Such glaring gender-based disparities may be due to discrimination or simple productivity differences. Literature in the region includes a number of studies that explain the origins of such disparities.
Labour markets in Southern Africa suffer from wage inequalities arising from outright discrimination – another symptom of non-decent work. In South Africa, studies reveal both racial and gender discrimination, while in other countries they find only the latter. In South Africa, for example, Casale (1998) showed that women earned 15% less than their male counterparts, while Isemonger and Roberts (1999) found that discrimination against women accounted for between 35.6% and 66.5% of the wage differentials. Winter (1999), Hinks (2002), Rospabe (2001) and Gruen (2004) further confirmed the high incidence of both gender and racial discrimination in the South African economy. In Botswana, Siphambe (1997) showed that women earned far less than men, despite their superior education. And Siphambe and Thokweng-Bakwena (2001) examined gender discrimination in both the public and private sectors in Botswana, finding that in the public sector, 33% of the wage gap was explained by discrimination, the figure for private sector standing at 66%. The existence of such serious discrimination across the region implies that there are still many challenges to realizing the Decent Work agenda. What is more, the ILO has strongly advocated for mainstreaming non-discriminatory practices in the Decent Work agenda of member countries (ILO, 2007).

Table 7. Gender disparity indicators: the Southern African labour market

<table>
<thead>
<tr>
<th>Country</th>
<th>Female employment by economic activity</th>
<th>Earned income disparity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Industry</td>
<td>Service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Per cent of total 1995-02</td>
<td>Per cent of male rate 1995-02</td>
<td>Per cent of total 1995-02</td>
</tr>
<tr>
<td>Botswana</td>
<td>14</td>
<td>54</td>
<td>67</td>
</tr>
<tr>
<td>Namibia</td>
<td>7</td>
<td>39</td>
<td>63</td>
</tr>
<tr>
<td>South Africa</td>
<td>14</td>
<td>41</td>
<td>75</td>
</tr>
</tbody>
</table>

4. The South African Labour Market: Its Regional Dimension and Migration

Labour markets across Southern Africa have been interlinked in many ways over the past 150 years (Crush, 2005). The intricate flow of migrants and remittance transfers within the region is an old and well-documented phenomenon. Major employment centres in the region have been the Zambian Copperbelt, Zimbabwean coal and gold mines, South African mines and commercial farming in Malawi, Mozambique, Swaziland and South Africa (Crush, 2005). Coupled with stagnation or poor growth in other economies, the rapid growth and development of South Africa’s economy during the 20th century have ensured its status as the major attractor of regional labour. Thus, in examining the South African labour market, the temptation to view it as one that is regional is quite strong, as it has significant bearing on the labour markets of neighbouring countries.

The South African economy is large by regional standards. South Africa accounts for almost 67% of the Southern African Development Community’s (SADC’s) GDP. The country also hosts a significant number of skilled and unskilled workers from neighbouring countries. It is against this backdrop that we argue that South African labour market policies should factor in regional socio-political and economic dynamics.

Over the years, South Africa has hosted thousands of contract workers from neighbouring countries, especially in the mining sector. Mozambique, Botswana, Lesotho and Swaziland have been longstanding suppliers of mining labour, while irregular suppliers have included Malawi, Zambia and Zimbabwe. During the 1970s and 1980s, labour inflows to the mines were organized. In the last two decades, labour inflows to South Africa have increased further, with unorganized inflows dominating. The principal source countries are Lesotho, Mozambique, Swaziland and Zimbabwe. Today, it is estimated that 50% of mine workers currently active in South Africa come from neighbouring countries (Crush, 2005).

A large proportion of immigrant workers in the mining sector (especially the Basotho, Mozambicans and Swazis) are employed through mine sub-contractors such as TEBA, which is a major recruiting agency. In 1995, TEBA alone engaged a total of 72,012 workers for the South African mining sector. By virtue of these workers being sub-contractees, they are inevitably exposed and vulnerable to exploitation. This subcontracted labour is not generally unionized and is excluded from wage set through negotiations between the National Union of Mineworkers and the Chamber of Mines. Instead, these workers are paid piecework rates and they are not covered by mine death and other benefits or retirement savings schemes. Employing migrant workers is thus attractive to, as they achieve their production levels at lower costs than do local workers. On the other hand, their employment inevitably leads to conflict with local and regular workers, as they are seen as increasing nationals’ vulnerability to retrenchment (Crush, 2005).

Some migrant workers have joined the general labour market system and work across the different sectors of the South African economy. The economic turmoil in Zimbabwe has seen unprecedented numbers of both legal and illegal immigrants from this country
entering South Africa. Estimates put their numbers at between two and three million, which represents nearly 5% of South Africa’s labour force. If we add the labour force from other regional countries, these numbers may easily approach a fifth of its labour force. If these ratios are anything to go by, the key message is that the impact of foreign labour on the South African labour market should not be underestimated. Accordingly, South African labour market policies must not ignore the foreign labour component.

Based on simple supply and demand analysis, immigration will doubtlessly affect employment and wages in the receiving country (South Africa). Increased migration leads to a greater supply of workers, which in turn leads to lower wages. The demand for labour can also be affected. Since the demand for labour is derived, immigrants add to the country’s population and thus the demand for goods and services. A higher demand for goods and services translates into a higher demand for workers who produce these goods. Thus, the effect of immigration on wages depends on whether the increase in demand is greater than, less than, or equal to the increase in supply. If demand increases by more than supply, wages will rise; if supply increases more than demand, wages will fall; if demand and supply rise by an equal amount, wages will remain unchanged. This simple analogy means that we cannot \textit{a priori} say whether immigration depresses or increases wages. What we can say is that immigrants, especially the unskilled, have lower reservation wages than similarly low-skilled local workers. The reservation wage of the former is lower because they have limited social networks to lean on if they are compelled to prolong their job-search process. Local workers can afford to prolong this process because they have a larger social support network. The lower reservation wage of foreign workers, coupled with their higher propensity to co-operate with employers to circumvent local labour regulations like minimum wages, are some of the reasons to suspect that low-skilled immigrant workers may actually exert some downward pressure on average wages – especially in the catering, farming, security (guards) and construction sectors that employ more illegal low-skilled immigrants. This also points to the fact that immigrant workers are more likely to be exposed to indecent work than their local counterparts.

The disparities in immigrants’ versus local workers’ reservation wages also have implications for the employment and unemployment of locals. One can speculate that over 90% of immigrants are employed. If this is true, it means that the unemployment levels of local South Africans may not diminish proportionately to the rate at which jobs are being created, as some will be taken by immigrants accepting lower reservation wages. This may partly explain the sluggish reduction in unemployment rates, despite the clear booms experienced in some sectors of the economy. The influx of immigrant workers to South Africa may also have other labour market policy implications. The effectiveness of some labour market policies may be limited because of this extra-territorial labour force. Take, for example, the public works programme which is designed to provide the unemployed with some income and work experience, immigrant workers may also benefit from such schemes. All other social safety nets for the unemployed are likely to experience the same additional burden, the employment equity quota that is meant to bridge the black-white gap being one of them4.

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4 In South Africa there is much speculation that some companies are fulfilling their employment equity quotas with foreign black labour at the expense of local blacks.
On the other hand, it is important to note that immigrants – skilled or unskilled – do play a pivotal role in the development of the economy of the receiving country. Most immigrants spend a significant portion of their working life in the host country. However, most in South Africa are excluded from social security schemes designed to mitigate the risk of workers becoming destitute in their post-work lives. In the absence of a proper social security policy to mitigate these risks, retiring immigrants are more prone to destitution irrespective of whether they remain in South Africa or return home. There is thus a need for a region-wide social security policy that will ensure that immigrant workers can contribute to social security schemes and that upon retirement, these contributions are properly channelled back to them. In this regard, sender countries would also benefit as the remittances and social insurance could be used for domestic investment. It is important to note that such challenges are now receiving attention at SADC level.
5. Regional Challenges and Threats to the Decent Work Agenda in the Region

In this sub-section we examine some regional threats and challenges to meeting the Decent Work agenda. In particular, we look at how globalization and labour market reforms and HIV and AIDS pose challenges to the employment pillar of the Decent Work agenda.

5.1 Globalization and labour market reforms

Globalization is a complex and divisive subject. The international integration of economies is fraught with uncertainties as the process is saddled by an intricate web of political, economic and social benefits and costs. With the world becoming a global village, the accompanying opportunities and possibilities are numerous. Choices are widened as new products and new technologies reach more people. The globalization process brings about rapid diffusion and sharing of ideas and knowledge, ostensibly for the betterment of mankind. However, negative opinions about globalization emanate from the fact that it is seen as a market phenomenon rather than a people-centred trend (World Commission on the Social Dimension of Globalisation, 2004).

Southern African countries have experienced labour market reforms of various proportions that have had some impact on the decency of work but they have not been spared the effects of globalization. In fact, globalization is fast affecting the industrial relations of many developing countries as it has become easier for multi-national companies to influence smaller nations’ economic policies. Threats of ceasing trade or capital inflows influence policy. Even in the labour market, globalization has meant the curtailment of freedom to enact particular laws, and as a result the protection of workers through legislation is now limited. In addition, a country’s freedom to make its own laws is has also become heavily curtailed by the necessity to compete in global markets. With global capital being highly mobile and acutely sensitive to labour laws and regulations, a country’s legislative freedoms are limited by the consideration of whether such actions will drive away capital. The globalization effect may manifest through the lukewarm enforcement of labour regulations, with working conditions being compromised. When it comes to globalization and labour reform, achieving a delicate balance is vital.

Labour market reforms and globalization have put severe pressure on labour markets to be flexible (World Commission on the Social Dimension of Globalisation, 2004: 46). The basis for pursuing flexibility in the labour market is underpinned by orthodox theory that views labour in the same light as any other commodity. It assumes that interventions in the labour market (e.g. minimum wages or job security regulations) yield only undesired outcomes such as unemployment and other inefficiencies. Inflexible labour regulations, especially hiring and firing and minimum wage regulations, retard labour demand. Thus, orthodox theory implies that labour market flexibility leads to efficiency, investment and high levels of employment. The argument is that there is a trade-off between job creation and labour market inflexibility. The orthodox view is that jobs have to be created first, irrespective of whether or not these jobs are decent. To attract more global capital, countries have had to turn a blind eye to the effects of globalization and assume that ‘bad jobs are better than no jobs at all’.
The promotion of flexibility has taken five different forms: numeric, functional, external, internal and wage flexibility. Numeric flexibility involves adjusting the number of workers to suit the needs of the employers. Functional flexibility involves modifying the nature of jobs, changing from full-time to part-time or to casual or contract work, for example. External flexibility refers to outsourcing or sub-contracting to outsiders, while internal flexibility involves adjusting the hours worked. Wage flexibility is when the employer adjusts labour costs to maximize profits. All of these forms of labour market adjustments have manifested to different degrees in Southern Africa, and with varying consequences for decent work. Labour market flexibility has called upon workplaces to have ‘leaner workforces, fewer rules and regulations, weak trade unions, wages that adjust easily with business cycles and employers who are in full control of employees’ (Munck, 2002: 72-73).

In a bid to make labour markets as flexible as possible, labour market reforms have resulted in an increase in contract, casual and other flexible forms of employment over the past decade. Zimbabwe is a good example of where the incidence of these flexible labour types has increased. Since the advent of the Structural Adjustment Programmes (SAPs) and uncertainties in the post-SAP economic environment, employers have resorted to hiring casual and contract labour to minimize the costs associated with employing permanent, full-time employees. In Zimbabwe, as early as 1985, casual workers accounted for 3% of total formal sector employment. By 1998, this proportion had increased to 9.4% (Ncube, 2005). Similarly, the share of part-time workers in total employment increased from 0.8% in 1985 to 3% in 1998. According to Ncube, even after factoring in the differences in total working hours, in Zimbabwe the earnings of casual workers were a third of full-time workers’, and part-timers earned 36% of their full-time counterparts’ wages. This rapid increase in casual and part-time workers and their low earnings signifies a growing class of the working poor.

Global capital has introduced a dilemma for governments within region and of other developing countries: to protect workers and upset capital or to turn a blind eye to appalling working conditions in order to attract capital inflows. The textile industries of Lesotho, Swaziland and Zimbabwe, amongst others, have experienced this with Asian investors. The export-oriented textile and garment-making industries of Swaziland illustrate this globalization effect. In a survey of ten firms in Swaziland’s textile industry, it was found that the conditions of employment are characterized by low wages, unhealthy and unsafe workplaces, substantial and often compulsory over-time, a lack of adequate monitoring by buyers of products, trade union repression by employers and a lack of worker protection by government (Centre for Research on Multinational Corporations, 2002). Indeed, industrial relations in the industry are reported to be appalling (Tati, 2004). Tati (2004) also observes that ‘the working conditions in the operating companies are far from being decent in terms of social welfare’. Ill-treatment and harassment of workers in the textile industry have been reported frequently, as have low wages (sometimes below the sector’s minimum wage), non-respect of fortnightly payment agreements, long working hours (overtime) for meager pay, no off-days on holidays and weekends, and a lack of social protection.

The case of Swaziland shows that the temptation to view labour market flexibility as a panacea for unemployment needs to be tempered by an appreciation of the plight of some workers. In any case, any discussion to enhance flexibility in the labour market

5 The textile industry is exporting under the African Growth and Opportunity Act (AGOA).
would need to weigh its presumed benefits against the negative externalities borne by
individuals, households and the state arising from worker vulnerability associated with
certain forms of flexibility in the absence of social safety-nets. This being the case, the
distributional consequences of freeing labour markets should not be ignored. As Stiglitz
(2002: 13) observes, ‘the mantra of increased labour market flexibility was only a thinly
disguised argument to roll back – under the guise of “economic efficiency” – the gains
that workers had achieved over years and years of bargaining and political activity’.

The Lesotho textile industry presents another side effect of globalization. This industry
has witnessed some restructuring as a result of the phasing out of the Multifibre
Agreement. The sector was heavily dependent on this agreement, and its expiry in 2004
saw many workers lose their jobs. Coupled with job losses from the South African mines,
unemployment rates have increased.

In a world dominated by global capital, some segments of society – and with them some
workers – have emerged as winners while others are losing out. On the whole,
globalization has largely benefited multinational enterprises (MNEs) and their associates,
i.e., shareholders, managers and workers (with skills and education demanded by MNEs).
However, those segments of society associated with enterprises that cannot withstand
competition from foreign firms stand to lose from globalization. In particular, workers in
the informal economy, small and medium enterprises, parastatals and other subsidized
firms are vulnerable to the forces of global capital. Inevitably, it is the unskilled and/or
the illiterate worker who inevitably bears the full brunt. Women, who dominate the
informal economies, are also on the negative receiving end, both in absolute and relative
terms (World Commission on the Social Dimension of Globalisation, 2004: 46). The
sales and profits of informal businesses are often adversely affected by stiff competition
from cheap imports. In a nutshell, globalization, in combination with other factors, may
lead to the impoverishment of certain segments of the community and also exacerbate
inequalities and gender imbalances.

As mentioned above, globalization has put considerable pressure on industries to be
competitive. Competitiveness has been synonymous with the cutting of labour costs
under the guise of restructuring, downsizing or streamlining. Malawi’s and Zimbabwe’s
public sectors are cases in point. Globalization is also forcing the privatization of public
enterprises, which has dire consequences for job security. Zambia’s copper mines are a
good example of this. In the name of competition, many workers, especially in the
unskilled and semi-skilled categories, have been retrenched or casualized to cut costs
related to social security, to name but one example. Real wages have also been allowed to
remain stagnant or fall. There has been an upsurge in the use of capital-intensive
production techniques as companies try to minimise the effects of cutthroat competition.
Globalization, and the associated increased competition, has also diminished job
opportunities in the formal economies of the nine countries under discussion. This has
led to a rapid rise in the ‘survivalist’ informal labour market, which now faces a growing
decent work deficit as it is characterized by low wages, job insecurity and outright poverty.
Evidently, the informal economy labour market is expanding in all nine countries
discussed herein. Women and youth have been forced to shoulder the main burden of
globalization and competition pressures, as they are more vulnerable to casualization,
informalization and marginalization in other low-paying, flexible jobs than any other
labour sub-group.
In relation to decent work, another regional consequence of globalization and the pressure to compete in international markets is the gradual disengagement of the state from labour market issues. This is in line with the new doctrine that favours a minimal role for the state (Commission on the Social Dimension of Globalisation 2004: 46). SAPs have forced governments to take a back seat and allow the private sector to set out the social and economic agenda, especially in labour markets. Without state support, labour markets become vulnerable. The SAPs in Malawi, Zambia and Zimbabwe in the 1990s saw all three states relinquishing their social labour market roles and massive retrenchments in the public sector. As already noted, the labour market reform agenda viewed wage flexibility as a ‘cure-all’ solution for job creation. However, in all those countries in Southern Africa that undertook such reforms, wages were depressed and declined in real terms. As a result, the decent work deficit has accumulated. To ensure that the region contains or reverses the decent work deficit, it is therefore critical that the state plays a pivotal role in labour markets.

It is key that policies be put in place to avoid the negative impacts of globalization, labour market reforms and the drive for flexibility, even though the latter does have some important economic spin-offs in the form of efficiency and improvements in productivity. It is therefore imperative that some flexibility is pursued while social protection is introduced as a fundamental pillar of any labour market. A balance must be struck and the appropriate trade-offs applied. Flexibility should not translate into labour market insecurity, security should rather promote flexibility. Flexibility on the demand side should be balanced with the need for flexibility on the supply side – a balance that has been achieved successfully elsewhere in the world. European countries such as Ireland, the Netherlands and Denmark have effectively promoted flexibility, stability and security in their labour markets (Benjamin, 2005). These countries have pursued the so-called ‘flexicurity’ or ‘protected flexibility’ labour market models to the benefit of their economies and labour. For them, these models have ensured social protection of labour and flexibility on the supply side, with the demand side of the labour market being allowed adaptability and flexibility. All this has been achieved within the ambit of high-level social partnership and dialogue.

5.2 HIV and AIDS

Another real threat to the Decent Work agenda is the HIV and AIDS pandemic. Southern Africa is the epicentre of this global epidemic (Table 8 lists the prevalence rates in the region), although the 2005 World Health Organization (WHO) and UNAIDS figures shown below exhibit a drop in some cases. Basically, there are two reasons for the lower rates of 2005\(^6\). First, HIV and AIDS figures have recently been revised in the light of new data. Secondly, the lower estimates are partly due to genuine declines in HIV prevalence (see Report on the Global AIDS Epidemic, 2006, for a comprehensive discussion of this). However, the negative impact of the disease on the Decent Work agenda cannot be underestimated, as the pandemic has emerged as one of the greatest challenges to the socio-economic wellbeing of all of the countries studied. To them, HIV and AIDS is not only an unparalleled public health problem, it is also an unprecedented threat to their development processes. Although no systematic and comprehensive research has been carried out to specifically evaluate the impact of HIV and AIDS on the economies of Southern Africa, anecdotal evidence points to grave consequences for both micro and macro levels.

\(^6\) Some very recent estimates show even lower rates for some countries, for example, for Zimbabwe the HIV prevalence rate recorded recently is 15.5%.
Table 8. Estimated adult HIV and AIDS prevalence in Southern Africa, 1994-2005

<table>
<thead>
<tr>
<th>Country</th>
<th>1994</th>
<th>2001</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>18.0</td>
<td>38.0</td>
<td>37.3</td>
<td>36.2</td>
<td>24.1</td>
</tr>
<tr>
<td>Lesotho</td>
<td>3.1</td>
<td>29.6</td>
<td>28.9</td>
<td>27.6</td>
<td>23.2</td>
</tr>
<tr>
<td>Malawi</td>
<td>13.6</td>
<td>14.3</td>
<td>14.2</td>
<td>14.3</td>
<td>14.1</td>
</tr>
<tr>
<td>Mozambique</td>
<td>5.8</td>
<td>12.1</td>
<td>12.2</td>
<td>11.5</td>
<td>16.1</td>
</tr>
<tr>
<td>Namibia</td>
<td>6.5</td>
<td>21.3</td>
<td>21.3</td>
<td>18.7</td>
<td>19.6</td>
</tr>
<tr>
<td>South Africa</td>
<td>3.2</td>
<td>20.9</td>
<td>21.5</td>
<td>18.8</td>
<td>18.8</td>
</tr>
<tr>
<td>Swaziland</td>
<td>3.8</td>
<td>38.2</td>
<td>38.8</td>
<td>37.4</td>
<td>33.4</td>
</tr>
<tr>
<td>Zambia</td>
<td>17.1</td>
<td>16.7</td>
<td>16.5</td>
<td>15.4</td>
<td>17.0</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>17.4</td>
<td>24.9</td>
<td>24.9</td>
<td>22.5</td>
<td>20.1</td>
</tr>
</tbody>
</table>


Empirical evidence from the region paints a gloomy picture of the consequences of HIV and AIDS on GDP. A United Nations Development Programme (UNDP) study in Botswana estimates that GDP could be between 24% and 38% lower in 2021. In South Africa, Arndt and Lewis (2000) predicted that GDP would decline by 2.6%. The Bureau for Economic Research in 2001 forecasted that real GDP in South Africa would be 1.5% lower by 2010 and 5.7% lower by 2015. ING-Barings (2000) estimated that HIV and AIDS would retard South Africa’s GDP by between 0.3% and 0.4% per year. Again for South Africa, Quattek (2000) estimated that between 2006 and 2010 and between 2011 and 2015, GDP would, on average, be 0.3% and 0.4% lower, respectively, than in the absence of HIV and AIDS. In a latter study, Bell et al. (2003) also found that HIV and AIDS will slow South Africa’s economic growth. Arndt and Lewis (2000) forecasted that South Africa’s GDP and per capita income would be 20% and 8% lower, respectively, in 2010 than in a non-AIDS scenario. Rosen et al. (2004) estimated that by 2015, Botswana and Swaziland would grow by 2.5% and 1.1% less, respectively, than they would without the scourge of HIV and AIDS. In the case of Malawi, Cuddington and Hancock (1994) estimated that the country’s economy would shrink by 0.25% annually as a result of the pandemic. All told, these analyses indicate that the pandemic will have dire effects on all Southern African economies. With contracting economies, jobs will be at a higher risk than before, and wages and other employment benefits will also be more vulnerable.

The impact of the pandemic on the larger economy is manly manifest in the labour market, which is undergoing massive transformation because of HIV and AIDS. Every dimension of labour supply – skills, effort, labour force participation and hours supplied – as well as every labour market segment, whether rural or urban, informal or formal, private or public, continue to be severely affected by the pandemic.

The pandemic is disproportionately claiming highly mobile and productive people and disproportionately affecting young adults. The consequences for the labour market and the entire economy are dreadful. Labour force participation rates will rapidly diminish as more people leave the labour market as they become ill or die. Evidence of skills and experience disappearing is self-evident, especially with drastic drops in life expectancy across the region (ADB Report, 2004). HIV and AIDS is progressively destroying the stock of human capital (the knowledge and abilities embodied in people) that has accumulated progressively over time, through child rearing to formal education and on-the-job training. The effort and hours put into the labour market are reduced as workers...
are frequently absent from work because they themselves are either ill, nursing the sick or attending funerals. What this means is those workers that remain in employment are stretched to the limit.

Another consequence is that productivity in different sectors of the economy is being restrained. Loss of production means loss of income. For example, in the agricultural and small-, medium- and micro-sized (SMME) sectors, output is bound to decline as more farm workers die or have to give up work in order to nurse the sick. The loss of breadwinners due to HIV and AIDS deprives rural areas of remittances, which has dire consequences for investments in farm inputs. As farm workers are further decimated and farm inputs dwindle, a shift from cash to subsistence cropping is inevitable. The result will be food insecurity and a decline in rural incomes. The SMME sector and other informal activities are also being hard hit by the pandemic. In this sector the death of a single person is equal to many in a large company, as this one individual may be the accountant, engineer and manager within a small enterprise. Such losses rapidly reduce SMMEs’ production and income, and possibly precipitate their closure. Many workers are thus catapulted into the ranks of the unemployed. In sum, HIV and AIDS is reversing some of the achievements that the region has made in pursuit of the Decent Work agenda.
6. Conclusions and Recommendations

To recap, this paper has sought to examine and take stock of the achievements and experiences of the Southern African region in terms of the Decent Work agenda. Decent work, as espoused by the ILO, is based on four inter-related pillars: employment and productive work, workers rights, social protection and social dialogue. The focus of this paper has been on the first pillar – employment and productive work, the aim being to examine the experiences of nine countries (Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia and Zimbabwe) within the ambit of the ILO-Sub-Regional Office for Southern Africa.

In examining the experiences of these countries, our study noted the lack of systematic, comprehensive and up-to-date labour market information as a major stumbling block. Labour market information that specifically ‘talks’ to the Decent Work agenda is sketchy, irregular and largely outdated, with its focus on only a few indicators. This has limited our ability to fully evaluate the progress towards meeting the Decent Work agenda. The only indicators that are available are unemployment and wages. Even so, unemployment figures in the region are controversial and generally a source of confusion rather than enlightenment. Moreover, the data for these two indicators is often out of date. Therefore, there is an urgent need for the ILO and partners and statistical offices of the respective countries to work towards mainstreaming and regularly updating decent work-related indicators in their labour force surveys. In our focus area we suggest that the following indicators would be very useful:

- **Labour force participation:** The economically active population must be measured regularly in the region. Series data on labour force participation is necessary for planning purposes and for understanding the performance and conduct of the labour market. Male and female gaps in participation and youth participation also need to be regular features in any labour force survey.

- **Formal and informal employment:** Formal and informal employment data that are disaggregated into gender and age dimensions are necessary. The data on the ever-expanding informal economy, in particular, is sketchy and collected unsystematically; it is important that regular surveys of this sector be undertaken in this region.

- **Unemployment and underemployment:** Unemployment is an important variable in the Decent Work discourse. In developing countries, where social safety-nets are limited or non-existent, visible unemployment may not be a good indicator of a deficit in the labour market. There are many factors that limit the usefulness of this indicator, which needs to be complemented by data on underemployment. Underemployment is a serious problem in Southern Africa, especially in terms of the rapid growth of the informal economy. As the latter defines the working poor, it is important to obtain concrete information on the extent, magnitude and distribution of this group and/or the underemployed. Regarding unemployment, information on youth needs to be collected regularly in labour force surveys.

- **Flexible workers:** Data that disaggregates the employed into full-time, part-time, casual and contract workers is essential, as these employment types are useful indicators of the dynamics of the labour market. The incidence and magnitude of part-time,
casual and contract jobs are important variables in establishing the precariousness of jobs. Gender and age disaggregation of this information is a necessity in order to monitor vulnerable groups in the labour market.

- **Hours of work:** Excessive working hours (>48 hours a week) are also an important indicator of non-decent work. Labour force surveys must capture the hours of work in different segments of the labour market.

- **Wages and remittances:** Hourly wages for the different labour market segments, whether formal or informal, rural or urban, private or public, need to be collected systematically. Hourly wages for different employment types should also be an integral part of any labour force survey. The importance of desegregating this data by gender cannot be over-emphasized.

- **Child labour:** The incidence and prevalence of child labour needs to be measured.

- **Migrant workers:** The region needs a database on migration flows and remittances. Such data will inform and aid the formulation of regional labour market policies.

In addition, since the Decent Work agenda rests on four pillars, indicators on other pillars that are not covered herein also need to be part of any labour force survey.

This paper also examined the labour market experiences of Southern African countries regarding the Decent Work agenda. On the positive side, it was observed that some countries have embarked on programmes that promote decent work. South Africa, for example, has an elaborate social security system, public works programmes and various training programmes in place. On the policy side, the country has implemented employment equity and affirmative action policies, all designed to bridge past labour market imbalances. Other countries such as Malawi and Zimbabwe have ad-hoc public works programmes, but budgetary constraints in these countries have limited these programmes’ coverage. It is important to note that the positive economic growth experienced across many countries in the region could, if sustained, will be an important factor in promoting decent work and productive employment. The ILO-initiated Decent Work Country Programmes should also be pursued with vigour as they can only strengthen the development planning processes of the countries.

This study did find that the region’s decent work deficit is large and multifaceted. The region suffers from unemployment levels that surpass all those elsewhere around the world. In particular, due to its ongoing economic turmoil, Zimbabwe’s deficit is much more acute than those of its neighbours. The hardest hit groups in terms of unemployment in the region are women and the youth. Furthermore, the region suffers more severely from underemployment than it does from open unemployment. Underemployment constitutes the working poor who are spread across the formal and informal labour markets as well as along rural and urban divides.

A significant number of jobs in Southern Africa are created in the informal economy and in small and medium enterprises. The decent work deficit is quite acute in these areas. There is, therefore, a need to promote large-scale creation of decent and gender-equitable jobs in these economic areas.

Wages in the region provide mixed signals about the Decent Work agenda. In countries such as South Africa, real wages exhibit a gradual upward trend, while in Zimbabwe (at the other extreme, having the world’s highest inflation rate) wages are spiralling...
downwards. Falling real wages are indicative of an acute decent work deficit, as returns to work do not reflect workers’ worth. Furthermore, falling real wages point to a rise in a class of what has been termed the ‘working poor’ (Altman, 2004). This paper also notes that the region’s labour markets have a fair share of wage disparities along gender and racial lines, particularly in South Africa. As concerns gender and racial wage differences, this paper notes that a significant portion of such disparities is attributable to discrimination in the labour market. Discrimination is a symptom of inefficiencies in the labour market. Furthermore, it breeds inefficiencies at the workplace, as the productivity of workers who bear the brunt of discrimination is devalued. Accordingly, it is important that Southern African countries monitor discriminatory practices and instigate mechanisms to eradicate this problem. Appropriate legislation against such practices should be put in place, and education and advocacy programmes prioritized.

A brief discussion of the South African labour market as a regional labour market also formed part of this exercise. This particular labour market plays a critical role in the region, it being the main destination for migrants within and beyond the region. This means South Africa cannot and should not ignore the regional dimension in developing and revising its domestic labour policies. In addition, it is important that proper mechanisms be put in place so that South Africa and its neighbours stand to benefit from migrant labour. Migration should not see neighbouring countries sending labour with no returns accruing to them, nor should these countries receive retirees without social benefits to support them. It is important that the migration process be properly managed to ensure maximum benefits for both governments and workers.

This study also considered other issues that impact on labour markets in the region and also have a bearing on the promotion of the Decent Work agenda. Globalization and HIV and AIDS were discussed in relation to this context. The demands of a globalized world have not been a positive influence on the region’s progress towards addressing the Decent Work agenda. The demands of global capital have yielded indecent employment outcomes, while cutthroat competition for markets has increased the precariousness of many jobs and left workers acutely exposed and deeply vulnerable. The current high levels of unemployment experienced by most Southern African countries are, to a large extent, attributable to globalization. Legislative intervention is not the only way of ensuring that the rights and well-being of workers are protected. The ultimate guarantor of labour standards and labour well-being is increasing labour demand. Labour demand must be sufficiently high so that employers compete against one another for workers; from such competition, workers stand to gain decent wages and the guaranteeing of basic rights.

The last point we wish to make is that the pursuit of the Decent Work agenda in Southern Africa has been dealt a severe blow by the HIV and AIDS pandemic, with the disease seriously affecting the supply and demand sides of labour markets. It has compromised productivity and economies have performed at less than their full potential because of its multi-dimensional impacts. Worker productivity has suffered and unemployment risks have been heightened. HIV and AIDS is no longer just a health problem, also it is now an economic, political, social and even a security matter. It is important that efforts be increased to combat the disease. Communities need to be mobilized to reduce infection rates and information about HIV and AIDS be taken to the workplace in a pro-active manner. Governments and other stakeholders must increase their efforts to implement specific interventions such as anti-retroviral therapies. Currently, only 17% of the 4.7 million people in Southern Africa that need anti-retrovirals actually receive them.
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### Table A1. Employment distribution and the labour force

<table>
<thead>
<tr>
<th>Formal sector employment</th>
<th>Botswana</th>
<th>Lesotho</th>
<th>Namibia</th>
<th>Zambia</th>
<th>South Africa</th>
<th>Zimbabwe</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total % men % women</td>
<td>Total % men % women</td>
<td>Total % men % women</td>
<td>Total % men % women</td>
<td>Total % men % women</td>
<td>Total % men % women</td>
</tr>
<tr>
<td>Agriculture &amp; fishing</td>
<td>12.3 21.3 6.6</td>
<td>72.3 78.2 65</td>
<td>29.9 33.7 25.1</td>
<td>71.6 66.4 78</td>
<td>8.5 9 7.8</td>
<td>19.3</td>
</tr>
<tr>
<td>Mining &amp; quarrying</td>
<td>2.9 6.7 11.5</td>
<td>0.5 0.7 0.2</td>
<td>2 2.7 1</td>
<td>1.3 2.2 0.1</td>
<td>3.1 5.1 0.4</td>
<td>5.1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8.7 1.2 0.3</td>
<td>3.5 2.3 5.1</td>
<td>6.2 5.6 6.9</td>
<td>2.8 3.7 1.7</td>
<td>13.6 15.7 10.8</td>
<td>12.7</td>
</tr>
<tr>
<td>Electricity</td>
<td>0.9 18.6 4.9</td>
<td>0.5 0.5 0.6</td>
<td>1.6 2.3 0.7</td>
<td>0.4 0.6 0.1</td>
<td>0.9 1.3 0.4</td>
<td>1.1</td>
</tr>
<tr>
<td>Construction</td>
<td>13 9.8 19.1</td>
<td>4.8 5.5 3.9</td>
<td>5.1 8.4 0.8</td>
<td>1.3 2.3 0.1</td>
<td>8 12.4 2.1</td>
<td>2.3</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade</td>
<td>13.6 1.5 4.7</td>
<td>4.7 3.2 6.6</td>
<td>14 12.5 15.9</td>
<td>6.8 6.9 6.6</td>
<td>23.9 21.6 26.9</td>
<td>10.9</td>
</tr>
<tr>
<td>Hotels &amp; restaurants</td>
<td>2.8 4.4 2</td>
<td>0.7 0.3 1.3</td>
<td>3.4 2.7 4.3</td>
<td>6.8 9.7 6.6</td>
<td>23.9 21.6 26.9</td>
<td>10.9</td>
</tr>
<tr>
<td>Transport</td>
<td>3.4 0.8 1.8</td>
<td>1.7 2.7 0.5</td>
<td>4.1 5.9 1.8</td>
<td>1.9 3.2 0.3</td>
<td>10.2 10.4 10</td>
<td>3.5</td>
</tr>
<tr>
<td>Financial &amp; real estate</td>
<td>6.6 24.5 16.1</td>
<td>1.2 1.3 1</td>
<td>4.4 4 4.8</td>
<td>1 1.3 0.7</td>
<td>18.1 14.4 23.1</td>
<td>3.6</td>
</tr>
<tr>
<td>Public administration, education</td>
<td>29.8 10.3 31.9</td>
<td>5.6 4.1 7.8</td>
<td>23 20.1 26.7</td>
<td>12.9 14.8 10.6</td>
<td>8.7 3 16.1</td>
<td>23.5</td>
</tr>
<tr>
<td>Other services</td>
<td>5.7 0.7 1.1</td>
<td>4.3 1.3 8.1</td>
<td>6.3 2 12</td>
<td>12.9 14.8 10.6</td>
<td>8.7 3 16.1</td>
<td>23.5</td>
</tr>
<tr>
<td>Total</td>
<td>100 100 100</td>
<td>100 100 100</td>
<td>100 100 100</td>
<td>100 100 100</td>
<td>100 100 100</td>
<td>100</td>
</tr>
<tr>
<td>Total formal employment (000s)</td>
<td>449.2 265.4 183.9</td>
<td>617.6 346.6 271.0</td>
<td>385.3 216.7 168.7</td>
<td>2812.4 1546.8 1265.593</td>
<td>12800 7320 5480</td>
<td>1 052.3</td>
</tr>
</tbody>
</table>

| Labour force participation (2002) | 45.2 54.6 45.4 | 39.9 56.0 42.0 | 39.9 56.6 42.4 | 42.2 56.3 43.7 | 41.6 61.1 38.9 | 45.5 |