

Written Submission for the Namibia National Human Development Report

Upper middle-income status hides huge income inequalities

By Herbert Jauch, 27 July 2020

Namibia's status as an upper-middle income country hides the huge levels of income inequality that still characterise the country. Although the Gini coefficient declined from 0.701 in 1993/94 to 0.560 in 2015/16, Namibia is still one of the most unequal countries in the world. At the top end, 12 580 people or 0.55% of Namibia's population earn more than N\$ 1.5 million annually while earnings at the bottom end are N\$ 20,000 per year or even less.

A look at the Namibian labour market reveals the distribution of employment and income. Despite pursuing a host of investor-friendly economic reform policies after independence Namibia hardly achieved meaningful structural economic changes. This is exemplified by a very small manufacturing base and the resultant high levels of unemployment which stood at between 28.5% and 51.4% (using the broad definition) during the past 20 years. The figures contained in successive Labour Force Surveys further indicate that women and young people are the ones most severely affected. Unemployment amongst young people in the 20-24 years age category stood at a staggering 57% in 2018. As Namibia has neither support programmes for the unemployed nor an unemployment insurance, their survival depends on the support from family and friends.

The latest Labour Force Survey of 2018 shows that the main sectors in terms of employment are agriculture, fishing and forestry (accounting for 23% of the employed), followed by accommodation and food services (11.4%), wholesale and retail trade (11.1%) and private households (9.9%). More than half of all employed persons are employees (55.4%) while 13.9% are own account workers and 13% are subsistence farmers.

Almost a third of all employed persons are vulnerable and are faced by precarious working conditions. These include the subsistence farmers, own account workers and contributing family workers. However, vulnerability even reaches a significant part of those classified as employees. Only 39.3% receive paid annual leave while even fewer (36.9%) receive paid sick leave although these are compulsory in terms of the Namibian Labour Act.

Formal employment is defined by some form of social protection (pension scheme, medical aid or social security) but in the Namibian case, 57.7% of all employed people are not covered by social protection and are thus in "informal employment". The highest levels of informality are found in private households (91%), agriculture, forestry and fishing (87.6%), accommodation and food services (68.6%) and construction (65.3%).

The high levels of precariousness are combined with low monthly incomes. Agriculture, forestry and fishing, accommodation and food services, wholesale and retail trade, private households and construction combined account for 62% of the employed people. Employees in these sectors earn far below the national average of N\$ 7,935 per month, for example N\$ 3,393 in agriculture, forestry and fishing; N\$ 2,819 in accommodation and food services; and only N\$

1,387 in private households. In agriculture, only around 14 percent of all employees earn more than the minimum wage N\$1,353 per month.

Another important aspect to consider is that the average monthly wages are lowest for young employees who have average monthly incomes of only N\$ 1,113 when they are between 15 and 19 years of age while those between 20 and 24 years of age earn an average of N\$ 2,507 per month.

These figures indicate that while a tiny elite enjoys high incomes, the vast majority consisting of the unemployed, informally employed and even large sections of those at the lower end of formal employment struggle to meet their basic needs. Interventions are thus needed at both ends, such as taxes on capital gains as well as inheritance and wealth taxes for high income earners. The poor, unemployed and low income earners urgently need meaningful minimum wages, an unemployment insurance and most importantly a universal basic income grant (BIG). Such redistributive measures are possible but require the political will to act.