

# **Productivity and Exploitation:**

## **The need to address the gap between profits and wages, with reference to precarious forms of employment**

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### **The productivity debate from a workers' perspective**

I wish to thank the National Union of Namibian Workers (NUNW) for inviting me to make a presentation on the issues of employment and productivity with particular emphasis on:

- Namibia's income gap and levels of unemployment
- the increase of precarious forms of employment, and
- the experiences of Ramatex workers.

In 2002, President Hifikepunye Pohamba addressed the NUNW congress in his capacity as a cabinet minister. At that time, he pointed out that he never heard workers and their trade unions talk about productivity. 5 years later, this has certainly changed as can be seen by the theme of this symposium. However, the productivity debate in Namibia has tended to be biased, by focusing only on certain aspects such as the work ethics of employees. Namibian workers are usually confronted with productivity-related arguments from their employers during wage negotiations. Thus the "productivity card" is usually played as a weapon against workers' demands for better wages and working conditions. It is therefore hardly surprising that many workers are less than enthusiastic to participate in debates on productivity. They experience productivity arguments as being against their own interests and in favour of employers.

Any meaningful debate on employment and productivity will have to depart from this highly biased and opportunistic utilisation of the concept. Other speakers at this conference have already addressed the question of what productivity is and how it is measured. I will thus place the concept in a broader context, namely employment and unemployment in Namibia, wages and working conditions, income gaps and labour relations.

## **Employment and Unemployment**

The latest figures available indicate that in 2004, 888,348 Namibians were 15 years or older and the labour force survey classified 493,448 (56%) of them as economically active. The bulk of those classified as economically inactive were students (41%), "home-makers" (25.3%), retired and old people (25.9%) and people affected by illness and disability (6.9%). There was a gender discrepancy, as males are dominant among economically active Namibians accounting for 63.7%, while most of the economically inactive Namibians (51.7%) were women (Ministry of Labour and Social Welfare 2006).

### ***Where are people employed?***

Although the number of jobs in the agricultural sector has declined steadily over the years, it is still the largest sector in terms of employment in Namibia, accounting for 102,636 (or 26.6%) jobs in 2004 (see table 1). It is, however, important to point out that this figure included about 36,000 communal/subsistence farmers, 490 commercial agricultural employers and 5,765 'own account' self-employed agricultural workers. There were 42,620 farm workers on private farms and 2,034 workers on public farms (ibid:53).

Other important areas of employment were the public sector (19.6%) and especially the service sectors, which accounted for about 35% of all formal sector jobs. On the other hand, manufacturing has remained severely underdeveloped in Namibia and accounted for only 6% of employment (see table 1).

Overall, there were 86,161 employees in the public sector (including parastatals) and 194,516 in the private sector. The total number of employees thus stood at 280,677 in 2004, while there were 12,209 employers outside the agricultural sector and 37,441 'own account' self-employed workers (Ministry of Labour and Social Welfare 2006).

**Table 1: Employment by sector (1988-2004)**

Industry	1988		1997		2004	
	No.	%	No.	%	No.	%
Agriculture	34,398 (commercial farms only)	18.6	146,899 (commercial & communal farms)	36.6	102,636	26.6
Fishing	1,673	0.9	6,771	1.7	12,720	3.3
Mining & quarrying	10,062	5.4	6,592	1.6	7,563	2.0
Manufacturing	9,442	5.1	25,983	6.5	23,755	6.2
Electricity, gas & water supply	1,273	0.7	4,576	1.1	6,151	1.6
Construction	12,657	6.9	19,801	4.9	19,605	5.1
Wholesale & retail trade, repair of motor vehicles, hotels and restaurants	29,394	15.9	36,803	9.1	67,027	17.4
Transport, storage & communication	7,880	4.3	13,480	3.4	15,861	4.1
Finance, real estate and business services	4,325	2.3	28,061	6.8	16,956	4.4

Government service including administration, defence, education, health, social work and social security	38,098	20.6	56,974	14.2	75,863	19.6
Other community, social & personal services (including domestic work)	35,589	20.6	53,065	13.1	36,713	9.5
Other			2,135	0.6	479	0.1
<b>TOTAL</b>	<b>184,791</b>	<b>100</b>	<b>401,203</b>	<b>100</b>	<b>385,329</b>	<b>100</b>

Sources: Department of Economic Affairs 1988; Ministry of Labour 2001 and 2006.

Table 1 shows significant changes in employment patterns between 1988 and 2004. Overall, there was a shift away from the primary sector (such as agriculture and mining) towards the tertiary sector. The manufacturing industries remained fairly stagnant and insignificant in terms of employment, despite various government attempts to boost this sector. This presents the classical picture of a neo-colonial economy, characterised by a jump from the primary sector to tertiary industries without the foundation of a significant manufacturing sector as a basis for industrial development.

### The importance of wages and salaries

About half of all Namibian households (47%) relied on 'wages and salaries' as their main source of income. In urban areas, this figure was as high as 74%. These figures indicate the critical importance that wages and salaries have for the survival of Namibian households. This is further emphasised by the fact that 68% of households in the country (82% in urban areas) lack a secondary source of income (Ministry of Labour and Social Welfare 2006).

### Unemployment

Unemployment in Namibia according to the 'broad definition' (which includes those who are no longer actively seeking work) stood at 36.7% in 2004. Namibia's unemployment has regional, gender and age dimensions. The rural unemployment rate (44.7%) was significantly higher than the rate in urban areas (29%). Unemployment also had a gender dimension, as significantly more women (43.4%) than men (30.3%) were unemployed. Young people were especially hard hit, as 65% of those between the ages of 15 and 19 and 57% of those aged 20 to 24 years were unemployed. On the other hand, the unemployment rate was significantly lower (16-21%) among those between 45 and 59 years of age (*ibid*).

Unemployment in Namibia is of a long-term nature, as 56% of the unemployed have been jobless for two years or more. Another 17% have been unemployed for 1-2 years while only 5.3% of the unemployed population has been without a job for less than three months. There was no significant difference between men and women regarding the duration of unemployment. However, there was a difference between urban and rural areas as the unemployed in the rural areas tended to be out of jobs for longer than those in the urban areas. Long-term unemployment (two years or more) in rural areas affected 60.5% of the unemployed compared to 49.9% in urban areas (*ibid*).

In terms of utilising Namibia's human resources for economic development, these figures are an expression of a disaster. Socio-economic development goals can never be achieved while such a large part of our population is excluded from making a meaningful contribution to their own livelihood and to Namibia's economy. Thus a systematic intervention is required as development and job creation cannot be left to market forces alone. Namibia like many other developing countries has experienced continued poverty and unemployment over many years and perhaps the time has come to change our approach to development. Unfortunately I will not be able to discuss this issue further in this paper but a comprehensive proposal is contained in a forthcoming regional publication on "Alternatives to Neo-Liberalism in Southern Africa".

## **Productivity and exploitation**

In terms of the symposium topic, it is important to briefly outline the relationship between productivity and working conditions. The particular emphasis here is on labour productivity, which is what several employers in Namibia have complained about. Looking back at the global history of industrialisation over the past 150 years or so, there are 2 distinct ways in which labour productivity was either enforced or achieved. The one is the crude "low skill-low wage" strategy, which regards workers merely as production inputs whose costs have to be kept as low as possible. This strategy found expression in "sweat shops" where workers are either coerced or forced to work long hours, at a fast pace and for low wages. In this model, discipline and hard work are maintained through fear, repression and the violation of workers rights. In Namibia, this model was followed in the colonial era and implemented in the form of the migrant labour system. However, the model still persists in new forms in Namibia today as shown for example at some EPZ and labour hire companies.

The other (very different) model to achieve labour productivity is the one based on workplace democracy and skills development. This model was most successfully implemented in the Scandinavian countries in Europe, where workers were regarded as important "partners" in the running of the economy. In Namibia, this model has not taken root as workers' participation at the workplace is largely confined to collective bargaining. Several studies conducted by our institute also found that very few companies embark on ongoing and systematic training programmes. Thus the demand for labour productivity by Namibian employers is not accompanied by substantial investments in human resource development nor by attempts to move towards more participatory and democratic labour relations. Thus one may ask the question: how then do employers expect Namibian workers to become more productive? A return to highly autocratic, repressive and exploitative labour relations can certainly not be regarded as an option.

### ***Wages and working conditions by sectors***

A glance at wages and working conditions in Namibia reveals huge levels of inequality. The vast majority of Namibian workers fall into the category of

unskilled and semi-skilled workers. With the exception of a few sectors where strong trade unions managed to negotiate reasonable working conditions (e.g. mining, fishing, and the civil service), these workers usually earn around N\$ 1000 – 1500 per month and enjoy very few benefits. The only benefit that is compulsory by law is registration with the Social Security Commission (Jauch 2004).

Poor working conditions are experienced by workers at labour brokers, known as labour hire companies. Workers there earn between N\$ 3 and N\$ 9 per hour without benefits and job security (Jauch and Mwilima 2006). Wages are tend to be very low for domestic and farm workers who often earn cash wages of only N\$ 300-500 per month. Likewise, Namibian textile workers at the Malaysian company Ramatex until last year earned wages of only N\$ 600 - 900 per month.

On the other hand, well-qualified and experienced professionals and managers earn huge salary packages that compare favourably with the best in the world when the costs of living are taken into account. Managers in the civil service earn packages of about N\$ 250,000 - 400,000 per year, while some managers in parastatal companies earn up to three times that amount (Jauch 2004).

These enormous differences in payment have created a highly fragmented labour market: a small elite enjoying a standard of living comparable to first-world countries; a significant group of formal-sector workers with permanent jobs and low to middle incomes; and a growing group of casual, 'informal' and unemployed workers who are the victims of a labour market that virtually forces them to accept any job under any conditions.

### ***Precarious forms of employment***

This last group is the most disadvantaged and had to endure the most criticism in terms of being not productive enough. However, their personal circumstances as well as developments over the past few years made them extremely vulnerable. They are often not covered by trade unions' recognition agreements; they are regarded as easily replaceable by employers; they are not provided with opportunities to improve their education and skills; and they are usually the first to be fired in case of restructuring and "downsizing". Thus the most vulnerable (and growing) group of Namibian workers has very few prospects of improving their own lives – a situation which runs counter to any attempts of achieving higher labour productivity.

During our study on labour hire in Namibia last year, several employers confirmed that labour hire workers have very few personal incentives to work harder as their personal circumstances will hardly change – no matter how "productive" they are.

### ***Income gaps***

Another aspect that contributes to a sense of injustice and unfairness among workers is the allocation of resources and rewards are the continuously high levels of inequality in Namibia. Huge wage gaps are a defining characteristic

of our economy as outlined above. A cleaner working for an outsourced cleaning company at a client company has to work about 160 months (more than 13 years!) to earn what the CEO takes home in one month.

LaRRI's forthcoming wage development report reveals that the average income of an executive director in Namibia is N\$ 1, 2 million per year compared to N\$ 25 000 for an ordinary worker. Even non-executive directors who usually attend 2-4 meetings a year still earn 4 times as much as ordinary full-time workers (LaRRI 2007). In other words, the sitting allowance of a non-executive director for one meeting is equivalent to a worker's salary for a year! Such levels of income inequality certainly cannot serve as a motivation for higher levels of labour productivity.

### ***The case of Ramatex***

A particularly prominent case regarding labour relations and productivity has been that of the Malaysian clothing and textile company Ramatex. Tense labour relations, poor working conditions and violations of workers rights characterised the company's operations in Namibia for several years (Jauch and Shindondola 2003). At the same time, the company management claimed that Namibian workers were not productive enough and that the company was making losses. However, the company did not provide financial statements to validate this claim. We thus investigated the matter by comparing Ramatex' total wage costs with the value of the company's exports into the US. These calculations are reflected in tables 2 and 3 and reveal that wages accounted for only 11-16% of Ramatex' export earnings. As Ramatex pays no taxes and pays only subsidised rates for water and electricity, it is hard to believe that the company's Namibian operations were running at a loss (Jauch 2006; Mwilima 2007).

**Table 2: Ramatex wage bill for 2004 compared to export earnings (in US\$)**

Category of workers	No of workers	Export earnings	Annual Wages (per worker)	Total
Namibian workers	5 400	78 839 000	$90 \times 12 = 1 080$	5 832 000
Asian workers	800		$300 \times 12 = 3 600$	2 880 000
Total	6200			8 712 000
<b>Wages as % of export earnings</b>				<b>11.05%</b>

**Table 3: Ramatex wage bill for 2006 compared to export earnings (in US\$)**

Workers	No of workers	Export earnings	Annual Wages (per worker)	Total
Namibian workers	3 400	33 259 000	100 x 12 = 1 200	4 080 000
Asian workers	400		300 x 12= 3 600	1 440 000
<b>Total</b>				<b>5 520 000</b>
<b>Wages as % of export earnings</b>				<b>16,6 %</b>

Dishonesty in revealing financial information and a lack of transparency are certainly obstacles to achieving better labour relations and higher levels of productivity and Ramatex is but one example in this regard. Any serious attempt to address the question of productivity will have to address this aspect as well – otherwise workers can hardly be expected to trust management claims.

### **Conclusion: Productivity in a broader context**

The various aspects and examples covered in this paper are meant to highlight some of the complexities surrounding the question of productivity in Namibia today. It is certainly not helpful to merely lament about workers' productivity without addressing the challenges they face, including huge wage gaps, high levels of unemployment, poor labour relations, insecure forms of employment and wages that do not allow them to lead decent lives.

Reducing the question of productivity to skills development alone is an oversimplification as it only addresses one aspect of the productivity puzzle. I hope that this conference will examine productivity in its broader context and express itself on some of the issues raised in this paper. Workers need to be taken seriously and must have a voice in debates on productivity. They deserve to be respected, their concerns must be taken seriously, and the goal of achieving socio-economic justice must take centre-stage. Only then can the debates on productivity become meaningful and contribute to Namibia's overall social and economic development.

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