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## Namibia: Labor Market and Socio-Economic Indicators

Submitted by:

**LaRRI —  
Labour Resource and Research Institute**

P.O. Box 62423

Katutura, Windhoek, Namibia

Tel: 264-61-212044

Fax: 264-61-217969

e-mail: [larri@namib.com](mailto:larri@namib.com)

Web: <http://www.larri.com.na/>



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## **Namibia: Labour market and socio-economic indicators**

Namibia attained its political independence in 1990 after 116 years of German and South African colonial rule. The colonial legacies are still visible today as Namibia is characterized by huge socio-economic inequalities that are largely a reflection of its colonial apartheid history, but also of the class stratification that has taken place over the past 10 years. Namibia has relatively limited financial resources and manpower capacity in both the government and the private sector to conduct frequent surveys on social-economic developments in the country. However, the Central Bureau of Statistics (CBS) under the National Planning Commission (NPC), the Bank of Namibia as the country's reserve bank, and the Ministry of Labour all conducted several surveys on which this profile is based.

The Labour Resource and Research Institute (LaRRI) is a small institution that was established in 1998 to carry out research and education programs on labor as well as related socio-economic issues. It services mostly the Namibian labor movement but does not have the financial and organizational capacity to carry out national surveys on, for example, unemployment levels. Consequently, LaRRI has to rely on some of the data supplied by government institutions.

### ***Demography***

The first national population census after independence was conducted in 1991. A second one was carried out towards the end of 2001 but the results are not yet available. The 1991 census revealed that Namibia had a population of 1,409,920 and a population density of 1.7 per square kilometer. The annual population growth is estimated to be around 3.1% and the country's total population now stands at around 1.8 million.

Namibia's population consists of more women than men--about 48.5% of the population is male and 51.5% female. The Namibian population is relatively young. More than half of the population is less than 20 years of age and more than 40% is less than 15 years old. In 1991, only 27.1% of the population lived in urban areas compared to a rural population of 72.9%. These figures have changed in recent years due to increasing urbanization that has taken place since independence.

**Table 1: Age structure of the population (1997)**

<b>Age group</b>	<b>Number of people</b>	<b>Percentage</b>
0 - 4 years	217,690	14.0%
5 - 9	225,627	14.5
10 -14	185,719	11.9
15 – 19	170,444	10.9
20 – 24	147,602	9.5
25 – 29	125,965	8.1
30 – 34	97,471	6.2
35 – 39	83,407	5.3
40 – 44	63,615	4.1
45 – 49	54,925	3.5
50 – 54	38,067	2.4
55 – 59	35,680	2.3
60 – 64	29,548	1.9
65 and older	82,000	5.3
Not reported	1,091	0.1
Unknown age	1,570	0.1
<b>TOTAL</b>	<b>1,560,419</b>	<b>100</b>

*Source: Labour Force Survey 1997.*

### **Employment**

Agriculture is the sector that provides a livelihood for the largest number of people, accounting for 37% of all jobs in the country. Almost all agricultural jobs are in the rural areas, and they account for 63% of rural employment. These jobs can be divided into three broad categories, namely: commercial farmers (mostly white); subsistence farmers (black farmers in the former reserves); and farm workers (about 45,000).

The country's largest employer is the government, with about 70,000 public servants, followed by the wholesale and retail sectors (including repair of motor vehicles), which accounts for 8% of all jobs (about 34,000). The next largest providers of employment are private households, which employ about 25,000 domestic workers; the manufacturing sector (often regarded as a key sector in economic development) employing only about 22,000 workers; and construction jobs, which employ 18,000. The Namibian economy is still characterized by an almost complete dependency on imported South African consumer goods.

**Table 2: Employment by sector (1997)**

<b>Sector</b>	<b>Percentage of employed people</b>
Agriculture	36.6 %
Wholesale and retail trade, repair of motor vehicles	8.4
Domestic work in private households	7.1
Manufacturing	6.5
Community, social and personal services	6.1
Education	6.0
Public administration, defence, and social security	5.5
Real estate, renting, and business activities	5.0
Construction	4.9
Transport, storage and communication	3.4
Health and social work	2.7
Financial intermediation	1.9
Fishing	1.7
Mining	1.6
Electricity, gas and water supply	1.1
Hotels and restaurants	0.7
Other	0.6

*Source: Labour Force Survey 1997.*

Formal sector workers account for 63% of the employed workforce, most of them in the private sector. In the urban areas this proportion is as high as 87%, an unusual phenomenon in Sub-Saharan Africa that can be explained by the tiny size of the informal sector in Namibia. By contrast, the proportion of informal sector workers in urban employment in most countries of Sub-Saharan Africa is significant and may be as high as 50% or more.

The importance of wages and salaries for Namibian workers is shown in Table 3, which indicates that the money paid to workers in the formal sector is the main source of income for over 46% of Namibian households.

**Table 3: Main sources of household income**

<b>Main source of income</b>	<b>Percentage of households</b>
Wages and salaries	46.1%
Subsistence farming	26.5
Pension	8.5
Cash remittances	7.0
Business activities	5.2
Animal rearing	2.8
Cash cropping	2.4
Other	1.3
Not reported	0.3

*Source: Labour Force Survey 1997.*

### **Unemployment statistics**

The labour force participation rate in Namibia is 66%. Of the total of 833,588 people aged 15 years or more, 546,918 are economically active. According to the Labour Force Survey of 1997 (which constitutes the latest currently available data), 356,849 of the economically active people are employed, while the rest (190,069) are not employed. This translates into a nonemployment rate of 34.5%. The rate of nonemployment is higher for women than for men -- 40.4% compared to 28.6%, respectively. Similar differences between women and men can also be observed in urban and rural areas. The rural rate of nonemployment (36.1 %) is only slightly higher than the urban rate (32.4%).

**Table 4: Nonemployment rates (%)**

	<b>Overall percentage</b>	<b>Percentage among Women</b>	<b>Percentage among men</b>
Nationally	34.5	40.4	28.6
Urban Areas	32.4	39.3	26.8
Rural Areas	36.1	41.2	30.3

*Source: Labour Force Survey 1997.*

Although the Labour Force Survey does not provide any indication of how nonemployment affects different groups of the population, it does indicate that there is very little nonemployment (less than 4%) among people with tertiary education and that nonemployment levels are highest among people with little schooling. In Namibia, this means that almost all the nonemployed are black workers with little or no formal schooling.

The Ministry of Labour conducted a second Labour Force Survey in 2000 but its results were not yet available at the end of 2001.

### **Unionisation rates**

According to the 1997 Labour Force Survey, about 256,000 economically active Namibians are employed in the public and private sectors. About half of them belong to one of the country's 27 trade unions, which are grouped into three trade union federations. The National Union of Namibian Workers (NUNW) has nine affiliates with a combined membership of about 70,000 workers. The Namibia Federation of Trade Unions has five affiliate unions with a combined membership of about 45,000. The Namibia People's Social Movement has three affiliates with a combined membership of about 13,000.

The sectors with the highest level of unionisation are the public sector as well as the fishing and mining industries with unionisation rates of 60-90%. The lowest unionisation rates are found among domestic workers and farm workers.

**Table 5: Unionization rates according to union records (rounded figures)**

<b>Sector</b>	<b>Membership (paid-up and signed-up members)</b>	<b>Unionisation rate (%)</b>
Metal and construction industries	10 300	45
Mining industry	7 500	87
Fishing, food, wholesale, retail and tourism industries	20 500	77
Education sector	14 500	80
Public service, parastatals and municipalities	50 - 60 000 (high rate of double membership between rival unions)	80 -90
Transport and security industries	2 000	23
Domestic workers and dry cleaners	5 000	23
NAFWU	3 500	7,7
<b>Total</b>	<b>113 300 – 123 300</b>	<b>44 – 48%</b>

Source: LaRRI 1999.

### **Working conditions**

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 below N\$ 1000 per month (U.S. \$105) and enjoy very few benefits. The only benefits that are compulsory by law are social security payments for workers who work more than two days per week.

The poorest working conditions are experienced by workers at labour brokers, known as labour hire companies. Workers there earn between N\$ 2 and N\$ 5 (U.S. \$0.21-0.53) per hour without benefits and job security. Wages are also extremely low for domestic and farm workers who often earn cash wages of only N\$ 300-500 per month (U.S. \$31-52). 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 (U.S. \$26,000-42,000), while some managers in parastatal companies earn two to three times that amount.

These enormous differences in payment have created a three-tier 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 and unemployed workers who are the victims of a labour market that virtually forces them to accept any job under any conditions.

### ***Apartheid legacies in the labor market***

Before gaining independence, the entire management of the civil service and virtually the whole private sector was controlled by whites. After independence, the government gave a directive for the public service to achieve “balanced structuring” and by 1995 about 70% of the management in the civil service consisted of black Namibians and women. Although, none of the white civil servants could be dismissed, the government implemented affirmative action in the process of appointing and promoting civil servants. However, women are still grossly under-represented in decision-making structures.

The process of change in the private sector was much slower and, by 1998, the government passed the Affirmative Action (Employment) Act to direct the process. All companies (private and public) with more than 50 employees now have to present affirmative action plans to the newly created Employment Equity Commission, which will advise employers and supervise the implementation of the affirmative action policy.

### ***Macro-economic indicators***

The GDP growth over the past few years has ranged from 2,1% (1996) to 6,5% (1994), with an average growth of about 3% per annum. During 1999, the Namibian economy experienced a growth in value added in the construction, tourism, agriculture, and mining sectors, as well as by an expansion in government consumption expenditure.

**Table 6: Real GDP growth 1994-2000**

<b>Year</b>	<b>GDP Growth</b>
1994	6.5 %
1995	3.6
1996	2.1
1997	2.4
1998	2.6
<b>1999</b>	<b>4,3</b>
<b>2000</b>	<b>3.9</b>

**Sources: Standard Bank 1999; Bank of Namibia 1999, 2000.**

The overall GDP growth rates hide the fact that the GDP per capita at constant prices has continuously fallen between 1995 and 1998 from over N\$4,770 to N\$ 4,660. Coupled with the unequal distribution of wealth, this indicates that the majority of Namibians were actually getting poorer. The GDP growth figures for 1999 and 2000, however, were slightly above the population growth rate.

### ***Attracting investment through Export Processing Zones***

Namibia's gross domestic savings as percentage of GDP stands at around 25%. However, domestic investments as a percentage of GDP declined from 22.9 % in 1996 to 18.2% in 1997. Although this ratio increased again to about 22% in 1998 and 1999,

the gap between domestic savings and domestic investments did not narrow due to continuous capital outflows to South Africa. The Bank of Namibia noted that “This indicates a lack of dynamism in the country, as these funds are needed to finance the much-needed investment in Namibia” (Bank of Namibia 1999). The enormous net export of capital that Namibia experiences is shown in table 7:

**Table 7: Capital inflow and outflow in Namibia 1996-2000**

	1996	1997	1998	1999	2000
<b>Total Capital Inflows (million N\$)</b>	780,6	692,8	434,4	690,7	795
<b>Total Capital Outflows (million N\$)</b>	1633	994,6	860,2	1111,7	2002,4
<b>Net Capital Outflows (million N\$)</b>	852,4	301,8	425,8	421	1207,4

**Source: Bank of Namibia, published in Jauch 2001.**

The Namibian government pinned its hope to a large extent on foreign investment as the engine for economic growth in Namibia. However, in 1995 the government indicated that the levels of both local and foreign investment had been disappointing in the first five years of independence. The government argued that the introduction of special incentives in the form of Export Processing Zones (EPZs) would be the only solution to the country's high levels of unemployment. These incentives include corporate tax holidays, exemptions from import duties, guaranteed free repatriation of profits, and more. The Namibian EPZ Act even stated that the national labour law would not apply in EPZs. Namibia's President Sam Nujoma described the exclusion of the Labour Act as necessary to allay investors' fear of possible industrial unrest. He promised that regulations on conditions of employment would be put in place to address the fears of workers.

After vehement protests by the country's largest trade union federation, the National Union of Namibian Workers (NUNW), the government amended the EPZ Act, which now states that the Labour Act applies in EPZs but without the right to strike or lock-out for a period of five years. This period comes to an end in 2001 and the Namibian government will now have to decide if the Labour Act will apply in full in the future—as demanded by the labor movement.

The Namibian government had hoped that the EPZ program would attract significant investments in the manufacturing sector, create employment, and lead to increased

export earnings, technology transfer, and skills development. However, a study undertaken by the Labour Resource and Research Institute (LaRRI) in 1999 revealed that the EPZ policy had failed to meet these expectations. At the end of 1999, only nine EPZ companies were operational, accounting for investments of about SA Rands 130 million (U.S. \$16.5 million) and 400 jobs—most of them for low-skill and lowly paid labor. There were no indications of technology transfer and most workers had only received some basic training lasting a few hours or days. Only three companies offered systematic medium-term skill-development programs.

Despite the findings of LaRRI's study, Namibia's Ministry of Trade and Industry seems determined to continue with its EPZ policy. The Ministry responded by stating that the EPZ program needs to be given more time to bear fruit. Furthermore, the Ministry has started to grant EPZ status to mining companies like Ongopolo (copper mine) and the Scorpion Zinc Mine that is owned by the Anglo American Corporation. Although these companies obtained EPZ status for their processing operations only, it is likely that they will use the EPZ status to gain complete tax exemption for their profits. This will deprive the Namibian state of tax revenue from the mining sector, which contributes significantly to the national income. However, the Minister of Trade and Industry regards the Ongopolo and Scorpion Zinc mining ventures as proof that the EPZ program is working. In a two-page advertisement that was placed in several newspapers, the Minister of Trade and Industry said that these investments should silence the EPZ "detractors and restore confidence in the (EPZ) regime and in Namibia's capacity to attract investors of substance" (*The Namibian*, 27 September, 2000).

In a recent development, the Ministry of Trade and Industry announced that it has succeeded in securing a R 1 billion project ahead of South Africa and Madagascar, which had also been considered as an investment location by the Malaysian textile company Ramatex. This was achieved by offering even greater concessions - above those granted to other EPZ companies. Drawing in the parastatals providing water and electricity (Namwater and Nampower) as well as the Windhoek municipality, the Ministry put together an incentive package which included subsidised water and electricity, a 99-year tax exemption on land use, as well as R 60 million to prepare the site, including the setting up of electricity, water and sewage infrastructure. This was justified on the grounds that the company would create 3,000 - 5,000 jobs during the first two years and another 2,000 jobs in the following two years. The plant will turn cotton into fabrics and the Namibian government hopes that local cotton producers will be able to increasingly supply the required cotton. Initially all the cotton will be imported - duty free. Ramatex' decision to locate production in Southern Africa is believed to be motivated by aim to benefit from the Africa Growth and Opportunity Act (AGOA) which allows for duty free exports to the US (Namibia Economist, 29 June-5 July 2001; *The Namibian*, 2 August 2001, 28 September 2001).

The Ramatex case is a classical example of SADC countries competing with each other in the race to the bottom for foreign investment. In Namibia, it was, however, portrayed as a major success. The Trade and Industry Minister announced that negotiations and compromise was 'the name of the game in business' and had won Namibia a billion dollar manufacturing plant (*New Era*, 13-15 July 2001).

On the other hand, the EPZ programme has continued to show weaknesses, which raise questions about its viability. The EPZ Management Company in Walvis Bay had to close down its offices and move to premises within the municipality as it failed to secure interest – and funds – from the private sector. In addition, one of the biggest EPZ investors in the harbour town, Libra Bathroom Ware, laid-off 37 out of its 72 workers in December 2000. The NUNW affiliated Metal and Allied Namibia Workers Union (MANWU), which had just signed a recognition agreement with the company, was furious and pointed out that almost all the laid-off workers were union members. The union regarded the lay-offs as a union bashing strategy aimed at punishing workers who had joined the union. The company on the other hand argued that the lay-offs were necessary to ensure the company's long-term survival. The Managing Director said that production had to be reduced from 4,500 manufactured units to 1,500 per month due to an extremely competitive world market, resulting in an oversupply of stock. He also stated that Namibian labour was not cheap compared with other countries and that this was the reason why the EPZ was not attracting new business (The Namibian 6 December 2000).

#### The battle over state assets: Namibia's privatisation programme

Namibia's gradual slide towards neo-liberal economic policies is also reflected in the country's privatisation programme which has been implemented since the second half of the 1990s. Thus far, privatisation has taken the form of commercialisation and outsourcing (the privatisation of service provision) although the government also envisages the direct sale of state assets in the near future. Government's key objectives behind the drive to privatise are the downsizing of the public service, the reduction of government's fiscal deficit, improving efficiency and service delivery (Murray 2000).

The Namibian government has set up parastatal companies (fully owned by the state as the sole shareholder) with their own boards of directors. These parastatal companies were expected to make a profit or at least cover their expenses. However, many failed to live up to the government's expectation and had to be bailed out repeatedly with public funds. The national airline, Air Namibia, for example received N\$ 350 million (US \$ 37 million) in 2001 to prevent bankruptcy. The management and boards of Air Namibia and TransNamib (transport parastatal) were replaced due to poor performance and incompetence.

Other parastatals (especially those who have a monopoly) achieved better financial results but burdened the consumers with enormous price increases. Namwater (the sole provider of bulk water to municipalities) increased water prices annually by 20% and will continue doing so for a period of 5 years. Telecom Namibia (the provider of telephones) increased the rates for local calls by 80% and Nampost (the provider of postal services) increased its rates by over 40% in 2001.

Realising the danger of privatisation/commercialisation not only for its members but also for the delivery of affordable services to the poor, Namibia's largest trade union

federation, the National Union of Namibian Workers (NUNW) has recently revived its standing committee on economics to focus particularly on this issue. The NUNW prepared a presentation to the Cabinet sub-committee on public sector restructuring and then went to state house (in October 2001) to address the President directly. The NUNW's proposed the following:

- ◆ To establish a single controlling board for all State-Owned Enterprises (SOEs) consisting of representatives of all 'social partners' to formulate policies to regulate SOE's, and to monitor and evaluate service delivery and performance.
- ◆ To broaden the participation of trade unions with regard to representation on or inputs to all government-appointed committees dealing with SOEs.
- ◆ To safeguard affordable services for the poor. 'The impact of privatisation on service delivery has been very harsh for the poor. In most cases, the prices of services increase dramatically once SOEs are commercialised/privatised. We have seen that recently with Telecom Namibia which increased local calls by 80%. Namwater increases the water price by 20% each year and Nampost increase its rate by over 40% recently. This means that the services of these companies become unaffordable for the poor.' The NUNW thus proposed tariffs ceilings to be set by the overall controlling board according to the social goals.
- ◆ To improve public health services, to recruit more doctors from friendly countries, to provide training opportunities for Namibians in the field of medicine, and to set up a board controlling the fees private doctors can charge - 'otherwise health care will be the privilege of the few'.
- ◆ To implement the principle of cross-subsidisation from the wealthy to the poor at all SOEs involved in service delivery.
- ◆ To group SOE's into different categories according to the functions they perform and the services they provide. 'This will enable the drafting of guiding policies for each group of SOEs in terms of regulation, performance monitoring and service delivery. This is essential for the controlling board to ensure maximum public benefits from SOEs'.
- ◆ To revise existing SOEs with regard to their assets and functions and to redirect their activities according to public interests. 'The private sector is driven by a profit motive and should only be allowed to participate in SOEs which do not provide essential services and cause continuous losses to the government like Air Namibia. However, safety measures must be put in place for the workers concerned so that they do not become unemployed as a result of poor management'.
- ◆ To review the current management packages at SOEs which are out of proportion and unsustainable. 'Management packages need to be reduced while the management structures need to be streamlined... The packages need to be performance based and in line with the economic realities of our country'.
- ◆ To introduce transparency and accountability as basic principles according to which SOEs have to operate. Salary structures and financial reports of SOEs should be public documents.
- ◆ To avoid falling into the traps set by consultants like those of Deloitte & Touche who believe in the inherent superiority of the private sector over the public sector. 'This view is more ideologically driven than backed by evidence. Deloitte & Touche might

also have a vested interest to encourage the Namibian government to privatise SOEs so that some of their clients can buy our national assets'.

- ◆ 'Instead of further reducing the developmental role of the state through privatising SOEs, we propose a thorough investigation to find out how the performance and efficiency of SOEs can be enhanced while retaining them under public ownership. Namibia cannot afford to leave socio-economic development to the market alone and we believe that it is government's responsibility to direct development in favour of the poor'.

These proposals indicate that Namibian unions are not going to take privatisation lying down, although they initially might not have thought through the full implications of commercialisation and outsourcing which are almost the same as in the case of an outright transfer of ownership to the private sector. Opposing and halting the current privatisation initiatives will, however, be an uphill battle. The government's commercialisation policy gives greater decision-making autonomy to company boards and executive management who place commercial interests above social ones. The Namibian government is also supportive of the concepts of outsourcing and public-private partnerships in municipal service provision. This suggests that unions will have to be particularly innovative and proactive in their anti-privatisation campaigns, building a common vision among the different unions, and with other civil society organisations (such as NGOs) whose constituency will also be affected by the consequences of privatisation. These organisations may have to pressure government not to renege on its fundamental obligations regarding service delivery, particularly of goods and services to satisfy basic needs. It may also mean unions getting more involved in addressing the problems of inefficiency in government, and suggesting alternative ways to reduce Government spending and to increase efficiency in the public sector. After all, privatisation (in all its forms) might create even bigger problems than what it may be able to resolve. In Zambia, for example, the Government and the World Bank presented the privatisation programme as a major success because it has reduced the government's budget deficit and brought in foreign investment. However, the programme also had a devastating social impact in terms of growing unemployment and poverty. This sends a warning to Namibia to carefully assess which type of public sector reform will increase efficiency while at the same time safeguarding employment and affordable service delivery for the disadvantaged majority.

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