

THE RHODESIAN JOURNAL

ECONOMICS

The Quarterly Journal of the Rhodesian Economic Society

Editorial Board:

A. M. Hawkins (Editor), M. S. Brooks, M. L. Rule, P. J. Stanbridge
and P. Staub.

INDUSTRY IN RHODESIA

A TWO-DAY SYMPOSIUM

PART TWO

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- PAPER No. 7** | Professor J. A. Lombard
- Professor Jan Lombard is Professor of Economics at the University of Pretoria. He is one of the authors of a recent book entitled "The Concept of Economic Co-operation in Southern Africa". He is currently a member of the "Commission of Enquiry into Fiscal and Monetary Policy" in South Africa.
- PAPER No. 8** | J. D. Cameron
- Mr. John Cameron, a past President of the Associated Chambers of Commerce of Rhodesia, is a Trustee of the Tribal Trust Lands Research Foundation and prominent Rhodesian businessman.
- PAPER No. 9** | The Hon. A. E. Abrahamson
- Mr. Abrahamson is a former Minister of Labour in Rhodesia and a leading industrialist and Director of Companies.
- PAPER No. 10** | Dr. L. P. McCrystal
- Dr. Laurence McCrystal, formerly Chief Economist, Industrial Development Corporation of South Africa Limited, has been an adviser to the Lesotho Government and to the Matabeleland Action Committee re the Beit Bridge Rail Link. He is now assistant to the Principal, University of Natal.
- PAPER No. 11** | Professor J. L. Sadie
- Professor Jan Sadie is Professor of Economics at the University of Stellenbosch. He has acted as economic adviser to the Rhodesian Government publishing a report in 1967 on "Planning for the Economic Development of Rhodesia". He is currently a member of the Commission of Enquiry into Fiscal and Monetary Policy in South Africa.

INDUSTRIALISATION, EMPLOYMENT, LABOUR AND MANAGEMENT PROBLEMS IN RHODESIA

THE HON. A. E. ABRAHAMSON

Professor Lewis of Manchester University has defined industrialisation as being broadly the application of capital and scientific techniques to economic activity.

This process does not in itself at all times provide additional employment opportunities. Indeed at certain stages of industrial development in the quest for greater efficiency through capital investment, better management, more labour consciousness and consequently greater production the effect may be to lower the numbers employed or at best only to maintain them.

To illustrate this I would compare certain statistics of the years 1957 and 1965, and I have chosen these two years because in 1957 we were witnessing the first real impact of the economic benefits of the Federation and 1965 can be said to be the last normal year for the economy. The progress of the mining and quarrying industries from 1957—1965 illustrates the effect of capital investment through mechanisation, whereby a little more than two-thirds (44,300) of the labour force in 1957 (63,710) produced a gross product of a little more than 30% (£34.7m.) above the 1957 figure (£26.3m.). Even making allowance for the conversion of the gross production to real terms this would indicate at worst a maintaining of the level of production with a saving of one third of the labour force.

In the same period the gross output of manufacturing industry increased from £104.9m. to £197.25m. an increase of about 90% but the total numbers employed decreased from 87,600 in 1957 to 84,870 in 1965—a reduction of about 3%.

There are many reasons for this—

1. The capital intensive units set up in the Federal period although of the very minimum size were in excess of the then federal market—and even today have slack capacity, which requires at most a marginal increase in labour for full use.
2. As industry develops it becomes more capital and less labour intensive (see the definition on industrialisation). To reinforce this we need only look at the South African experience which has not only created problems in the employment field, but also on its demand for foreign currency for imports thus preventing the lowering of the import co-efficient. This point has been made often by Professor Sadie.
3. Whether of its own accord or induced by statutory higher wages as industry develops it becomes more labour conscious. Low wages in a situation where there is a surplus of labour contributes not only to exploitation but to inefficiency. Compared to 1957 in 1965 manufacturing industry was able to pay an additional £18m. in wages annually, thus contributing substantially to improved local demand and greater production (£7.1 million to Africans and £10.6 million to non-Africans).

It has been argued by some that because of the twin necessities of employment opportunities and mitigating the effects of industrialisation on the balance of payments the direction of development should be towards labour intensive rather than capital intensive processes. However, this would have the effect of manufacturing more expensive less sophisticated products bringing further consumer criticism to that already levelled at machine produced articles in small markets, where the unit cost must inevitably be higher than in larger industrialised countries. Further such articles would not be exportable; on the other hand the efficiently produced goods of a modern industry established in a small domestic market may be exported thus assisting to lower unit cost and prices for that domestic market.

It would not seem feasible, therefore, for economic policy to deliberately encourage labour intensive industries in order to create employment opportunities. Such action would create more problems than it would solve.

At this stage it may be as well to look at manufacturing industry since 1965 and the effect of import control on the one hand and sanctions on the other. While 1966 saw a £12 million decrease in the value of gross production and a decrease of about 2,000 in the numbers employed, 1967, while apparently below the peak of the value of gross production reached in 1965 saw manufacturing industry employ 4,000 more than in 1965. The inference to be drawn from this is that the progress of some of the industries existing in 1965 had been set back but the effect of import control led to the establishment of new small manufacturing units—more labour intensive than capital intensive, based on the domestic market.

This trend was accelerated in 1968 with an additional employment of 7,000—out of all proportion to the increase of gross output as estimated from the volume index of manufacturing production.

We therefore witness a new trend from 1965—1968 where employment in manufacturing industry increased by an overall 11.5%, while the volume of gross production, estimated to be about £220 million, increased by the same percentage. In real terms, of course, this increase was substantially lower when allowance is made for the 11% increase in the consumer index.

I will not go into all the reasons for this or how far this trend will continue. Obviously one cannot expect it to maintain the same growth rate if the local market is to be the major consumer—and the early effects of import control flatten out as they must inevitably as entrepreneurs find that import substitution has been attained to the maximum.

Nevertheless unfortunately import control and the state of U.D.I. seem to have become synonymous. There is no doubt that a more selective import control under normal circumstances, i.e. with the ability of industry to export unimpaired would have made a more significant contribution to the expansion of industrialisation and employment as well as to domestic unit cost and prices.

It is a truism that the process of industrialisation makes increasing demands on greater skills and above all more and more highly skilled specialists in which one would include enlightened and knowledgeable managers. The combination of this element with more capital investment places lesser reliance on semi-skilled and unskilled labour.

My point is best illustrated by the employment figures of the period 1957—1965, where as we have seen total employment decreased by about 3%. It is noteworthy, however, that on a further breakdown of employment statistics

between Africans and non-Africans—African employment in fact decreased by 7% from 74,000 to 68,900 while non-African employment increased by about 17% from 13,600 to 15,970. In making this comparison let me say that it is in no spirit of racial arrogance that I assume that all non-Africans in industry are skilled while Africans are at best semi-skilled or unskilled. Our labour legislation is based on merit advancement and equal pay for equal work but we have a long way to go particularly against the background of current thinking before this can be made a practical reality. The gaps in opportunities for education, and in practice even apprenticeship, are too wide to imagine that the principle of making the best use through opportunity of the latent talents of all our inhabitants is likely to be implemented in the foreseeable future.

Be that as it is manufacturing industry has given to more people of all races the opportunity for earnings as good or better than in any other sector of the economy. In no other sector of the economy have Africans as great an opportunity for advancement as they enjoy in industry.

It is, however, noteworthy that the ratio of Africans to non-Africans has changed from 5.4 : 1 in 1957 to 4.3 : 1 in 1965. In 1968 due to factors already mentioned the ratio was 4.6 : 1.

If there is to be a continuation of industrialisation in the sense of the definition on which this paper is based it is obvious that industry's requirements will be directed to the better educated and highly skilled specialists, who are in extremely short supply not only in Rhodesia but throughout the world. Recent trends indicate that many of our brighter young men are seeking their opportunities outside the country in areas which have far greater technological attractions, larger markets and the opportunities for greater rewards. Rhodesia's present state of isolation, and in comparison to our nearest neighbour, South Africa, and even the United Kingdom—our country's taxation policy creates an incentive to emigration rather than an attraction to the type of immigrant required by industry. A continuation of these disincentives could well result in an ever-growing shortage of industrial captains—a greater drawback to industrial expansion than capital needs.

Employment and Labour

The preliminary results of the March, 1969, Census compared with September, 1961, shows an increase in the non-African population of 12,254 of which 6,536 were Europeans. Non-African employment in the economy as a whole increased by about 6,000, of which number 45%—about 2,700 were absorbed into manufacturing industry.

During this period it is estimated that the African population increased by about 1 million. In the economy as a whole African employment decreased by about 6,000. In manufacturing industry employment rose by 4,000 due only to the 1968 figures.

Even if allowance is made for the nett emigration of about 60,000 foreign workers during this period and their replacement by indigenous labour the effect of this additional employment would have been felt more in agriculture, which is the biggest employer of foreign labour, than in industry.

However, at best it can be assumed that on average about 8,000 indigenous Africans found employment each year since 1961.

Estimates of the number of African males entering the labour market

each year vary. The 1969 Economic Survey of Rhodesia, issued by the Minister of Finance, quotes 35,000 as the annual addition of able-bodied African men, but states that some of them do not wish to seek paid employment, preferring to remain in the subsistence economy. The report, however, agrees that there is a wide disparity between the growth rate of the African population (3.4% per annum) and the potential of the country to provide employment.

Assuming that of the annual 35,000 increase in the male population only 25,000 wish to seek work and allowing for the replacement of foreign labour we have today about 150,000 unemployed males and accepting the 1969 Economic Survey this figure is likely to increase rather than decrease.

We have seen in detail how manufacturing industry has been and will not be able to make any significant contribution to this problem on the basis of past performance and present markets, nor will the mining industry on statistics already quoted. The present situation of European agriculture is well known; it employs 35,000 less Africans today than the peak year of 1964.

The Economic Report states that the problem can only be overcome in the long term by a reduction in the birth rate; but I submit that it is open to doubt whether this is a practical solution as even if a brilliantly successful campaign was implemented now the effect on the size of the potential labour force would only be realised in some 15 years. In any event the sociological prerequisites for a lower birth rate are education and tremendously accelerated economic development.

It seems, therefore, that we are back to the ability of the Tribal Trust Lands to absorb the rapidly increasing population. At best this could be done only for a period until the time comes when what Professor Sadie has called the "accommodating mechanism" of the tribal trust areas is no longer providing food, accommodation and land for all those in need of those things. And when that stage is reached mass unrest becomes inevitable.

It is interesting to note that there are already today approximately 3.5 million Africans living in the trust lands and that while the value of subsistence crops appear to have doubled in the last 15 years the contribution to the cash economy remains constant in money terms at about £5 million per year. In real terms, of course, this contribution has been of ever-decreasing value, which makes the progress of industry over the years all the more remarkable. It also highlights the fact that there are two Rhodesias—not one. In the money economy in 1968 622,000 Africans earned about £90 million whereas in the tribal trust lands rural households numbering about 3½ million produced about £30m. for subsistence and in cash crops—with a steadily lowering of the standard of living over the years.

It has been indicated by experts that a continuation of this process constitutes an eventual danger to the security of the country as a whole. It is certainly the greatest drawback to accelerated industrialisation and more employment through an expansion of consumer demand on the local market.

To cope with this problem, which in economic and human terms is undoubtedly the greatest problem that faces us there would have to be a new look and a complete change of ideas and attitudes. Its solution certainly cannot be attempted against the background of the entrenchment for all time of tribalism and inflexible land division. Wherever we look we find that communal land tenure has been shown to be a deterrent to production whereas the encouragement of individual rights to land, coupled with education in land

usage, has been one of the more successful methods of creating a greater contribution to the cash economy and a more stable and contented population.

This is as far as I would go this morning in order to stimulate discussion and in the realisation that fortunately this is a seminar—not one of the current slanging matches which seem to have replaced serious discussion and argument. However, if these latter remarks highlight the difference in approach between politics and economics this difference can in cold comfort be said to be endemic to most of Africa. That is one of the reasons why the gap between the developed and developing nations is becoming wider, while human development and progress are sacrificed on the altars of political expediency.

DISCUSSION OF PAPER NINE

Mr. Handford asked Mr. Abrahamson to elaborate on his comment throwing cold water on the theory that encouraging labour intensive industry did not offer as much hope in solving the employment problem as was so often suggested.

Mr. Abrahamson replied that normally labour intensive industries could not product at the same unit cost as well-managed highly capital-intensive industry. The encouragement of labour-intensive industries had two adverse effects. First, it was quite obvious that the labour intensive industry was going to mechanise more and more over time with the result that some workers might be laid off. Second, there was likely to be increasing criticism by the consumer of industry's unit costs. A lot of the products being manufactured at the present time were not being manufactured economically—they were being made because of the need to replace imports. This was creating a tremendous amount of consumer criticism. As these industries became able to export and enjoyed larger markets they would tend to mechanise to an increasing degree. The sudden upsurge of employment over the last few years would be countered by this mechanisation.

Mr. Peter Staub asked about the effect of higher wages as a stimulus to industrial growth.

Mr. Abrahamson replied that the urban economy today was proof positive of the more selective and better quality demand that had been encouraged through wage increases. Industry today could produce better quality articles at a far lower unit cost than before because of the upsurge of the African demand. This increased consumer demand had been a very great cushion for the manufacturing sector at the time of the break-up of the Federation when the northern markets were lost. Better and better money wages were being paid all the time but he would not like to estimate how "real" these were.

Mr. Darroll asked about Mr. Abrahamson's comments on land tenure in the Tribal areas pointing out that this was in direct contradiction to Mr. Cameron's remarks earlier. He asked whether Mr. Abrahamson believed that individual land tenure could be achieved in the near future and if not was the outlook as gloomy as he understood Mr. Abrahamson to have suggested.

Mr. Abrahamson replied that the situation had the makings of a serious catastrophe. Land was a commodity—it was not something which should be subject to arbitrary divisions because of political decisions. He did not envisage an overnight transformation. The 1961 constitution had included a provision whereby Tribal Trust Land could be changed into individual tenure land. The idea had been to concentrate on one area in the Tribal reserves and use this as a "visual aid" to demonstrate to other tribesmen the benefits of individual land tenure and economic development. It was necessary to have a flexible policy so that more and more land could be put to better use. The whole problem deserved a tremendous amount of thought. Trying to split the land on a fifty-fifty basis between the two major races did not make sense and could not be maintained.

Mr. Wright questioned Mr. Abrahamson's comments about the falling demand for semi-skilled labour as industrialisation takes place.

Mr. Abrahamson said that certain repetitive jobs—which he regarded as semi-skilled—were being replaced by machinery. He stressed that he was talking in very general terms.

Dr. Ngcobo asked about the difficulties standing in the way of Africans becoming skilled labourers. He said that the Trade Unionists blamed employers for this situation whereas employers blamed Trade Union resistance.

Mr. Abrahamson said that undoubtedly there was a certain amount of prejudice going on all the time. The previous Government had gone out of its way to "prime the pump" and take on African apprentices itself thereby seeking to encourage the private sector to follow suit. However, there was on the part of employers a natural disinclination to take on any apprentices.

Mr. Hawkins said that the Treasury Economic Survey after admitting the impossibility of securing a fast enough growth rate of the economy to keep pace with the population explosion then went on to refer to the 200,000 alien workers in the economy. Although the survey did not say it, the implication was that these workers could be repatriated. He asked Mr. Abrahamson to comment on the economic and administrative feasibility of such repatriation.

Mr. Abrahamson replied that even if it were possible in political terms—which he did not accept—it would be a tremendous task. He recalled that a Foreign Migratory Act had been introduced eleven years ago which at least stemmed the inflow into certain areas. In some farming areas it was politically impossible because traditionally agriculture had relied on alien labour. He did not think that this could be achieved overnight but there had been a reduction of about 100,000 over the last decade.

He was also concerned about the definition of a foreign worker. Many of them had been in Rhodesia so long that they could not by any stretch of imagination be described as foreign workers.

Mr. Peter Staub reverted back to the Tribal Trust Areas problems. He asked if the introduction of individual land tenure in the Tribal Trust Lands would not lead to a large landless African population which might not have a base in the Tribal areas not be absorbed into industry.

Mr. Abrahamson replied that this problem was going to arise whichever way it was approached. He quoted Professor Sadie saying that a stage will be reached under the present system where it will be virtually impossible for the Tribal Trust Lands to absorb any more of the population. You would then get a spillover of landless and unemployed Africans. He asked—"does one allow the present situation to continue or do you try and get better land use through introducing individual land tenure over a long period?"

Mr. Oliver asked whether any under-developed country had made a significant impact on the problem of creating sufficient employment for a fast-growing population.

Mr. Abrahamson replied that he thought that most under-developed countries were unable to make much of an impact because they placed politics before economics. He would have thought that Rhodesia would have done something different.

In his summary, Mr. Handford asked whether people were substituting talk for facing up to reality. He said that Mr. Abrahamson's paper had made it clear that U.D.I. and sanctions was not the cause of this vast problem. The conclusion that emerged, he thought, was that the way to tackle the problem was to break it down to the various levels of skills.

Turning to the problem of Trade Unions, Mr. Handford said that Rhodesia was lucky to be free of the problem of Trade Unions fighting the Government—a problem which he thought was the root cause of Britain's economic difficulties. In Southern Africa the role of the Unions was very limited. He thought that the approach of fragmenting jobs in industry to provide scope for semi-skilled workers was one approach which had to be examined. It was important to avoid a doctrinaire approach. He thanked Mr. Abrahamson for his very thorough coverage of the subject, adding that he thought that this paper was in some ways the key one because all the previous discussion led up to this issue.



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