THE RHODESIAN JOURNAL OF ECONOMICS

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Settler Ideology and African Underdevelopment in Postwar Rhodesia	17	D. G. Clarke Mr. Clarke is a Lecturer in Economics at the University of Rhodesia.
Ten Popular Myths Concerning the Employment of Labour in Rhodesia	-	P. S. Harris Mr. Harris, formerly Lecturer in Economics at the University of Rhodesia, is now teaching Economics at Massey University, New Zealand.

TEN POPULAR MYTHS CONCERNING THE EMPLOYMENT OF LABOUR IN RHODESIA*

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For the purposes of this paper I will define a "myth" as a purely fictitious narrative embodying popular ideas on natural phenomena. Economics is the sort of subject that lends itself to the creation of myths in order to "explain" or "predict" the nature of the relationship between economic variables.

It is my intention in this paper to draw attention to the purely fictitious nature of ten popular beliefs that constantly cloud the issues associated with the employment of labour in Rhodesia.

The first myth that I would like to discuss concerns the relationship between labour and management in the productive process. Employer attitudes, and perhaps more importantly, the perspective from which employer groups approach collective bargaining in Rhodesia, seem to be based on the myth that employment is a favour, conferred by an omnipotent and benevolent employer on a servile and insignificant employee. The myth then becomes translated into a range of more specific attitudes, from on the one side the outright "worker-basher" who regards as impertinent and ungrateful the employee, who, like Oliver Twist, approaches his master with empty bowl outstretched and pleading asks for "more", through to the more paternalistic employer, who regards himself as the person best equipped to act as custodian of the welfare of his dependent employees.

* Paper read to the Society on Feb 5, 1974.

There is little recognition of two very important facts: viz. that production involves co-operation, and that labour, capital and management inter-act in a mutually inter-dependent manner in order to perform an economic function; and that workers are the group best able to protect and promote their own interests.

There are two dangerous side-effects that result from this failure to recognise the proper form of the labour-management relationship. The first is that worker groups tend to become frustrated by the demeaning and subservient role which they are expected to fill, and this causes a potentially harmful build-up of frustration and resentment. The second is that progressive productivity bargaining, whereby labour and management actively pursue the possibilities of co-operation in the introduction of new improved techniques, can never be attempted as long as management reserves for itself the full responsibility for initiating, motivating and co-ordinating all aspects of production.

In Rhodesia, the growth of import-replacement industry in the post-war era has enabled the manufacturing sector to maintain profit levels in an expanding productive environment, and as a result producers have not had to face the debilitating effects of their Victorian attitudes. However, if the sector is to hope for continued expansion into foreign markets, managers would be well advised to direct strategies away from constant pleadings for restrained wage advances and for export incentives, and to re-examine their own organisations in order to seek solutions to their problems through

increased efficiency, productivity and shop-floor harmony. Low wages and state subsidies can never provide a satisfactory basis for effective long-run cost-competitiveness, and a realistic approach to labour and productivity is therefore overdue.

I have implied that the growth and profit records of the manufacturing sector of the Rhodesian economy have, in part, been achieved by restraining the rate of advance of wages of the lowly-paid (and essentially the African) sections of the industrial labour force, and I would therefore now turn to the group of myths that have grown up in connection with the levels of African wages and African employment.

The crass insensitivity of employers is best expressed in the myth that claims that wages must be adequate to cover the basic subsistence needs of African workers, since the very appearance of the urban workers reveals a measure of affluence. Workers cannot be earning wages that fall below the Poverty Datum Lihe (PDL) or else they would be dead. Attendances at football matches and beer consumption figures provide clear proof that workers are not only subsisting on their incomes, but that they are able to enjoy a certain amount of discretionary, luxury consumption.

The myth is very popular amongst groups who refuse to, or prefer not to, recognise the growing incidence of working-class poverty in our economy. The level of absolute poverty in many urban areas is startling. Dr. Eric Gargett, of the Bulawayo Municipality Social Welfare Department, recently estimated that 70 per cent of all African families in the city were "real hardship cases".2 Families could not afford even the most modest home furnishings, they could not afford to feed, clothe or educate their children properly, and they constantly sought additional income supplements by taking in lodgers and by other means. Many couples are forced to leave younger children in the Tribal Trust Land with grandparents,3 and to separate for a few months of each year in order to allow wives and children to subsist in the TTL's as an income-conserving measure. The urban budget surveys that are conducted from time to time by the Central Statistical Office show that expenditure allocations on recreational pursuits are fractional in relation to total expenditures. African workers may not be starving, but they are surviving by maintaining their dependence on TTL outputs. I do not believe that I need to restate the additional problems that this situation creates as far as the development of the TTL's is concerned.5

It might be possible to excuse the payment of sub-PDL wages to about 70 per cent of the African labour force if producers were unable to afford to pay higher wages. However, the argument that many firms would not be able to afford to pay higher wages, and would close down if forced to do so, is yet another popular myth. I do not wish to ignore the profit difficulties of certain producers, and even of certain sectors of the economy, because these atypical cases do exist, and do have to be considered cautiously. In general, and in particular in the manufacturing sector, profits are high in relation to total wage payments to Africans, and during the last five years they have been out-stripping the rate of growth of the total wage bill. (See tables 1 and 2).

The average employer in the manufacturing sector can afford to pay substantially higher wages, and pleadings to the contrary by employer organisations have no factual substance. An argument that is raised with monotonous regularity is that wages cannot or should not rise independently of increases in productivity. Recourse to this argument is based on the myth that workers can somehow be expected to exogenously increase their own productivity, whereas in fact productivity gains depend on workers both acquiring skills and applying those skills to a relevant technology. Managers frequently hide behind the productivity myth whilst doing very little to either expand internal training programmes, or to enter into productivity negotiations with worker groups. If inertia is detectable in this field, the blame for that inertia must rest squarely on managerial shoulders. Managers have to innovate, plan and train, and at least obtain the co-operation of their workers in their attempts to do so. Workers do not have the decision-making power to innovate in the productive process, and yet curiously they bear the brunt of the blame for the short-sightedness and inefficiencies of their employers.

It would be wrong for me to suggest that the wage issue is all-important, since in our local mythology, employment is an ever-present problem. The fifth myth that I would like to discuss is the belief that wage increases would be accompanied by a proportionate decrease in employment. Indeed, it is sometimes argued that the wage-employment trade-off is so strong that employment would decrease more than proportionately to any upward wage movement.

In certain sectors (in particular in agriculture and in private domestic service)⁷ there would undoubtedly appear to be some major employment reaction possible if wage levels were to rise substantially, and in certain enterprises a similar reaction might be forthcoming. But in general, in the industrial and commercial sector, the claim that employment would slump dramatically if wages rose is grossly exaggerated. There are four reasons for assuming this.

Since 1965, employers have been virtually powerless to influence the costs of raw material imports or the prices of their products. The only "managerial variable" that has been left has been labour costs. There has, over time, been a process of "labour saving", in which surplus workers have been declared redundant or absorbed on tasks necessitated by an expanded scale of production. There are few enterprises operating in Rhodesia today that have not trimmed their labour forces to a minimum needed to service a particular production and distribution line. Most workers are directly functional: if the service is to be provided at the existing scale it requires the existing labour task force to operate it.

Secondly, labourers can only be replaced if machines are available to replace them. In Rhodesia, employers are constrained in their attempt to purchase labour-saving machinery by the existing shortage of foreign currency and by the associated system of import and exchange controls. Those employers that have the incentive to mechanise are usually constrained by the inability to do so.

Thirdly, Rhodesia has always been technologically dependent on the developed countries of the world for machinery imports. These labourshortage economies have geared research and development projects to generating capital-intensive productive methods and these methods have, by and large, been imported or adopted by Rhodesian manufacturers, so that they are already using the most capital-intensive techniques available and

would not be able to mechanise further even if wages rose.

Finally, it is important to re-state the substance of R. A. Lester's 1946 survey of American businesses and their re-action to the threat of rising wages.^a Lester found that firms faced with falling unit profit margins (caused by increasing wage costs) reacted initially by attempting to expand output in order to maintain aggregate levels of profit (lower unit profits earned on a larger volume of sales). Rising wage costs were thus accompanied by increased sales effort (seeking out new markets and increasing promotional efforts in existing ones) and sometimes by a process of product diversification. He found that firms considered staff cuts a low priority strategy, since the results of such action could be counter-productive and even lower aggregate profits still further. In Rhodesia, a number of individual firms appear to seek increased profits through product promotion and diversification, rather than through further attention to decreasing unit labour costs, and they might be expected not to attempt staff cut-backs if wages rose, but to gear production to profit from an expanded consumer market.

The net impact of these four factors leads to the conclusion that employment levels, particularly in commerce and industry, might not fall significantly under a situation of rising wages. Employers have the incentive to attempt labour saving economies and to mechanise even at existing wage rates. The prevailing low level of wages has not encouraged labour-intensive, employment-maximising growth in the past, and there are no grounds for assuming that a maintenance of the low wage structure will alter this situation.

A totally unconnected, but currently popular myth is that apart from keeping wages down, the next best method of boosting the level of African employment is to encourage large numbers of white immigrants into Rhodesia. This is perhaps one of the most hoary and durable of all these myths, and one that is now being bandied about as a legitimisation for the "Settlers 74" campaign. It is based on the belief that European immigrants generate employment opportunities for Rhodesia's African population. It is interesting to record that the current immigration policy was launched in 1964, when the "employment generating" myth was only loosely formed.9 It was Professor Sadie who provided the professionalised rationale for the policy in 1967,10 but since that date the parameters of his equation, which posited a 1:7,4 employment generating impact of employed white immigrants have gradually been expanded, so that now we are led to believe that each economically active white immigrant is imbued with sufficient of the "fons et origo of economi centrepreneurship" to mystically create employment for 15 blacks.

The statistical cornerstone of this particularly noxious myth is that African employment correlates closely with the level of white immigration. The perpetuators of the myth appear to gloss over the most elemental statistical rule that warns that correlation alone does not imply causality. For any causal relationship to be derived, three basic conditions must be satisfied, viz., that the indices must correlate closely, that there must be logical ground for assuming that they are causally connected, and that the direction of causality must be established.

The "immigration myth" fails to satisfy any of these conditions. There is a strong correlation between increases in the numbers of Africans employed and the level of white immigration since 1967. But if the causal

connection is as solid as it is often held to be, then we could reasonably expect it to apply before and after any arbitrarily imposed date line. If the level of net European migration is correlated with changes in African employment over the last decade (i.e. 1963-72), the correlation co-efficient derived is singularly unimpressive (r=0.5929). (See Table 3.)

This point is best highlighted by reference to some of the more extreme years in the decade. During 1963 and 1964, Rhodesia experienced a net loss of 19 700 Europeans, and yet African employment increased by 21 000. In 1967, despite a gain of 2 100 white migrants, African employment fell by 6 000.

There are therefore strong grounds for doubting the existence of this mythical relationship even on the basis of a simple scrutiny of comparative changes in these supposedly vitally connected economic indicators. It is therefore necessary to turn to the logical expectation of a causal link. I would suggest that employment in specific sectors of the economy, and in the economy as a whole, is a function of five major factors.

The first is the level of product prices in the specific industry or sector. The demand for labour is derived from the demand for the product that labour assists in producing. Producers would tend to expand output and hire more labour if the prices they received were rising. Thus, we find that the growth of employment in Rhodesia in recent years has been concentrated in those sectors which have benefitted from rising prices. In 1971, 33,95 per cent of the increase in African employment was due to an expansion of the agricultural labour force, whereas in 1972 this sector accounted for 55,24 per cent of the total increase in African employment. It would be ridiculous to suggest that these substantial increases in the numbers employed in the sector were the result of a flood of immigrants into agriculture. Of the total economically active white immigrant population, only 2,67 and 2,53 per cent went into the agricultural sector in 1971 and 1972 respectively.

Secondly, employment is a function of the level of investment. Once again, there is no basis for assuming that immigrants are important contributors to the level of gross fixed capital formation. In 1972, \$174,3 million went into capital formation, and almost all of it came from local sources. According to Balance of Payments data for 1972, there was a net inflow of capital on capital account of only \$0,9 million, and a total net inflow of capital on capital and current accounts of \$1,1 million. The country gained a net of \$0,6 million through migrants transfer, but lost a net \$1,2 million through personal remittances — itself largely a function of immigration.¹¹ The level of investment in Rhodesia is constrained by the availability of foreign currency with which to purchase items of imported machinery — not by the lack of potential investors that immigrants may somehow allieviate. Rhodesia does not need investable funds as much as it needs foreign currency, and if the record of the last few years is anything to go by there is little reason to anticipate significant relief in that direction from migrants transfers of funds into Rhodesia.

Thirdly, the level of employment will increase at a more rapid rate the more labour-intensive are the productive techniques introduced into the economy. In this area, employment is a function of the character of technological change, and immigrants we a neutral impact on the general style of production.

Fourthly, employment depends on the availability of inputs that are used in conjunction with men and machines in the productive process. In this respect, Rhodesia faces two problems, one of a more continuing character and the other more recent in origin.

The continuing problem is that foreign exchange tends to be scarce, and industries requiring significant exchange allocations for the purchase of imported inputs may have to restrain expansion plans even although such expansion may promote employment. The second problem is the shortage of oil and oil-based inputs. It is not unreasonable to suggest that the availability of oil is likely to be a far more important determinant of the level of African employment in 1974 than the success of the Settlers '74 campaign.

Finally, employment is a function of the extent to which skills have been developed amongst the local population. European immigration is influential here, but in a negative way. A reliance on external sources for the supply of skills to the expanding manufacturing sector tends to induce complacency in the provision of training facilities for the local population. Supporters of the immigration policy argue that immigrants are needed to overcome the existing supply crisis in the field of high-level manpower. If this shortage exists (and in my opinion its seriousness is frequently overstated), 12 it does not provide justification for the settlers campaign, but rather stands as an indictment on our political and economic system for failing to take steps to ensure an adequate supply of skills from within the local population.

The third "condition" that I outlined earlier, is that before policy is framed on the basis of an assumed causal connection between white immigration and black employment levels, policy makers must be certain as to the direction of operative causality. On the simple basis of observed correlation, it would be just as feasible to argue that employment opportunities must be created for 7,4 (or 15) Africans before the country can afford to settle one white family at the standard of living to which white Rhodesians have become accustomed.

More detailed analyses of the immigration policy have appeared elsewhere, 13 but even this cursory survey of the arguments should be sufficient to draw attention to the dangers associated with the perpetuation of the myth.

The entire question of the need for immigration is linked to the supply of skilled manpower. The argument put forward is that the lack of skilled workers is inhibiting the rate of growth of manufacturing industry, and given the fact that current job demarcation principles have the support of government, the only alternative is to seek manpower supplies via immigration. Two further myths underscore this particular extension of the argument.

The first is that employers do not indenture more apprentices (thereby ensuring the adequacy of the supply of manpower needs from within the local population) because insufficient numbers of young Rhodesians are prepared to enter artisan occupations. The myth is only true in relation to the white sector of the population. A large reservoir of enthusiastic and suitably trained young Africans exists, but their aspirations remain frustrated as employers continue to anticipate manpower supplies from abroad and admit Africans to apprenticeships at a slow rate and within a narrow range of trades.

The question to be asked is why, if potential apprentices abound, are employers reluctant to indenture them? The mythical answer is that employers defer to the wishes (and prejudices) of established white journeymen employees who they cannot afford to alienate (given the skill supply crisis), by indenturing African apprentices. 15 The argument does not hold up when subjected to closer scrutiny. The leaders of white or skilled trade unions have repeatedly asserted that they are not opposed to African advance into the trades designated for apprenticeship. They are opposed to a more rapid process of job fragmentation, but provided the training of African artisans takes place according to established procedures, they would welcome an increase in the numbers of African workers entering the skilled trades. When the assertions have been put to the test (for example in the aircraft industry)¹⁶ there has been no significant racialistic reaction to the black apprentices. Skilled workers certainly do fear an erosion of their job security and occupational status via a process of job fragmentation, and employer performance over the last decade has not done anything to allay these fears.¹⁷ The skilled workers wish to protect the apprenticeship system, and if this requires expanding African participation within it, they are quite prepared to accept

The mythical nature of the popular answer to the manpower supply question has thus been exposed, and it is now necessary to attend to the actual reasons for the observed reluctance of Rhodesian employers to operate the apprenticeship system of training. I would offer two answers to the question. The first is that it is costly to train apprentices. If employers are able to anticipate governmental initiatives in securing an adequate supply of skilled workers, the training cost burden borne by employers falls to zero. Secondly, employers do not favour the restrictive style of the apprenticeship and job demarcation systems. They would prefer to be able to use labour in a more flexible manner, and to exploit the reduced bargaining status of a more vulnerable semi-skilled worker population. If skilled manpower supply crises recurr continuously (and if employers fail to train sufficient numbers of skilled workers they tend to increase the likelihood of periodic supply crises), their case for increasing the rate at which fragmentation takes place is strengthened. There are thus short-term and long-term motives for employers to continue their low-key response to formal training programmes, but I would argue that the profitability of such actions is illusiory. Continued profits depend more on maintaining a wider stability in the economic order than on securing desired labour supplies at the lowest possible cost, and the contemporary approach to manpower training is doing very little to develop that stability.

I am now in a position to consolidate the eight myths that I have been discussing into the more general mythology relating to the employment of labour in Rhodesia.

The first general myth is that the penetration of capitalistic economic activity has had a continuous and progressive liberating impact on the traditional pre-colonialist economy. The style of Rhodesian capitalism has, if anything, worsened the long-run structural problems of economic development in this area. 18 Productive growth based on foreign labour, supplemented by low-cost local labour supplies, proceeding out of an alienation of land and a subjugation of the incipient commerce of the traditional economy,

and characterised by massive and widening inequalities in the distribution of incomes, wealth, privilege and opportunity, has pushed the Rhodesian economy to the brink of a developmental crisis. The vast majority of the population live under conditions of poverty and in an atmosphere of intense economic insecurity. Population pressures and land scarcity place severe limitations on the ability of peasant agriculturalists to transform productive methods and stabilise families on the basis of self-sufficient output. In the towns, a process of stabilisation and urbanisation is being restrained by inadequate housing, low wages and the impermanance of urban tenure. A radical reconstruction of productive and distributive methods is required to avert the emergence of a more serious development problem, and a rethinking of labour policies, without recourse to the myriad of confusing myths, is required as one element of such reconstruction.

The second general myth is that the wage, occupational and employment structure is stable, and that harmonious industrial relations can be expected to be maintained under prevailing labour utilisation practices. An examination of the available evidence and a personal knowledge of existing conditions leads me to believe that this is not so. Worker groups have demonstrated their willingness to work constructively for reform, but I sometimes doubt that the restraint of the leaders of African workers will be reflected in the general labour force if workers continue to encounter recalcitrant employers bent on sustaining an outmoded mythology.

Myths serve a useful function to those who create them.²⁰ They direct attention and debate away from the more sensitive aspects of any existing problem, and offer a conscience-salving rationale to those who realise that their actions are selfish and myopic. The difficulty with myths is that those who create them come eventually to believe them, and thereafter resist change when change, painful as it may be, becomes inevitable. It is in the hope that at least some people will reassess their position on and attitudes towards labour problems in Rhodesia that this paper has been prepared.

TABLE 1
GROSS OPERATING PROFITS AND TOTAL WAGES AND SALARIES
PAID, BY SECTOR, 1972

Sector	Gross operating profit (\$ m.)	Total African wages (\$ m.)
European agriculture	81,1	43,4
Mining and quarrying	37,8	19,5
Manufacturing	150,6	59,3
Construction	13,3	28,7
Electricity and water	24,1	2,2

TABLE 2
INDICES OF GROSS OPERATING PROFITS, AFRICAN WAGE
PAYMENTS AND TOTAL WAGE PAYMENTS IN MANUFACTURING
INDUSTRY IN RHODESIA, 1965-1972 (1965=100)

Year	Gross Operating Profit (G.O.P.)	African Wage Payments	Total Wage Payments
1965	100,00	100,00	100,00
1966	78,56	101,39	102,22
1967	99,52	112,15	110,66
1968	112,96	126,67	124,52
1969	127,52	148,61	139,89
1970	169,60	165,28	158,73
1971	204,32	176,04	175,35
1972	240,96	205,90	204,57

TABLE 3
CHANGES IN AFRICAN EMPLOYMENT AND EUROPEAN IMMIGRATION, 1963-1972

Year	Increase in African Employment* ('000)	Net Migration of Europeans ('000)
1963	10	—11,0
1964	11	— 8,7
1965	9	2,3
1966	8	— 2,1
1967	6	2,1
1968	35	6,2
1969	42	5,0
1970	12	6,3
1971	38	9,4
1972	63	8,8
	* Monthly average for the year	

Correlation of change in African employment as a function of the level of net migration of Europeans

r=0,5925

REFERENCES AND FOOTNOTES

For an example of how productivity bargaining has been employed in other countries see A. FLANDERS, The Fowley Productivity Agreements, Faber & Faber, London, 1964. Excerpts of this work appear in his article "Restrictive Practices and Productivity Bargaining", in A. FLANDERS (ed.) Collective Bargaining, Penguin, 1969.

²See Bulawayo Chronicle 18-25 September, 1973 for detailed reports concerning evidence led during the Industrial Tribunal hearing into the dispute between employees and the management of Rhodesia Railways.

It is significant that the *Urban Budget Surveys*, conducted from time to time by the Central Statistical Office, reveal that urban family size correlates closely with level of income. This should not be interpreted as evidence supporting Malthusian population doctrines, but rather as evidence that proper families are split, and as incomes rise more of the children are brought into the towns to reside with their parents.

⁴The Report on the Urban African Budget Survey in Salisbury, 1969, reveals that on average, the families surveyed (average income \$54,06 per month) spent \$1,41 on beer, 35c on cigarettes and 17c on entertainment in each month.

⁵See P. S. HARRIS, Black Industrial Workers in Rhodesia: the general problems of low pay. Mambo Press, Gwelo, 1974 (forthcoming), Chapter 3.

⁶The "inability to pay" and "productivity" myths were articulated by the Minister of Finance during his 1973 Budget Speech. (*Parliamentary Debates*, 17 July, 1973).

⁷D. G. CLARKE (Domestic Workers in Rhodesia, Mambo Press, Gwelo, 1974) argues that the demand for domestic labour is highly inelastic. However, I would argue that whilst the demand for one domestic worker per household would not fall drastically if wages rose, white households would cut back the employment of second and third workers if wages rose significantly.

⁸R. A. LESTER, "Shortcomings of marginal analysis for wage employment problems", *American Economic Review*, 1964.

⁹Report of the Under-Secretary for Immigration and Tourism for the year ended 31 December, 1964. CSR 23-1965.

¹⁰J. L. SADIE, Report on Planning for the Economic Development of Rhodesia, CSR 35-1967, Government Printer, Salisbury.

11 All data in this section are from National Accounts and Balance of Payments of Rhodesia, 1972, C.S.O., Salisbury.

 $^{12}\mathrm{See}$ P. S. HARRIS, "Manpower Requirements and Existing Vacancies—a note on the C.S.O. survey", R.J.E., June, 1972.

¹³D. G. CLARKE, "The Assumed Employment Generating Capacity of European Immigration in Rhodesia, R.J.E., June, 1970, and P. S. HARRIS, "Economic Incentives and European Immigration in Rhodesia", R.J.E., September, 1972.

¹⁴See Government's Policy on Labour, Ministry of Labour and Social Welfare, 1971.

¹⁵For a fuller discussion of this aspect of the problem see P. S. HARRIS, "Some Aspects of Apprenticeship Training in Rhodesia", Society, (Journal of the Social Studies Association), University of Rhodesia, July, 1972.

¹⁶See M. W. MURPHREE, Employment Opportunity and Race in Rhodesia, Studies in Race and Nations, Vol. 4, University of Denver, 1973.

17Skilled worker groups in the engineering, iron and steel industry recently pointed out that "fragmentation" tends to be followed by a freezing of the wages of semi skilled workers, thereby increasing employer incentives to substitute semi-skilled labour. In this industry, the minimum wages for grade A semi-skilled workers rose by 15 percent during the period 1963-1973, whereas the cost of living rose by 32 percent in the same period. The grade A wage minima as a percentage of minima earned by skilled workers fell from 87.9 in 1963 to 63.9 in 1973.

¹⁸See G. ARRIGHI, "Labour supplies in historical perspective: a study in the proletarianization of the African peasantry in Rhodesia", *Journal of Development Studies*, April, 1970.

19 For further details see P. S. HARRIS, Black Industrial Worker in Rhodesia, op. cit., Ch.2.

²⁰The role of myths, or of "conventional wisdoms" is brilliantly described by J. K. GALBRAITH in *The Affluent Society*, Penguin, 1962.



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