

# THE RHODESIAN JOURNAL

*of*

## ECONOMICS

*The Quarterly Journal of the Rhodesian Economics Society*

Editorial Board:

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

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# THE RHODESIAN JOURNAL OF ECONOMICS

**Current Wage Problems in Rhodesia and  
Zambia**

S. B. Ngcobo

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# CURRENT WAGE PROBLEMS IN RHODESIA AND ZAMBIA<sup>1</sup>

S. B. NGCOBO

## Introduction

The purpose of this paper is to discuss and to make certain critical observations on wage problems and related matters in Rhodesia and Zambia.<sup>2</sup> For purposes of this discussion, I shall draw partly from my own research and partly from my direct experience in discussions of matters of wage rates and earnings, trade union wage claims, the machinery for wage determinations and also wages policy.<sup>3</sup>

Labour and wage statistics providing information on wages and employment are contained in several official documents which are designed to serve different purposes. In Rhodesia the Industrial Conciliation Act of 1959 mentions only rates of wages in the sense of minimum rate per hour or the minimum average rate of remuneration per hour to be paid by an employer to his employees and apprentices in an undertaking, industry, trade or occupation.<sup>4</sup>

In Zambia the minimum wages, wages and conditions of employment ordinance No. 13 of 1962, as amended, is concerned only with minimum rates of wages to be paid to workers and learners in relation to an hour, day, week, month or ticket.<sup>5</sup> Changes or movements in wage rates are reflected in the respective annual reports of the Department of Labour in Rhodesia

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1 Paper read to the Society in November, 1967.

2 The historical background to the development of wages in Central Africa is to be found in HUMAN PROBLEMS IN CENTRAL AFRICA, No. 28, 1961, namely the article on "Wage Determination in Central Africa".

3 In October, 1962, the Rhodesian Institute of Management in Salisbury organised a Study Conference on the subject of INTEGRATED LABOUR DEVELOPMENT IN SOUTHERN RHODESIA. At that conference, which was representative of the Department of Labour, employers' organisations, trade unions and interested persons from the University College of Rhodesia in Salisbury, I presented one of the four main papers on wages in Rhodesia. In 1963 I was largely responsible for suggesting the recommendations on wages that became incorporated in the report of the U.N./F.A.O./E.C.A. Economic Commission on Zambia otherwise known as the SEERS Report. These recommendations were directly based on my field investigations into wage matters in Lusaka, Ndola and the Copperbelt towns. In 1966 I presented evidence on wage matters to the Government appointed commission into the Copper Mining industry.

4 The Industrial Conciliation Act, 1959, Ch. 246, Section 71.

5 Chapter 190 of the Laws of Northern Rhodesia. Ordinance No. 13 of 1962, Section 5(1), (2).

and Zambia. For a fuller study of wage trends account has to be taken also of actual wages or earnings which include cash wages, overtime pay, all allowances, commissions, bonuses, employers' contributions to pension or provident fund as well as the cash value of all income received in kind such as food rations, housing and uniforms; but in the case of African workers earnings include only cash wages and the value at cost to the employer of food rations and living premises at the place of employment. Comparable figures relating to earnings and average earnings of Africans and non-Africans are to be found in the National Accounts of Rhodesia and Zambia published since 1953, the Economic Surveys of Rhodesia and the Economic Reports of Zambia which were first published in 1964.

### **The Machinery for Wage Determinations**

The Industrial Conciliation Act of 1959, which first came into operation on the 1st January, 1960 in Rhodesia, provides that except for persons employed in domestic service, agricultural operations, Rhodesia Railways, and the Rhodesian Government, wages shall be fixed by an agreement negotiated between a registered trade union and a registered employers' organisation as constituent members of an Industrial Council so recognised under the Act. Rhodesia Railways have their own wage fixing machinery based on the Railways Act.<sup>6</sup>

Industrial Councils operate in respect of mining, railways, building, printing, engineering, and the motor industry. In undertakings, industries, trades or occupations where there are no registered trade unions and employers organisations, or where the trade union or trade unions concerned do not represent all the employees or classes of employees minimum wages are recommended by the Industrial boards and if the recommendation is acceptable to the minister the recommended wages are then embodied in the relevant regulations. The Minister does not make Industrial Council agreements or the recommended regulations by the Industrial boards binding until he has first made these publishable and received objections thereon. In agreeing to any Industrial Council wage agreement or Industrial board wage recommendation the Minister also has to ensure that these are not in conflict with or inequitable in relation to wage agreements, or determination applicable to allied occupations, trades or industries. In this way co-ordination and harmonisation of various wage rates are ensured throughout the economy.

In Zambia wages are fixed or determined by negotiated agreement between a registered trade union and an employers organisation both of which operate in respect of a district, trade or industry.<sup>7</sup> Outside the sphere

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<sup>6</sup> By a recent amendment of the Rhodesian Industrial Conciliation Act, the Railway System of Wage Settlement now comes under this Act.

<sup>7</sup> Northern Rhodesia Trade Unions and Trade Disputes Ordinance, Chapter 25, 1963 edition, and Industrial Conciliation Ordinance Chapter 26, 1960 edition.

of collective bargaining wages are fixed or determined by a Wages and Conditions of Employment Board or a Wages Council.<sup>8</sup> The Wages Council comes into being on the recommendations of the Wages and Employment Board. The Wages and Conditions of Employment Board or the Wages Council is empowered to determine the minimum rates of wages to be paid to workers in relation to an hour, day, week, month or ticket; the wages board or council also determines piece rates, the minimum rates for learners and the minimum overtime rates of wages as well as the extra allowance to be given to a worker who uses his own tools. As in Rhodesia employers are allowed to deduct from the minimum wage the cost of food or housing or both, if provided by them.

Industrial Council Agreements or Industrial Board recommended regulations which the Minister adopts concerning classes of employees or a class of employees could, if considered advisable, differentiate or discriminate between such classes or members of a class on the basis of age, sex, experience, length of employment or type of work or type of classes of premises in which work is performed.<sup>9</sup> But no method of differentiation or discrimination based on religion, race or colour, is allowed in any Industrial Council Agreement.<sup>10</sup> However, African trade unionists do not believe that in laying down wage rates or basic wages Industrial Council Agreements or Regulations recommended by Industrial Boards ignore race or colour among workers or classes of employees. But the Industrial Council officials deny this allegation and state that basic wages are determined according to the rate for the job. It is true, of course, that differentiation between classes of employees usually means differentiation between skilled, semi-skilled and unskilled workers, and that by and large the skilled workers are the Europeans and the unskilled and semi-skilled workers are the Africans. It is probably this aspect which darkens counsel as far as the Africans are concerned.

As opposed to the social or sociological criteria for the determination of wages are the economic criteria. In recommending wages in any undertaking, industry, trade or occupation, industrial boards are specifically required to take into consideration such economic factors as the cost of living, the value of any board, rations, lodgings or other benefits supplied by the employers to their employees, any existing incentive scheme for the employees and the ability of the employers in the industry concerned to carry on their business successfully if any recommendation proposed by the Board were approved, having regard to the cost of production and transport, customs tariffs, markets and any other relevant economic circumstances. The

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8 Northern Rhodesia, Minimum Wages, Wages Councils and Conditions of Employment Ordinance, Chapter 190.

9 Industrial Conciliation Act of 1959, Ch. 246, Sections 32(2) and 71(2).

10 *Ibid.*, Section 71(2).

Boards are also required to consider any representations made to them by their unions and or employers organisations or any matter directed to them by the Minister.<sup>11</sup> No such specific economic factors are laid down in the industrial legislation of Zambia.

A brief note on some of the above economic criteria is called for. Some trade unions in Rhodesia are so afraid of a rise in the cost of living undermining their standard of living that they have inserted into Industrial Council Agreements very elaborate scales of pay according to varying percentage increases in the cost of living. All this looks very ingenious and is probably impracticable. It might be better to determine an adequate level of wages from time to time according to empirical evidence based on the consumer price index prevailing at the time. Trade Unions pressure on wages or statutory minimum wages could so raise the cost of production or the cost of transportation of the goods produced by certain industries as to affect their competitive position in the market. Again Trade Union wage pressures or statutory minimum wages could raise the money cost of labour above its real cost in such a way as to adversely affect those industries that are presently operating under the protection of a customs tariff.

In 1965 the number of employees in Rhodesia that were affected by Industrial Council Agreements on wages was 129,776 and those affected by non-statutory agreements was 10,858.<sup>12</sup> The number of employees that were affected by Industrial Board determined wages was 80,350 in 1965.<sup>13</sup> Employers are allowed to pay wages above the minimum laid down in Industrial Council Agreements or the determinations of Industrial Boards and it has been reckoned that the level of actual wages is between 12½% and 25% above that of basic wages.<sup>14</sup>

#### The Problem of Minimum Wages

According to some, if not several sociologists, the criteria to be applied to minimum wages is that of the Poverty Datum Line concept.<sup>15</sup> As far as Rhodesia is concerned the criterion of the Poverty Datum Line was first suggested in the PLEWMAN Report of 1958.<sup>16</sup> Subsequently this approach was extended to Zambia when Dr. D. G. Bettison published his Poverty Datum Line in Central Africa in 1960. The Poverty Datum Line is essentially a social rather than an economic approach to the determination of wages.

11 Industrial Conciliation Act of 1959, Ch. 246, Section 48.

12 Report of the Department of Labour and Social Welfare for 31st December, 1965, page 16, table 23.

13 *Ibid.*, table 24.

14 See Study Conference on Integrated Labour in Rhodesia, 1962.

15 See Professor Clyde Mitchell's paper on the Poverty Datum Line as presented to the Study Conference on the 24th October, 1962.

16 Report of the Urban African Commission, 1958, pp. 347-58.

It proceeds from an assumption that it is possible to ascertain empirically the lowest possible cost of supplying the elementary and fundamental necessities of life in a given society. Hence the determination of the PDL for Salisbury in 1945 and 1957, Lusaka 1957 and Fort Roseberry in 1960.<sup>17</sup> The essentials of life that are generally included in the Poverty Datum Line are food, clothing, fuel and light, cleaning materials, transport to and from work, rent and taxes. It does not therefore include other requirements of health and decency as conceived under modern conditions. It is, of course, very difficult to compute the level of income which would correspond to the PDL, but Bettison guessed it to be about 150% of the PDL which gives a wage income of £22 or £23.<sup>18</sup>

In 1962 when the Study Conference met, statutory minimum monthly wages had been laid down by the Industrial Boards in respect of 20 undertakings, trades or occupations. Of these, seven had wages of less than £9 per month, six less than £10 per month, six others less than £11 per month and only one, namely the motor industry had a minimum monthly wage of slightly more than £14.<sup>19</sup> All these minimum wages were exclusive of the 20s to 30s allowance for accommodation.<sup>20</sup> Even allowing for the steady upward movement of wages which took place between 1962 and 1966 only two occupations or trades had a statutory minimum wage of £14 per month while four others were very near that level.<sup>21</sup> The general level of minimum wages was still unsatisfactory. The Minister of Labour in 1962 was very sympathetic to the concept of the Poverty Datum Line and he hoped that by gradual stages it would in time be possible to bring the level of minimum wages more or less into conformity with the Poverty Datum Line.

African Trade Unions have readily seized upon the concept of the Poverty Datum Line to press for the immediate adoption of a general minimum wage in conformity with this concept. In 1962 African Trade Union leaders pleaded for an all round minimum wage of £20 to £25 a month.<sup>22</sup> In 1963 Trade Union leaders in Zambia pressed for a general minimum wage of £22 a month.<sup>23</sup> In 1967 African Trade Union leaders in Rhodesia staked a claim for a general minimum wage of £35 a month mainly on the grounds

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17 *Ibid.*

18 See Professor Mitchell's paper mentioned above.

19 See Report of the Secretary for Labour and Social Welfare, 31st December, 1962, Table 21, pp. 41.

20 *Ibid.*

21 See Report of the Secretary for Labour and Social Welfare, December, 1966, Table 22, pp. 16-17.

22 See Mr. M. W. Magadza's paper on wages at the 1962 Study Conference on Integrated Labour Development in Southern Rhodesia, pages 23-25, October, 1962.

23 See *Workers Voice*, Vol. 3, No. 3, March, 1963, Page 6.

of the rising cost of living. The Minister of Labour has recently rejected this claim, on the grounds that it could lead to unemployment among unskilled workers.<sup>24</sup> This is an understandable fear at a time of acute African unemployment.

Legal minimum wages are intended to prevent the exploitation of labour and the payment of low wages, i.e. wages which are insufficient to cover the minimum requirements of the worker and his family. Such minimum wages, therefore, represent an advance over the earlier wages which were merely the "pocket money" of the worker whose family support was expected to come from the produce of the land and stock. Minimum wage determinations are reviewed once every 18 to 24 months in Rhodesia. There is nothing fixed about minimum wages which can always be determined according to the changing conceptions of the satisfactory standards of health and decency and the changing circumstances of each trade, occupation or industry. For this reason the Government statement of objectives, that there should be an 'adequate minimum wage level for each industry' is very welcome.<sup>25</sup>

Economists do not seem to be in agreement about the practical effects and the theoretical aspects of minimum wages.<sup>26</sup> Those who fear that minimum wages might have had employment effects seem to be much concerned with the effects of substantial wage increases even among workers at the bottom of the industrial ladder.<sup>27</sup> The matter would seem to be different where moderate and gradual increases of minimum wage levels are made. Statutory or legal minimum wages have several advantages. They prevent unfair competition for labour among employers; they help to improve the living conditions of thousands of workers who are living below the bread-line; they have the incentive effect of stimulating greater production and demand for goods and services within an economy.<sup>28</sup> They are an essential part of the national armoury against poverty.

There are several employers, however, who want to put the 'cart before the horse' by insisting on the workers rise in productivity before granting a rise in minimum wages.<sup>29</sup> But it is generally recognised now that where the majority of the workers are still living below the breadline, so to say, raising their wage incomes and plane of living has to precede a rise in their

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24 Rhodesia Herald, 12th April, 1968.

25 National Development Plan 1965, Ch. 1, pp. 5.

26 See W. F. J. Steenkamp, In Quest of Aims and Norms for Minimum Wage Fixing in Terms of the Wage Act—*S.A. Journal of Economics*, Vol. 31, No. 4, 1963.

27 *Ibid.*

28 See: L. B. Katzen's article on "The Case Against Minimum Wage Legislation in S. Africa". *S.A. Journal of Economics*, Vol. 29, No. 3, September, 1961.

29 See: W. J. de Villier's article on "The Key to Native Wage Increases" in *Optima*, December, 1962, pp. 202-207.

productivity, i.e., average output per man hour. Moreover, the matter of raising the productivity of the worker is not the sole or even main responsibility of the worker himself as it is that of management. Once the workers have adequate incomes to meet the costs of food, clothes, house rent, transport, and other needs of modern living, improvements in productivity can be undertaken. Improved productivity then becomes the means and the opportunity for raising wages to higher levels.<sup>30</sup>

### The Rate for the Job

In recent years, the policy of improving African wages towards a gradual approach to the Poverty Datum Line has been discarded in favour of the principle of the rate for the job as the proper or correct guiding policy for wages. Other criteria of wages such as the cost of living, the worker's skill, experience and efficiency are, of course, to be applied. The principle of the rate for the job has always been strongly supported by Trade Unionists. For instance, Mr. Howard Bloomfield, President of the Trade Union Congress of Rhodesia, has recently defended the rate for the job as the best guarantee for the maintenance of artisan standards of workmanship and remuneration.<sup>31</sup> This was also the standpoint of the European Mineworkers Union in Zambia until 1964 when it ceased to exist. Even in South Africa the President of the Trade Union Council of South Africa has pleaded for the application of the principle of the rate for the job to African workers as well.<sup>32</sup> The Department of Labour in Rhodesia has affirmed that the rate for the job applies irrespective of race or colour and that there are already a few African workmen who are qualified artisans and are paid on the same artisan rates of pay as Europeans.<sup>33</sup>

The principle of the rate for the job sounds fine when it is enunciated. It has the attraction of appearing to open the door to African advancement in skills and of matching pay or remuneration to those skills. It is therefore a principle that could enable the African to climb the industrial ladder. But the practical application of the principle of the rate for the job presents certain difficulties and problems. There is first of all the lack of training facilities for African trade learners, hostel accommodation and the reluctance

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30 *Ibid.*

31 See Rhodesia Herald, 18th October, 1967.

32 Rand Daily Mail, 10th October, 1967.

33 Two African welders employed by a Salisbury firm for 12 years now earn £22 a week. Six Africans employed by a Rhodesian tin mine as miners and shiftmen are earning £60 to £90 a month; they are the only African mineworkers earning such high wages at present. They work for a basic rate of 48/- for an 8 hour shift. In the Rhodesian Building Workers' Trade Union there are four Africans who earn more than £70 per month; their minimum wage is 10/- an hour. A Salisbury Transport Company has one African mechanic earning 9/- an hour.

of many white employers to take on African apprentice trainees.<sup>34</sup> And yet apprenticeship facilities are a vital need of young Africans. Secondly, in cases where trained Africans and Europeans compete for the same jobs at the same rates of pay, the employers preference goes to the Europeans because they believe that only European workmanship produces good results.<sup>35</sup> Thus the practical effects of the application of the principle of the rate for the job has been to exclude the Africans from skilled jobs and better rates of remuneration. In the final result, skilled jobs become mainly the preserve of European artisans. Further, it will also be remembered that for several years in Zambia the European Mine Workers Union effectively blocked the scheme for African advancement by insisting on the rate for the job and the closed shop policy. The European miners and artisans were using the principle of the rate for the job to defend the dilution of their labour and the threat to their established rates of pay and standard of living by a class of workers of lower skills and insufficient industrial background. The African workers seek to get the same rate of pay for the same job which the white employee is doing now or has been doing. In short, for the African the rate for the job is simply the European rate. However, African Trade Unions are not very enthusiastic about the rate for the job principle because they see it as a weapon of the exclusion of their members. For management the rate for the job has come to mean a rate determined in accordance to job evaluation and job content. A workman of any race who satisfies or meets these requirements gets the appropriate rate of pay. This is the way forward.

### Problems of Wage Structure

Problems of wage structure fall into two categories:— (1) the wage structure of a single industry or occupation and (2) the national wage structure.<sup>36</sup> The problem of the wage structure of a single industry or occupation is concerned with the factors that determine the remuneration of labourers, staff and management. These factors explain the differences in pay between the different categories of employees within a single industry or undertaking.

For the national economy as a whole there can be no uniform wage structure because every undertaking, industry, trade or occupation is different and therefore has its own peculiar wage structure. To some extent the differences in wage structure are a reflection of differences in the proportions of capital and labour and also differences in the proportions of skilled, semi-skilled and

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34 It is doubtful whether the newly enacted Apprenticeship Training and Skilled Development Act in Rhodesia, which is non-racial in its provisions and intentions, will overcome these difficulties. But the Government could use this act to the advantage of all races.

35 In the 1962 Study Conference on Integrated Labour Development in Southern Rhodesia, this attitude was attributed to the widely held belief that even though an African may have the knowledge and skill he still lacks initiative, responsibility and industrial background.

unskilled labour used in the enterprise. But a major cause of differences in wage structures of various industries, undertakings or trades is differences in basic wages or wages rates, overtime or night shift allowance, payments in kind and other fringe benefits.<sup>36</sup>

In Zambia and Rhodesia there is the problem of a dual wage structure. The European employees have one wage structure and the Africans are on another structure and these two wage structures are determined by two different sets of consideration. To a large extent the dual wage structure, which is itself an aspect of the dualistic economy of the two countries, can be explained in terms of the differences in the supply and demand functions of European and African labour respectively. On the supply side there are differences due to the respective numbers of Europeans and Africans coming onto the labour market and also the fact that Europeans are better educated and trained, better housed and better fed than the Africans. The demand for European labour is the demand for skilled artisans and supervisory personnel whereas the demand for African labour is largely the demand for unskilled labour.

### **The Dual Wage Structure in the Copper Mining Industry**

Problems of the dual wage structure have arisen in their sharpest form in the copper mining industry in Zambia, especially since that country became independent. This dual wage structure arose and developed in historical circumstances of the scarcity of skilled labour of Europeans recruited from Overseas and South Africa and the abundance of unskilled labour available locally. With the increase in the efficiency and length of service of the Africans in recent years the issues of African advancement and the dual wage structure have become inseparable.<sup>37</sup>

Before the Second World War (1939–1945) the European workers did not object to moderate African advances taking place. In this attitude they were influenced by three considerations. The jobs of the existing European labour force were not in jeopardy; the substitution of Africans for Europeans really meant separating unskilled labour tasks from skilled jobs rather than turning skilled tasks over to the African employees. Moreover employment was expanding absolutely. But after the war the European Mine Workers Union became opposed to African advancement and insisted on the acceptance of the 'closed shop' principle by the Mining companies. The Union also insisted on the principle of the "rate for the job" and that there should be no job fragmentation. The Mining companies, on the other hand, maintained that at the rate for the job, as defined by the European Union, Africans were not

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36 These matters of wage structures and wage differentials received much attention at the Rhodesian Employers Seminar, 9th and 10th November, 1967. See Background Papers and discussions thereon.

37 R. Baldwin, *Economic Development and Export Growth*, p.p. 150.

employable in competition with Europeans.<sup>38</sup> Only by allotting to Africans at different rates of pay, the least responsible work in the European field and some part only of the more responsible type of work in that field, could Africans, in course of time, become employable at the "rate for the job".

The Forster inquiry of 1954 found that "it was this fundamental difference between the Companies and the European Union which prevented African advancement". It also recorded its view that the African in the Copper Mining Industry is capable of industrial advancement.

Ten years after the end of the war and fifteen years after the Scheme was first proposed a compromise scheme of African advancement was agreed upon between the Mining Companies and the European Union. About 30 employment categories in schedule A were turned over to Africans. Some of these jobs were identical with those hitherto performed by European workers while the others were fragmented jobs, that is, more than one African now performed a task previously undertaken by one European. In 1960 nearly 35 jobs were to be opened up to Africans on a man to man basis, and 20 new fragmented tasks or jobs were to be created. It was then estimated that 350 Europeans would be replaced by Africans. Thus between 1955 and 1960, 1,000 Africans, representing less than 3% of the average African labour force were advanced into new job positions.<sup>39</sup>

The wages that were paid to those Africans who were promoted to the new jobs were higher than those Africans received previously, but still much lower than the wages that were paid to those Europeans who had hitherto done these jobs. Otherwise the dual wage structure still remained in being. On this account and also because so very few Africans benefited the Zambia Mineworkers Union and its vast majority of members became disappointed with the Manning Structure that was recently introduced by the Mining Companies and its relevant local wage structure.

The African Unions have argued that it is wrong that there should be the big discrepancy between the lowest paid expatriate and the highest paid local employee. There seems to be no principle as to who is an expatriate other than that he is white, and no principle as to who is a locally employed person other than that he is black; the local wage structure is confusing for the average employee and where there is confusion there is bitterness. Locally employed persons should get exactly the same basic rate for the job as expatriates.

The Mining Companies have maintained however that —

1. Local wage levels and expatriate wage levels are subject to different

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38 See Report of the Commission of Inquiry into the Mining Industry, 1966, pp. 15-16.

39 R. Baldwin, *Economic Development and Export Growth*, p.p. 161.

influences. The expatriate wage levels are influenced by the world market position and its inevitable fluctuations; by political and other factors in Zambia which are weighed up by the potential recruit, such as exchange control regulations, cost of living, education facilities, etc. Local wages are affected by cost of living, but also by such factors as the increase of local skills, the diversification of industry and the gradual development of the economy.

2. If there is one wage structure, the emoluments of locals and expatriates are hitched together and an increase in local wages which might be justified leads to an increase in expatriate wages which, in terms of any factors applying to them, might not be justified. This could not be dealt with by reducing expatriate allowances as the whole system would then become suspect amongst those whose services need to be retained and the new man who has to be attracted.
3. Where anomalies have occurred, the pressure of local employees will be on removing them by increasing basic salaries to the higher level, while expatriate pressure will be for equalising the allowances, with the possible outcome that both are increased.
4. As potential recruits tend to make judgements on the level of the basic wage, the use of the local wage plus allowances would adversely affect recruiting.

### **The Brown Commission 1966**

With the advent of an African National Government in Zambia the issues of the disparities between the expatriate and the local wage scales was bound to receive immediate attention. Accordingly, in 1966 the Government appointed a Commission of Inquiry into wages and conditions of service in the Copper Mining Industry. The Commission was also required to examine the effectiveness of the procedures for Zambianisation and industrial relations in the Copper Mining Industry.

As regards the problem of the disputed wage structure the arguments that were put forward by the Mining Companies, on one side, and the African Unions on the other could be summarised in the manner indicated hereunder:—

#### ***A—THE CASE OF THE MINING COMPANIES:***<sup>40</sup>

- (1) That the wage and salary rates and the conditions of service of employees in the mining industry on local terms are good by any standards applicable at this stage of development in the Republic of Zambia.

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<sup>40</sup> Report of the Commission of Inquiry into Copper Mining, pp.33-37.

- (2) That all conditions of service for local employees which admit of negotiation have been properly negotiated in the letter and spirit of recognition agreements and in accordance with good industrial relations principles.
- (3) The disparity between expatriate and local wage scales is still justifiable in the present circumstances of the Mining Industry and the need to recruit expatriate labour. Steps have already been taken to bring the two wage scales closer together.
- (4) The wages paid to the Africans in the Copper Mining Industry compare favourably with the wages paid by other employers in Zambia and adjacent territories. For example, the minimum monthly wage in the Copper Mines for unskilled workers is £22.7.6d. as compared with the statutory minimum wage of £10.8.0d. per month outside the Industry. Semi-skilled workers are also better paid and the minimum rate in the Copper Mines is between 70% and 115% above the minimum paid by some employers outside the Industry.
- (5) Wages since 1956 have risen faster than either the amount of copper produced per head, or the cost of living.
- (6) The Mining companies also quoted with much approval the findings of the SEERS Report in 1963/64 that "there has been a fast upward trend in wages. The average wages of Africans in mining, more than doubled between 1954 and 1964, when they rose from £132 to £289 per annum. Big wage increases averaging 7% or 8% per year would make the economic development programme of the Government or the country virtually impossible.

#### B—THE CASE OF THE AFRICAN UNIONS.<sup>41</sup>

The African Unions submitted that:—

- (1) The Wage structure in the industry has been designed to perpetuate European superiority.
- (2) With the dual wage structure an African is debarred from competing in ability and performance with his European colleagues, who seems to belong to a different category of supervisors, even though he may be only on probationary employment. As a result there are no Europeans, recruits or otherwise, who receive orders from Zambians.
- (3) The disparity in wages and other conditions of employment bears no relation to economic factors. It is based on colour.
- (4) In addition to his basic salary the expatriate also gets a better house, better leave, more sick pay and educational allowances for his children.

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<sup>41</sup> Report of the Commission of Inquiry into the Mining Industry, 1966, pp. 38-39.

All these differences are unnecessary and the African worker has reason to think he is being exploited. This leads to frustration, loss of interest in the job and proneness to accidents, all of which affect production.

Having made the above criticisms of the existing mining companies wages policy the African Unions then claimed that:—

- (1) Expatriate basic wages are the proper rate for the job.
- (2) There will never be peace and harmony in the industry until local employees are paid the same basic wage as expatriates doing the same work.
- (3) The present wage structure in the industry makes it most unlikely that the slogan "One Zambian—One Nation" will ever be put into effect.
- (4) There seems to be no principle as to who is an expatriate other than that he is white, and no principle as to who is a locally employed person other than that he is black.

It became clear that the Mining Companies were basing their whole case on wage statistics and the repercussions of increased wages on the Zambian economy or National interest while the African Unions were concerned with redressing racial differences, economic justice and achieving sectional advantages for their members.

#### *THE FINDINGS OF THE COMMISSION.*

The Brown Commission came to the conclusion that the wage structure (expatriate wage and salary scales and local wage scales) is unacceptable to African employees mainly because of their belief that this wage structure represents a return to distinctions and differences based on race and colour. The Commission accordingly rejected expatriate and local wages scales and recommended the creation of a single basic wage scale for all employees in the Industry.

The Commission then recommended that the new settlement between the Mining Companies and the African Unions should be based on the following principles:—

- (1) The principle of the rate for the job must be recognised by the creation of a single basic scale of wages on which all employees, local and expatriate, are placed in an appropriate position determined on the basis of job evaluation.
- (2) The level of wages on the single basic scale should be determined with due regard to two factors:
  - (a) The value in Zambia of skills and experience which can now be acquired by Africans as well as Europeans.

- (b) The basic realities of the economy and the need for Zambia to achieve balanced development.
- (3) Allowances paid to expatriates should be the minimum necessary to attract or retain them until they can be replaced by Zambians. In all cases, both in amount and form of payment, they should be subject to approval by Government.
- (4) The cost to the mining companies of work performed by an African should not be less than the cost when the same, or substantially similar work is performed by a European.

On the immediate wage dispute under consideration the Commission recommended that a general wage increase of 22% should be granted immediately to all employees at present on local terms of employment. It believed that though such an increase might otherwise be regarded as excessive in terms of the growth rate of the Zambian economy this was necessary to secure industrial peace in a key industry and to correct the anomalies of the existing expatriate and local rates of pay.<sup>42</sup>

### **Wages Policy in Zambia**

At the time of the formulation of the Seers Report I was asked to suggest a Wages policy that would be consistent with the requirements of the programme of economic development for Zambia. It seemed advisable to recommend that in addition to the existing machinery for wage determination by collective bargaining and statutory bodies there should be created a National Wages Council whose task would be to consider wage claims and to study the trends of wages and earnings in relation to the Government's economic policy and to advise on them to the appropriate Ministry of Government. Even though such a body might be considered by some people as an interference with the operation of the factors of demand and supply in the labour market overseas, experience seemed to indicate that it might serve a very useful purpose.

While favouring a policy of wage restraint for Zambia in order not to allow rising wage costs to jeopardise the National programme of economic development, it seemed desirable to allow voluntary increases of wages by employers in recognition of long service or greater efficiency by their employees. It also seemed justifiable to say that further wage increases or wage claims should be justified either by a rise in the cost of living as measured by the current Consumer Prices Index or a rise in productivity as measured by output per worker or per man hour worked. This is the kind of approach to wage

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<sup>42</sup> Report of the Commission of Inquiry into the Copper Mining Industry, 1966, paragraphs 114-117. These paragraphs indicate how the Commission arrived at the figure of 22%.

increases that employers generally insist upon or approve of. In practice, however, it is very difficult for wage increases or earnings to be matched exactly to the rise in productivity as British experience from 1946 to 1956 serves to show. During that period national production rose by 3% a year, production per man rose about 2½%, but average earnings rose about 7% and total wages and salaries rose 8% a year.

The policy of raising money wages to reflect fully productivity increases in firms or industries has been seriously questioned. First, productivity advances are very unequal among firms and industries. Second, productivity gains usually result primarily from improvements in technology, although improvements in both worker and managerial performance play an important part. Third, it is frequently difficult to measure productivity changes in a firm or industry, especially over short periods. Fourth, if productivity increases were converted fully into wage increases, the incentive to invest would be seriously weakened. Fifth, productivity may fluctuate from time to time or the volume of output and other factors change.

In the course of my cross examination by the Mining Companies during the sittings of the Brown Commission, the leading representative of the Mining Companies referred, with obvious approval, to a statement in Arthur Lewis' latest book on economic development to the effect that economists have usually expected that wage rates in the modern sector should be about 50% above the income of peasants in the subsistence sector.<sup>43</sup> It was then stated that African wages in the copper mines were more than above this level, even about twice the level of wages in commerce and industry.<sup>44</sup> I subsequently discovered that the mining company representatives had overlooked the statements appearing in the same page to the effect that in practice urban wages could not be kept to the 50% level above subsistence earnings. Arthur Lewis gives three reasons why this is so. Firstly, there is the upward pressure on wages by Trade Unions. Secondly, progressive employers (e.g. the Copper Mining Companies themselves) like to make voluntary wage increases in order to maintain the goodwill or morale of their workers and to share their profits with them. Thirdly, National Governments that have taken office on a popular vote are very much inclined to support the claims of workers against foreign capitalists.<sup>45</sup> Arthur Lewis also refers to the upsetting effects on wages and employment of the rise of a profitable industry which is capable of paying high wages and setting the pace for wage increases elsewhere.<sup>46</sup> This is exactly what has happened in Zambia.

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43 W. A. Lewis, *Development Planning: The essentials of Economic Policy*, pp.77-78. London, 1966.

44 £22 7s. 6d. was then the minimum monthly wage in the Copper Mining Industry for unskilled workers against £10 8s. 0d. in commerce and other industries.

45 W. A. Lewis, pp. 78.

46 *Ibid.*

An American Economist of high repute has written a book in which he criticises the wages policy that has been adopted in the Copper Mining Industry in Zambia up to 1960. His criticism is based firstly on the argument that wages in the Industry have as a result of monopoly pressures been raised higher than they would be under free market competition, that is, under ordinary conditions of supply and demand for the different categories of labour. He therefore regards the wage levels which prevailed up to 1960 as being artificially high, to use his own words:

“One wonders, however, whether the model of a free market for labour and wages is realistic in a situation where both workers and employers are organised and where the Industry concerned is oligopolistic.”

His second ground of criticism is that the high level of wages in the Copper Mining Industry have acted as a magnet to work seekers from the subsistence sector and elsewhere who, however, cannot all be absorbed into employment at the prevailing wages. Hence these high wages have largely led to great unemployment. But this is so only in part. In part, unemployment is due to lack of industrial development outside the copper belt and also to insufficiently developed agriculture. The third criticism is that the high wages in this key industry have retarded the development of the secondary industries since these industries cannot produce at the wage level of the mining industry.

If secondary industries and other mining enterprises were obliged to pay wages obtaining in the Copper Mines they would not produce or survive. Secondary industries have nevertheless come into being in response to such factors as suitable location, transport facilities, market attraction, production costs and availability of suitable labour.

#### CONCLUDING REMARKS

It has been stated by one well known authority that developing countries do not have serious problems of wages and labour like the advanced countries of Western Europe and North America. Whereas the advanced countries are confronted with a situation of a high level of employment and labour shortages, inflationary pressures and general increases of wages induced by widespread collective bargaining and the influence of strong trade unions, no such situation exists in the developing countries.<sup>47</sup> The argument is that in the developing countries a high level of employment does not yet obtain and there is still a considerable surplus of labour mainly from the rural areas; the money and exchange sector is still relatively small compared to the traditional or subsistence sector and so the wage earning population is still relatively small in relation to the total population; though trade unions have come into existence

47 H. A. Turner: *Wage Trends, Wage Policies and Collective Bargaining: The Problems of Underdeveloped Countries*, Occasional Paper, No. 6. University of Cambridge, Department of Applied Economics.

they are not yet strong in numbers, funds and executive personnel and in fact the African trade union movement especially in Rhodesia would seem to be showing fissiparous tendencies; most wages are the result of statutory determinations rather than collective bargaining which applies only to a few key industries.

The above-mentioned features of the developing countries present only part of the total picture. While quantitatively speaking only a minority of Africans are committed wage earners, totally dependant on wage employment, a considerable number of persons from the traditional sector draw some of their income from wages or spend part of their lives as wage earners.<sup>48</sup> It has already been observed that in several parts of the former Federation of Rhodesia and Nyasaland from 60 to 75% of the male population goes away from their home villages to work on commercial farms or takes work for some time in the towns or mines.<sup>49</sup> Wage earning activities therefore affect a larger number than those who can be described as a true industrial African proletariat. The upward trend of wages in African countries has been noticeable since the 1950's and the average annual rate of increase in African wages appears to have been about 7 or 8%.<sup>50</sup> This same average rate of wage increases was found in Zambia in 1962/63.<sup>51</sup> Since then wage inflationary pressures have exerted themselves so that wages and salaries in Zambia have risen by about 22% in 1966.<sup>52</sup> In Rhodesia and Zambia there has developed a serious shortage of skilled labour and in the copper mining industry and the lead and zinc mines in Zambia and in the skilled trades in Rhodesia trade unions exert a strong enough influence on wages. In the two countries under consideration there is a noticeable upward trend of prices.

It would appear then that as the developing countries become more advanced in their economies and social and political organisation, and further, that as Government development expenditures are increased, these countries will begin to show the same tendencies in wages, prices, labour shortages, trade union pressures as obtain in the more advanced countries though not to the same extent or intensity.

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48 *Methods and Principles of Wage Regulation*, page 9, being Report III of the Second African Regional Conference, Addis Ababa, 1964.

49 *Northern Rhodesia, Report of the Rural Economic Development Working Party*, page 3. Government Printer, Lusaka, 1960.

50 H. A. Turner, page 12.

51 See the U.N./F.A.O./E.C.A. Economic Commission Report on Zambia, 1963-64, pp. 122.

52 Budget Statement of the Zambian Finance Minister.



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