

**INCOMES POLICY, PRODUCTION AND THE HUMAN
CONDITION IN NAMIBIA ON INDEPENDENCE:
Some Issues and Options**

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On a cloth untrue
With a crooked cue
And elliptical billiard balls.

- Gilbert and Sullivan

To plan is to choose.
Choose to go forward.

- Mwalimu Julius Nyerere

I.

Prolegomena: Historic and Transitional Contexts

Namibia's history before and under occupation is a given. Forced inequality secured by violence and held in place by repression has been the central theme of the occupation period from the initial German conquest.

The theft of virtually all land deemed useful by white settlers and mining enterprises and the labour value theft embodied in the Contract system of single, term contract, quasi indentured, male migrant labour were the cornerstones on which the colonial political economy was built. By the same token their demolition has been at the heart of Namibian resistance from the initial resistance to conquest through the present Liberation Movement. It is no accident that "land to the tiller" and "an end to contract" have been central to SWAPO's political and economic programmes and perceived as immediate, not long run, priorities.

The economic structure of Namibia is shaped by its history but in part its geological and geographic history. The imbalance in resources - including limited arable and massive range land - leading to the central role of mining as well as the past leading roles of fishing and of ranching are not primarily the products of apartheid or colonial rule. Certainly a nationally oriented political economy would have had a less imbalanced structure - with more crops, manufactures and complete institutional structures - but mining, ranching and fishing would still be major sources of output and even more of fiscal resources and investible surplus. Similarly a non-racist pattern of development would have led to a different set and balance among public services and a much broader middle and/or modestly adequate income proportion of black households but it would have created an only modestly different sectoral pattern of output and left very substantial income inequalities especially urban/rural and intra-rural. Comparison with Botswana (very similar except for the absence of a coast and fishing so far as resources and climate go but with its economic expansion period after independence under a non-racial government) is illustrative in these respects.

But Namibia's colonial history is not complete. The last years of the Liberation Struggle will not greatly alter the economic structure. But they can change the immediate economic context at independence drastically. If the Liberation War drags on for more than a decade and massive physical damage is followed by a sudden exodus of white personnel very severe falls in output will be inevitable.

If, on the other hand, the turning of the military tide in Angola and the rising need for armed forces at home lead South Africa to evacuate Namibia (whether under 435 or a less formal and briefer cease fire process like the British departure from Aden) the Transitional Context will be much more akin to that of Zimbabwe. The economy will be run down but fairly intact and revivable. Some white personnel will leave but to the extent the state and people wish to keep many for a time to provide professional and managerial continuity that is not inherently unattainable.

The former context may be more conducive to relative egalitarianism; the later is more consistent with rapid improvement of the human condition of poor Namibians and reduction of the over two-thirds of black Namibian households now living in absolute poverty. As of 1988 a doomsday scenario looks less

likely than a swift but not scorched earth transition. In any event the pessimistic scenario implies a very long struggle so that it is more plausible to write now on the agreed transition assumption and shift to the war a l'outrance one only if events later evolve in that direction.

Non-Homogeneity and Policy Choice

Because of the historic context and the political and production economic structure it has shaped, the issues for incomes policy in Namibia are complex and bear only a very vague resemblance to those in a capitalist, state capitalist or socialist industrial economy. Thus the specific instruments for altering - and constraints on altering - present white wages, new expatriate wages, upper black wages and low black wages are by no means uniform. Similarly the ability to pay (whether as wages or in basically labour payment returns to self, family or co-op employed) of peasant farms/ranches, very small non-agricultural business ("informal sector"), large ranches, the bulk of medium and large scale enterprises (probably including base metal mining), the government service and the two premier mining activities (Oranjemund, Rossing) varies by up to 100 to 1. Their potential for expanded employment varies even more - but with the lower ability to pay units plus government employment potential dominant.

In a wide range of economic activities raising productivity and providing access to knowledge/markets/inputs is certainly more crucial to higher wages/self or family or co-op employed incomes than wages or prices policy. Indeed the nominal alternative is subsidies which are almost certainly less practicable fiscally and less efficient in production terms than the productivity focus. An element in this approach is emphasis on basic services - especially health, education, water and productive sector extension systems - as a means to increasing Namibians ability to work hard, regularly and productively as well as to meet humanly defined needs.

One constraint sometimes raised is artifactual or psychological at least as usually put. Independent Namibia cannot be legally bound by predecessor regime terms and conditions of employment including pensions any more than by its so-called external (or for that matter internal) debt. Under the "Nyerere Doctrine" which is now accepted international legal practice and approaching

codification in the Convention on the rights and duties involved in state succession, Namibia would have a free choice as to which obligations (and related rights) entered into by the colonial regime to accept and which to reject. But, in fact, its position is even stronger because since 1966 the occupation regime has been illegal at international law so that it can incur no obligations nor make any provisions valid against independent Namibia.

Namibia may choose to continue in some relationships, e.g. to pay domestic debt, to freeze (not cut) salaries for existing civil servants it wishes to keep. But it is free to do so or not to do so on its own calculation of the balance of its own interest. Evidently some actions have created physical facts - the Rossing contracts created the Rossing mining complex - which cannot be wished away even if it were desirable to do so. But they cannot create continuing legal obligations - on independence the shareholders and creditors and employees of Rossing have no valid legal claims on Namibia.

External Constraints and Real Incomes

The extreme outward orientation and small economic size of Namibia radically constrain domestic control over real resource availability and real income levels though less so over their distribution. Namibia's exports have their prices determined outside Namibia. In some cases Namibia can influence them: as a key gem diamond producer especially if it can act jointly with Botswana; as a large enough producer to undertake market development and promotion for karakul; by negotiating a 25,000 tonne a year EEC beef quota analogous to Botswana's. These opportunities should be used and do affect possible real incomes in Namibia, but they do not reverse the bottom line of external price determination of the bulk of Namibia's goods output.

The inverse also holds - most goods used in Namibia are imported. For few if any can it influence the world price significantly. Bargaining and information collecting can avoid being overcharged; resourcing purchases away from generally high cost RSA to low price suppliers can win real gains. Both should be pursued and both can raise real Namibian incomes, but within fairly tight limits.

Nor - at least for decades - can diversification and domestic integration of

production be more than a very partial answer. Namibia can never use diamonds or uranium oxide on the scale it can produce them. Excluding export oriented manufacturing (potentially desirable but not escaping external price determination) the same is true for base metals and will be for natural gas. Once output is restorable parallel considerations apply to meat and fish (600,00 tonnes for 1,6000,000 people comes to 375 kilos per year which would be - literally - a killing level).

There is scope for more food and industrial production but very real knowledge and technical/environmental barriers. The same is true for domestic and regionally oriented manufacturing but with input supply, knowledge, skill and cost control obstacles likely to limit short run expansion from the present tiny base.

Two Conceptual Complexities

Redistribution is a standard term in discussion of incomes policy. Unfortunately it has no standard meaning.

Three types of redistribution can be identified:

1. Primary - shift in assets changing ability to produce (e.g. land reform) and/or power position enabling gaining a higher reward for each unit produced (e.g. trade union empowerment, peasant access to main "fair price" marketing channel);
2. Secondary - provision of services - e.g. education, health, water, extension - i.e. "human investment" resulting in greater ability to produce;
3. Tertiary - consumption transfers (e.g. disability pension, free food) increasing welfare but not ability to produce nor income per unit produced.

Further redistribution can be relative or absolute. If resource availability is growing and the additional resources are allocated very differently from the existing pattern, substantial primary, secondary and/or tertiary

redistribution can take place with the beneficiaries large absolute gainers and the others slight absolute gainers or in about the same position. If resource availability is falling the reverse holds - even the relative gainers may well be absolutely worse off.

Evidently some types of primary redistribution do involve losers almost by definition, e.g. land reform (unless compensated in a way allowing rapid substitution of an equal or higher income). But these while important exceptions - especially at an initial transitional stage - are not the commonest situations nor can they be continued indefinitely whereas redistribution out of growing resources can. Indeed the greatest value of absolute redistribution against some sub-classes and enterprises may not be short run gains but breaking a power pattern which prevented radically different future allocations out of increased resource availabilities.

Adequate income is evidently socially and normatively as well as - often more than - physically or technically defined. However, two different concerns are posed here which affect incomes policy formulation and execution.

First, how are communal goods to be treated? For example, access to primary health care at low or 0 costs to users reduces income needed and/or raises real standard of living.

Second, is "adequate income" to be individually or household based? In the latter case what assumptions are to be made on average number of income earners per household (rather more likely to be 2 or 3 in a 6 member African household than 1)? How can the definition and assumptions be applied to wages policy? What about the households with less earners than average?

Data Base Considerations

The basic output, income level and distribution, human condition, labour force, employment/self-employment and population data for Namibia at independence cannot be known today. More to the point given uncertainties as to the date of and process leading up to transition they cannot be projected with any pretence at accuracy.

But those are facts which cannot be altered (albeit time will reduce the error range on independence day projections). What can be altered is the quality of data and analysis of the present. Two weaknesses are glaringly evident and alarmingly common:

- A. use of data from quite different dates as if either it were contemporaneous or change over time had been minimal - both conditions contrary to fact both for income levels and income distribution. Use of late 1970s data is peculiarly misleading as this pre-dates the creation of the 20,000 odd household black upper wage sub-class (R 5,000-20,000) which is a major fact and a central problem in respect to incomes policy acceptability/practicability;
- B. constant re-invention of data bases instead of building on previous work and especially instead of using the data base of Namibia: Perspectives for National Reconstruction and Development (for present purposes especially Chapters 2, 16 and 26). While doubtless imperfect (and as time passes needing updating), it represents a massive and to a substantial degree successful exercise in collecting, aggregating, analysing, adjusting and reconciling a far wider array of materials than any single "go-it-alone" exercise can encompass. To fail to use it as a base - except for specific reasons in specific cases - is analogous to ignoring the whole output of a national statistical service or the entire empirical content of a Treasury's annual analytical economic survey.

II.

Of Professionals and Politicians

Incomes policy is part of political economy. Political economic decisions are taken by politicians and major economic actors not by professionals. However unpalatable it may be to professionals that is a fact. True a decision-taker may in one or more fields also be a professional, but to that extent he is his own advisor and as decision-taker is acting on a broader array of considerations than those on which the professional can provide reliable answers (or perhaps even advice!).

But decision-takers are primarily concerned with goals and secondarily (or sometimes co-equally) with symbolic targets representing (or believed to represent) steps toward those goals. They are usually much less committed to particular means and are willing to consider alternatives on the basis of costs and benefits relative to goals. (Goals plural, decision-takers almost never have a single goal overriding all others to the extent of excluding them.)

Further, on detailed policies, instruments, phasings politicians and other decision-takers cannot be professionally expert on the whole range relevant to their goals. Even less can they know or work out for themselves the costs (not least in terms of other goals than the one progress toward is the immediate target) and benefits (also including spin-off gains toward other goals) likely to result from varied instrumental, allocational and phasing combinations. Indeed they may not - when it is not intuitively obvious - always recognise the limits of the possible. This is not a criticism of decision-takers - goals and their interaction are, or ought to be, their professional area and an area in which their expertise relates to those on whose behalf they act. To be an expert in this and a professional in all other disciplines at the same time is palpably impossible.

These realities have several implications:

- First, a professional should seek to understand decision-takers' goals. These do influence what courses of action he is likely to wish to consider and what data will be relevant from his point of view;
- Second, a professional should present options - options which are relevant to achieving a decision-taker's goals (not all options!) and few enough that serious consideration among them by the decision-taker is practicable;
- Third, by the same token a professional is under an obligation to explain intelligibly why he projects certain costs, benefits, results; why he says a course of action is impossible; why he advises in favour of certain options over others;

Fourth, proper acceptance of the authority of decision-takers does not mean happily accepting decisions a professional believes to be impossible or not really consistent with the decision-taker's goals. The professional should have at least one go at querying such issues.

The implications for decision-takers are more or less the inverse:

First, make goals and minimum needed progress toward each clear to professionals to avoid their presenting options incompatible with goal patterns;

Second, looking seriously at options proposed and grasping their basic differences;

Third, taking analysis and projections seriously - especially when a warning of impossibility is presented - and assessing the reasons for professional advice for an option not the decision-taker's own first choice (all quite different from accepting anything uncritically);

Fourth, willingness to listen to queries of a tentative decision plus willingness to take responsibility for the final decision not act as a real or purported rubber stamp for professionals.

The simplicity of these points in outline form unfortunately is mirrored by their complexity in practice. But one example may illustrate some.

1. ending racist differentials;
2. reducing citizen income inequalities;
3. raising investible surplus;
4. raising minimum income (or wage) levels by cutting all salaries 50% and using a comparable amount to raise minimum wages.

A professional may on analysis of available data conclude:

- a. 10,000 key personnel (not all white) would depart within 12 months because they could earn more elsewhere and will not accept this ceiling;

- b. if they are not replaced or if they are replaced by much less qualified personnel an initial loss of output of 20% (including grave damage to health, education and extension services) is probable with at least 5 years needed to claw back;
- c. if they are replaced by expatriates, the cost will be twice as high as current salaries/benefits and their initial efficiency lower with a loss of 2% on GDP and 5% on GNP (because the incomes go to non-citizens and are to a substantial extent remitted);
- d. therefore far from raising investible surplus or low level incomes the measure will result in movement away from those goals.

The professional confronting such a situation has a duty to report his data, analysis and judgement. A sensible politician will listen. Both are likely to be better off if the professional tries to work out an alternative, e.g.:

- 1. all scales non-racial;
- 2. all citizen post holders on "present salary" or new scales pay for the post whichever is higher;
- 3. no increments on "present salary" post holders until/unless new scale is increased or they are promoted to a point at which new scale is higher at which point they go on it;
- 4. new scales apply to all new citizen entrants;
- 5. new scales computed in terms of acceptable differentials and adequate (in human and productive efficiency terms) minimum wage - i.e. lower than present at the top and higher at the bottom.

This alternative has costs too. But it does appear to provide progress toward all four goals and to cut the likely costs of the initial instrumental proposal quite dramatically.

III.

Sectoral Features

The inequalities, degrees of poverty, absences of access to services and other contexts of employment in Namibia vary widely. A brief review of sectoral features is relevant to formulation of incomes policy possibilities, problematics and options.

Mining

With 1988s partial base metal price recovery all three of the main mining groups which account for over 90% of Namibia's sectoral production and 80% of its global exports are profitable. CDM is very profitable, Rossing even at depressed uranium oxide prices quite profitable and Tsumeb at least moderately profitable.

This does create an ability to pay context. However, for the larger mines absolute black Namibian pay levels are not low with the partial exception of Tsumeb. For CDM minimum annual benefits (including subsistence) will be of the order of R 8000-9000 by the end of 1988 and average perhaps 12000-14000. For Rossing the rates may be 10 to 20% lower but Tsumeb (presumably because of early 1980s losses) pay levels seem to be little more than half as high. The smaller, marginal mines pay at best about the same as Tsumeb and in general less well.

Training and advancement opportunities are - like remuneration - less bad than in any other productive sector. The degree of access to them is distributed on about the same spectrum as wages. In respect to worker organisation CDM is fully unionised and does bargain with NUMW, Rossing and Tsumeb are anti-union and seek to break - not negotiate with - NUMW.

These characteristics suggest that improving worker welfare in mining can hardly turn on wholesale pay increases unless intra-black inequality is to be raised radically and/or the fiscal revenue and investible surplus based eroded drastically. Key areas include:

a. reducing intra industry inequality with increases at small mines and

Tsumeb and using nominal increases to limit inflationary erosion of real wages;

- b. substantially improving working conditions (including safety) and living conditions (including family housing when desired and regular family visits - miner or family to visit at enterprise expense - in others);
- c. stripping out all racial barriers to access to and enjoyment of training and promotion as well as all scale racially determined benefit inequalities (but not necessarily expatriate ones);
- d. direct union involvement in formulating and bargaining specific changes (including the initial range and form of participation in enterprise operating procedures and practices).

To make such a policy - which entails very low take-home pay increases at CDM and Rossing - acceptable will probably require:

- a. tax changes (e.g. additional profits tax on boom year earnings, a less instant depreciation allowance on investment) to make clear surplus does go primarily to the state;
- b. ownership and control changes leading - at the least - to joint ventures with real Namibian policy inputs;
- c. development on a priority basis of new base metal mines (and possibly a coal mine) to halt or reverse the rapid decline in mining employment;
- d. creating a land/land use right policy consistent with mining households being able to live together but also - when desired - being able to retain retirement time land use rights in their home areas.

Mining - especially large mine - wages and benefits will remain sharply above the general wage level for the foreseeable future. In political terms sharp absolute cuts to one of the core groups of the internal liberation struggle is impracticable (and not self-evidently equitable). In equity terms mining is work which is physically harder, carries more risks, requires more skills and is more socially stressful than most. Thus a case can (and needs to be) made

that mining sector scales are not to be seen as the norm for the whole economy.

Other Large/Medium Enterprises

In these cases rates and opportunities (and degree of unionisation) tend to resemble Tsumeb in general form. Skill, access to promotion, pay and ability to organise characteristics - while far below CDM - are well above average. However, there are sharp divergences not so much between public and private sectors but within each (e.g. historically railways has been a much more apartheid oriented employer than water and electricity).

Ability to pay is both varied and complex. Because these enterprises produce services and goods primarily sold in Namibia their selling prices can be raised to allow higher wages unlike those of the virtually 100% export selling mining sector. But artificial price raising to allow higher wages in this sector will in most cases reduce surplus available for investment and tax revenue as well as the real income of Namibian consumers and widen inequality in black Namibian incomes. Therefore somewhat similar priorities may apply as in mining but with more stress on upgrading the poorer cases (fish processing is notoriously bad) and in strengthening the access to training and the union position.

Government Service

Here massive structural and makeup reforms are needed independent of incomes policy considerations. These will not be discussed here except to note that they will create a context in which both promotion and scale restructuring are less difficult than when an existing structure and service are taken over with only marginal change (as was the case in, e.g. Zimbabwe but, oddly, not in Botswana because the pre-independent government service in the latter was vestigial as to numbers and coverage).

As in mining there is a serious problem because present black Namibian remuneration - especially clerical, health, education, perhaps artisanal - is far above the present incomes of most black Namibians (perhaps 10:1 at

household level) and far above what is achievable for all households, for all wage sector households (unless a sharp decline in wage employment and a huge increase in wage/non-wage labour income differentials are to be accepted) or even for all government employees if expansion of basic services to universal access is to be a fiscally practicable short term target.

The problem in respect to puppet functionaries and home guards is less severe - at least economically. As in Mozambique such people are a potential recruiting pool for the external enemies of independent Namibia. They do not have needed skills, have no claim to income on the basis of productivity and - unlike most teachers, nurses and clerks - have no record of social and political loyalty to the Namibian people.

It is hard to be specific as to options but elements in them include:

- a. non-racial new terms, conditions and scales created for the whole public sector (government and enterprise);
- b. all new citizen entrants on these scales (probably significantly lower than present ones at the top and middle but higher at the minimum and low wage levels);
- c. interim provisions preserving present benefits (but not promotion on the old scales) for present job holders and possibly allowing present white potential citizens a limited period (3 to 5 years) on expatriate terms before having to opt definitively for citizen permanent or expatriate term contracts;
- d. massive improvement of access to training and promotion and substantial rises - in key areas including basic services and, perhaps, construction - of employment for black Namibians with preference to veterans of the Liberation War;
- e. rapid empowerment of a government sector union with participation and powers broadly analogous to those of enterprise unions.

The problem area is "c", even if partly balanced by "d", Present nurses and teachers scales seem to run R 5,000-12,500 (including benefits). It is

unlikely the new scale will be that high. This will create friction, especially with incoming War Veterans on the new (lower) scale. But radically cutting real incomes of key black Namibian personnel who were in no subjective (and frequently no objective) sense collaborators as an "independence present" hardly appears realistic in social, political, incentive or productivity terms.

The unionisation and union role proposals are unusual in African but not necessarily in logical or Nordic/North American terms. The case for workplace participation (except perhaps broad unit goal setting) is not less because a workplace produces education or extension or tax collection rather than textbooks or pharmaceuticals or diamonds.

Ranches and Irrigated Farms

Here the problems are different and almost more intractable. Black Namibians are very badly paid (perhaps R 500 cash and kind average); the ranch sector is important; there is no present ability to pay more - even with R 5000 average per ranch subsidy (almost as much as whole black wage bill) there is no profit to reinvest and no very high managerial income for the owner in the vast majority of cases. Further, without sharp improvement in human conditions and a palpably less authoritarian managerial structure, ranch workers will not stay but surge into urban areas where neither jobs, urban services nor housing will be available.

What is to be done is unclear in principle, because of scrappy data and because the physical state of the sector and its external market access position at independence are to project. Fragments toward a policy include:

- a. rapid upgrading of diet and housing of ranch workers and their families (who often already live with them) based on ranch crop (e.g. under spot irrigation) production and ranch worker construction;
- b. priority to basic service (especially health, education) access provision to ranch workers and families;

- c. strong union or production unit council participation in management at ranch level as a step toward transition to production cooperatives;
- d. if necessary continued subsidies to the sector to ensure sustained/enhanced productivity (including rehabilitation) and to provide a minimum cash wage (above food, decent housing, water, electricity) to all ranch employees or full time co-op workers.

Evidently these steps interlock with takeover of abandoned ranches (already perhaps 20 to 25%); nationalisation of land ownership and phased - but fairly rapid - reform in allocation of land use rights. They could be consistent with a significant number of white ranchers remaining either as operators or as interim managers/support service providers.

Small Non-Agricultural Enterprises

Relatively little - but not nothing - can be said about this sector in general. At its top end it overlaps medium business and at its bottom it is the so-called informal sector - small units, self-employed plus casual or non-formal contract employees, low productivity, low average income.

Minimum wages cannot, in general, be the main instrument. That is more likely to destroy employment than raise incomes. Statutory price increases are unlikely to work, could destroy markets (and thus employment or self-employment) and do not tackle the most basic problem which is low productivity.

Elements toward an approach could include:

- a. productivity raising extension services and access to training and inputs;
- b. where appropriate better access to purchases and markets to ensure fair costs and sales prices;
- c. use of a Botswana type exemplary or reference minimum wage for this sector;

- d. encouragement of co-op (including women's co-op) enterprises where this would assist in the implementation of productivity raising;
- e. removal of present racial and bureaucratic harassment of the sector.

Peasant Ranching/Farming

If one includes broken households (one income earner elsewhere), this is by far the largest, lowest income, lowest productivity, poorest access to basic services sector in Namibia. Both because it is needed to provide a base for attaining a greater degree of food self-sufficiency and because decent household incomes cannot in the foreseeable future be provided for all Namibians through work in other sectors, immediate action to increase access to services, productivity and income in this sector should have priority.

The Botswana case demonstrates how hard, even with finance and goodwill on the part of the state, it is to build up productivity and incomes in small arable, mixed and smallstock farming in dry to near desert areas. Possible initial actions include:

- a. creating access to extension services, inputs (initial ones free) and markets for peasant households - as has been done in Zimbabwe which had a similar Rhodesian history of excluding them;
- b. priority to extending basic health (community, immunisation, first aid, etc) and education (primary, adult, vocational) to peasant areas and households;
- c. learning from peasants as a first step toward improving extension and defining research priorities;
- d. subsidising productivity related inputs, tools, seeds, infrastructure (which helps raise income consumed by the household as well as sold output) rather than subsidising crop or livestock prices;
- e. creating seasonal wage employment keyed to infrastructure and other

construction in peasant areas to bolster cash incomes;

- f. establishment of a permanent disaster damage relief and rehabilitation structure to be able to pump in food and enhanced cash income promptly in drought years (something Botswana has done very effectively).

These steps are not enough. But they could raise real incomes of peasants (as perceived by themselves) substantially in the short run and begin a process of productivity and income enhancement. In the long run that process will need more research, irrigation, other capital works, etc., but even to identify what to do in these areas may take 2 to 3 years after independence with real peasant income gains another 2 to 3 years down the road. One cannot wait that long - more particularly poor peasants cannot and will not do so. Similarly if consolidation of divided household reduces the number of peasant sector dependent people and conversion of marginal ranches (or irrigation and reclamation - including drainage in some areas!) opens up more land for them, raising output per household will be easier. But to identify how many households are willing to give up home area land rights permanently and what land can be reclaimed/converted will take several years.

Domestic Service

This is a low income sector, predominantly female, facing loss of jobs with the departure of white residents and moves to a less inegalitarian income structure. While there is need to set minimum terms and conditions well above typical present levels and to assist in creation of a union able to police them, that alone will not face up to the main challenge - creating alternative employment/self-employment opportunities. Those will need to be primarily in the very small enterprise (services, handicraft/artisanal, construction) sector. It will, as noted in respect to that sector, be important to take specific account of needs and opportunities for women.

Unemployed, Veterans, New Labour Force Entrants

In one sense the general approach to the needs of those not now in employment/self-employment in Namibia is to create an economy and productivity

plus incomes policies which result in expanding opportunities for them to earn at least minimum acceptable incomes. But at least in respect to present urban unemployed and especially as to returning Liberation War veterans specific measures will be needed.

For veterans the Zimbabwe experience shows the limits of interim compensation, some applied training and basic level co-op/enterprise creation extension services. In political and social terms severe strains have resulted. A pre-independence study (including looking at Zimbabwe's successes as well as partial failures) is needed to identify specific steps to take and inputs to provide. To start planning the day the Veterans begin to come home is to choose to be ineffective because too late.

IV.

Policy Instruments and Their Limitations

The sectoral and structural characteristics open quite specific possibilities for and problematics concerning the uses of certain standard incomes policy instruments. Three that may deserve special attention are wage structures/scales, social security and price management.

Wage Structures: National, Sectoral, Ability to Pay

There is a neatness to national minimum and higher level wages and salaries uniform across the entire public sector (government and enterprise) and extending by legislation and/or demonstration to the private sector. In pure theory, if the levels and relativities are correct, this would approximate a perfectly competitive market paying uniform marginal productivity wages at the minimum and uniform skill or shortage differentials above (a point neo-liberal opposition to wage management except as a euphemism for wage reduction appears to ignore).

In practice such a structure can be very rigid, shot through with odd relativities and impossible to apply beyond large employers because in reality structural and institutional discontinuities prevent either a perfect market

or a managed equal pay for equally productive work end result.

However, basic scales covering the public sector with indicative comparabilities for specialised posts do have a good deal to be said for them. Perhaps the easiest way to begin the painfully long and tedious process of devising one is to start from a carefully constructed, more or less plausible one - e.g. Tanzania - and relate it case by case to Namibian realities.

It needs to be realised that the need for incentives does not say how wide the gaps need be, e.g. if doctors are paid twice what nurses are this will - if socially accepted - probably be an adequate incentive even if North European/American divergences are more like 10:1. Similarly the minimum is usually heavily social goal influenced relating to a concept of minimum socially necessary household income and what share of that needs to be met by the 'main' wage earner. If that share varies between urban and rural or non-agricultural and agricultural workers, different minima may have a sound social value basis. Different rates by sector other than this, however, relate either to work conditions differences real or perceived (e.g. mining is hard, nasty and stressful for families compared to secretarial or shop work - which may well be true) or to ability to pay (CDM can afford a R 1,500 minimum wage but trash collection in Windhoek cannot without tax rates which cannot be borne by most tax-payers - also true).

No necessary problem of principle (as opposed to very real problems in setting reasonable amounts) arises in the first case. Ability to pay does pose problems. If substantial on the upside (e.g. for CDM) it reduces tax revenue and investible surplus while creating a rent for workers lucky enough to be at CDM not Tsumeb and not Windhoek Municipality. That is neither efficient resource allocation in pure market terms nor all that easy to justify socially/politically if taxes and investment are in a context benefitting the poor majority (a condition not holding in Occupied Namibia but which must be an immediate goal on independence).

Downward adjustments need to be either controlled or inevitable if they are not to serve the interests of disreputable employers. Two (useful) cases may illustrate:

a. seasonal and disaster relief employment probably should be paid at below

normal minimum wage rates as it is intended as an income supplement not a basic income source;

- b. for employment by carefully defined small and medium enterprise categories using the minimum wage as normative or indicative rather than legally binding (like Botswana) may be desirable. They may well be unable to pay minimum the state and larger enterprises can and should afford. At the least genuine worker owned and operated co-ops should be exempt on member (but not necessarily on non-member) "employees".

Productivity incentives - i.e. bonuses for above average productivity and especially for increasing productivity - do provide flexibility and are in principle socially as well as economically acceptable (including in Marxian political economics until the final state of Communism in the technical sense is attained). The problem is defining productivity and, more particularly, relating bonuses to elements workers really can influence. These barriers make anything but the simplest bonus systems (at fairly low and egalitarian biased within an employment unit) levels a medium term goal at best because of the technical data, relationship devising, worker consultation and monitoring of results problems.

But the most basic problem is that more Namibians receive their labour incomes in self-employment (peasant and small enterprises) or informal employment activities than in wages of a kind national scales can reach. This is no argument against scales, but it is a warning that raising them in real terms should, if possible, be done only in step with real increases in the (in general much lower) levels of non-wage labour income.

Social Security

The impossibility of introducing a full blown, universal access social security system on European (East or West) lines in Namibia is presumably evident. The question is really how much and by what means should be attempted before such a system has become practicable.

Some possible elements include:

- a. national and enterprise pension, sickness and lay-off benefit schemes (either via a national fund or compulsory up to a minimum with allowable higher levels pattern with a choice of a national fund or an enterprise one negotiated with a Namibian insurance company);
- b. encouragement (and knowledge/real resource support) for household and social organisation support for less advantaged or hard luck hit members;
- c. universal access to basic services, i.e. not tied to employment;
- d. special programmes for disabled or mentally deficient people;
- e. special employment and food support programmes (on Botswana lines) for the very poor with coverage and levels stepped up when natural (e.g. drought) or economic (e.g. fall in export prices affecting producers or urban low income households) disaster strikes;
- f. experimentation with ways non-wage (or largely non-wage) households could pay into benefit schemes analogous to pension plans. These probably need some government funding (in the incentive sense like employer's contribution) to make them attractive and have not to date been attempted on a broad front in any low income country.

Price Management: Limits and Uses

Price management will not alter price relativities radically unless significant subsidies are built into it. Otherwise it will be widely evaded or avoided.

Fairly comprehensive efficient production (or distribution) cost plus price setting for a range of major commodities and services is practicable. But it requires very heavy skilled personnel inputs to avoid major empirical errors as well as dependable projections of possible production levels under enterprise control and not subject to sudden shifts as a result of exogenous events (e.g. sudden tightening of import licensing). As such it is,

therefore, probably a medium or long term - not a short - priority in Namibia.

What it can do is to avert upward creep of margins from producers/commercial enterprises acting on a common perception (right or wrong) this type of real income redistribution is possible and beneficial to them. Equally it can probably contain inflation if there is a small (under 5%) goods available versus goods demanded at set price gap. The 1972-1978 Tanzanian experience is broadly consistent with that view.

But equally - as the breakdown of Prices Commission price management in Tanzania from 1979 on, as well as the heavy strains on it in 1975-76, show - no price control mechanism (even if it allows enterprise profits) can prevent inflation in the face of wide and widely varying supply/demand gaps at the set prices. This suggests again that overall Prices Management may not be a high priority, short term goal for Namibia.

But it does suggest a possible, alternative: 'fair' prices for a limited array of goods (e.g. hoes, cutlasses, sugar, maize-meal, cotton textiles, kerosine) consistent with positive profits and backed either by government ensuring availability (e.g. through imports) or using direct rationing (as in urban Mozambique). That approach can avert spiralling inflation directly damaging poor people's standards of living if, a) production holds up, b) fiscal and foreign exchange - or food aid - resources are available.

The thrust of examination of all three of these instruments is to suggest that productivity raising services, direct inputs and infrastructure are probably more likely to raise real peasant and urban small enterprise ("informal sector") labour incomes than standard incomes and prices management. To get the bottom labour incomes up requires more fairness of payment for labour time but at least equally greater productivity from it. Unless the latter is achieved permanent and rising consumption transfers which neither the economy nor the Treasury can afford are virtually unavoidable.

V.

Special Problems: The Top and the Bottom

Because of Namibia's history, economic structure and physical realities there are very real and very different problems with and for present salary/high wage and very low labour income segments of the labour force. Failing to resolve the first will create either massive production losses quite incompatible with reducing absolute poverty or inequalities perceived as blatant inequities with prohibitive social and political costs. Failing to address the latter seriously will probably cause loss of potential output gains and certainly prevent sustained reduction in the number of households living in absolute poverty as well as reduction in degree of inequality in gini coefficient terms. By itself the latter - i.e. gini coefficient reduction (especially if computed on pre-tax personal incomes rather than post tax incomes plus value of public or communal services used) - is almost certainly less important than assisting low income households to win their way out of absolute poverty. When the two goals conflict - as in certain cases they can - less equality with substantially less absolute poverty seems a less unsatisfactory choice than more of each.

Whites - Expatriates and All Them

Upper salariat posts are almost all held by white persons - some clearly non-RSA expatriates, some basically RSA expatriates and some (probably a distinct minority) Namibians of non-African ancestry (settlers) with a real territorial attachment. Many of these posts are important and require skills and experience few black Namibians have had the chance to acquire. That reality cannot be changed overnight (albeit Chapter 16 of the UNIN study - Toward Economic Reconstruction and Development - suggests that it can be altered more radically and speedily than has usually been assumed, as does experience in the not fully comparable case of Zimbabwe). Therefore, in many cases keeping present settlers/expatriates at least for several years or hiring replacement expatriates are the only options consistent with production/real resource availability buoyance.

The present salary/benefit levels seem to run from about R 25,000 through R

75,000 (\$12,000 - \$36,000) pre-tax. By Namibian standards these are stratospheric levels. By Botswana standards they are a bit high, by South African broadly comparable (a bit higher even adjusting for prices), by world standards middling to low and compared with the cost of European and American (including Latin American) competent replacement expatriates very low.

How one resolves that dilemma is far from clear. Certain elements: non-racial scales, new scales for all new entrants, preservation of present employees present pay levels, a period for whites to decide whether to be expatriates (special allowances but term contracts) or citizens (no allowances but permanent contracts) have been noted above. An economically viable solution on these lines is possible and in Tanzania worked well. But Tanzania is not Namibia - there was no large settler community (so preserved pay and allowances were for expatriates who could be and were phased out) and there was not Namibia's brutal history of blood and iron (African blood shed by White iron - or lead).

The apparent option - as in Zimbabwe - of raising black Namibians to present white rates and radically raising only minimum and low wages is superficially attractive (and probably was politically inescapable in Zimbabwe). But it led to sharp employment falls, increased inequality in at least government sector black pay (because 100% black scales did not automatically shift up) and to severe inflationary and fiscal pressure. The inequality and fiscal drag have been reduced by allowing inflation to erode nominal salaries and higher wages while raising middle and lower wages to offset at least part of Cost of Living/subsidy reduction increases. Messy - yes. Optimal - no. But probably a just acceptable second best if entered into on a broader and clearer perspective than was the case in Zimbabwe.

New expatriates as noted will cost more than present settlers/RSA expatriates. Except for volunteers the going person year cost (including benefits and allowances) is probably close to R200,000 in the public and the private sector except for Asian personnel (who may be lower cost than present settler/expatriates). Further, while better qualified formally, most will have less relevant experience (though on average somewhat less 'irrelevant' prejudices). The gain from Namibia being able to select relevant, compatible individuals is real for a limited number of key posts but impracticable beyond say 100 to 250 a year.

The Black Middle Income 'Elite'

The 20,000 odd black households with wages/benefits in the R 5,000-20,000 range are potentially an even more serious obstacle to coherent incomes policy and social and political cohesion. Again the problems have been sketched earlier.

These pay scales cannot be generalised - the resources are not available. To try to do so will result in wage employment falls, fiscal imbalance, delayed expansion of basic services and cuts in national savings and investment. The new scales, old salaries approach while conceivable in not as viable as for settlers/expatriates. These black Namibians will, presumptively, stay. They are - especially in education and health - in categories which will expand creating large groups on old (higher) and new (lower) scales. The latter will include large numbers of those who return from the Liberation War. Not a pattern for social or political harmony.

The reverse - set new scales and apply to all - has different costs. An "independence present" of a 25 to 50% real wage cut for a teacher, a clerk, a nurse or a miner will not be welcome (to put it mildly) especially if settler/expatriate present pay is safeguarded. More crucial the unwelcomeness can be expected to undermine productivity and commitment to the new society and state.

No answer is posited here. All possible answers are bad ones. The decision as to what degree of protection, of quick cuts and of slower cuts via inflation eroding frozen nominal pay is very much one for political decision-takers.

The Abject Poverty Households

These include most peasant households, most small enterprise and ranch labour income households, almost all domestic employers, war veterans without special skills, unemployed persons and some medium/large enterprise employers. Only

for the last (probably smallest) category can minimum wage boosts be a significant part of the answer.

For the war veterans, unemployed and domestic employees (the last two categories predominantly female) training tied to specific sectoral employment creation is probably the most hopeful central approach. For the peasants, ranchworkers and "informal" sector employees/self-employed, productivity raising (as discussed in more detail earlier) is central. For all rapid movement to universal access to basic services is a cost and productivity efficient way of raising their real incomes as perceived by themselves.

The warning here is twofold:

- a. until these groups of people achieve higher real incomes no major, sustainable impact on the hard core of black Namibians living in absolute poverty is possible.
- b. the relevant instruments for tackling their needs are largely outside the scope of standard (basically Northern industrial model) incomes policies and therefore may well be marginalised in resource allocation unless it is firmly politically mandated that they are included in all national incomes policy analysis, formulation, implementation and monitoring.

VI.

Ways, Means, Institutions - Some Thoughts

A variety of institutional devices have had some value in the incomes policy field in Africa. Several are worth consideration - in forms related to Namibia's context and to experience (of success and of limitations) elsewhere.

An Autonomous Incomes/Prices Commission

Such a commission would be responsible for analysis of the present and changing reality, for identifying means of altering it, for concrete proposals for action, perhaps for some actual operational wage and price managing and

for advising other government/enterprise bodies as to appropriate actions for them to take. Probably it should have two components:

- a. a professional Secretariat to carry out the first three functions, reporting to;
- b. a politically selected but autonomous Commission (e.g. women, business managers, trade unionists, peasants, academicians, politicians, co-operative spokespersons) who would take the actual price or wage decisions and make formal recommendations to other decision-takers with their secretariat's professional input as Annexes.

The autonomy at the second level is valuable as a check on decisions taken quickly under short term pressure and regretted at length. It does not imply that key decisions need not go to Cabinet (or Central Committee) for their approval, amendment or rejection nor that advice given has to be taken as opposed to given serious consideration.

To have a full-fledged Secretariat will probably take several years. But an initial core Secretariat (to begin an analysis of what is and short term ways of altering it) and a Commission (to deal with urgent issues, e.g. new scales, position of persons now on old scales, minimum wages, initial productivity raising sectoral programmes) could well be set up now - i.e. before Independence - to get a running start. The Zimbabwe Commission experience suggests that the day after Independence is dangerously late to start and that a permanent body has a better chance of lasting impact than a one-off commission of inquiry.

Self-Organised Worker Bodies: To Speak and Act for Themselves

The need for trade unions to represent workers and make proposals for, bargain toward their increased well-being is widely accepted. But additional groups are needed in Namibia for other groups of labour income recipients whom trade unions cannot readily englobe:

- a. co-operative members;

- b. ranch workers (depending on evolution perhaps within "a");
- c. peasants;
- d. veterans;
- e. women (because of the very real and special problems confronting female members of the labour force);
- f. perhaps youth (for the same reason as women);
- g. small producers ("informal" sector self-employed/small employers and 'casual' employees).

To be effective these groupings need to be self-organised. State and party assistance in empowering them to survey, represent and work for their members, not smother love nor rigid control, are needed. The price of this may be occasional disruption when one group pushes its interest too hard. This danger is less if all are well organised and are represented on the Incomes and Prices Commission where they can understand and seek to reconcile/compromise on their partly mutually reinforcing, partly competitive, claims.

Ministry of Labour - Employment - Social Security

The grouping of functions is deliberate. At the policy level severe diseconomies result from considering, conceptualising and programming them in isolation. However, at the operational level the Ministry neither need nor should have a monopoly. For example, seasonal/unemployment/disaster relief to work needs a coordinating centre with normal line ministries doing most of the actual implementation (e.g. Botswana); employment policy involves training but operationally this is better implemented (indeed articulated as well) by Personpower Development and/or Education.

The functions of such a Ministry depend in part on the presence or absence and division of labour with the Commission cited above. At the least they include:

- a. employment/self-employment statistics;
- b. terms and conditions (including security of employment, safety, minimum wage) setting, inspection/monitoring and enforcement;
- c. evaluation of and advice to the Cabinet (Central Committee) on Commission professional and political level proposals, proposed decisions and concrete advice;
- d. creating and monitoring an industrial tribunal system (or systems) relating to grievances and to remuneration and benefits;
- e. conceptualising and coordinating all aspects of social security (except universal access to basic services) and operating some aspects directly or via autonomous specialised enterprises (e.g. Social Security/Retirement Fund, Insurance Company);
- f. assisting, relating to and monitoring performance of labour organisations cited above but with no power to intervene except for strictly defined, previously set out types of malfeasance (and even then subject to judicial review).

Grievance and Benefits Adjudication

Grievances (especially on safety, unfair treatment, dismissal, etc) need to be resolved quickly, competently, definitively and by a process seen to be fair. One method would be specialist tribunals with judicial chairpersons and labour and employer members selected by the chairpersons from previously agreed panels. Their decisions should be statutorily binding subject to appeal on points of law or gross unreasonableness to the High Court or a specialist Appeal Tribunal.

Benefits cases either when negotiations break down or when particular settlements outside (above or below) statutory/scale norms are agreed by labour and employer at working unit level (including government units) are probably best handled separately from grievances. The Tribunal approach again appears desirable. However, guidelines to the Tribunal are needed (e.g. to avoid bonus schemes from high profit, low employment enterprises becoming excessive) whose clear violation would be grounds for non-acceptance of the proposed agreement even if labour and employer took a common position. (Presumably the Chairman could overrule the other two members if - and only if - he believed their stance was in clear breach of the guidelines.) Again appeal on law, interpretation of guidelines or gross unreasonableness would be possible by labour, employer or the state.

VII.

Summary: Toward An Action Agenda

The possibilities, priorities, limits to and appropriate instruments for an incomes policy for independent Namibia are contextually shaped by:

- a. history;
- b. present economic structure and levels of productive forces;
- c. geographic (climatic, geological) realities;
- d. the prevalence of absolute poverty and of a majority of labour incomes (by recipients) not coming from wage and salary employment.

One problematic issue is the condition of the economy (and its physical base) at independence. The later independence and the more fighting from Tsumeb south the poorer the resource availability and the tighter the constraints on incomes policy and vice versa.

Raising productivity of poor Namibians (as well as providing them fair market access) is essential to reducing the hard core of absolute poverty. Therefore

it must be and be seen as a central part of incomes policy (a decidedly atypical approach).

Eliminating racial bias in pay is essential. How to marry that to not reducing present incomes of those white personnel whose skills will be needed for several years (and/or who would be desirable citizens) poses serious and complex problems.

Equally or more severe problems are posed by the 20,000 black wage earners in the R 5,000 - 20,000 range. If they keep these incomes (unless rapidly eroded by inflation) gaps between old and new black employees will cause tensions. If their present incomes are cut to fit generalisable scales, different but not necessarily less serious tensions will arise.

A variety of instruments can be used in defining, articulating, adopting and monitoring/revising incomes policy in Namibia. There are professional and political functions. While simplistic the division can be represented as data collection, analysis, posing and evaluation of options on the one hand and selecting packages of actions providing politically acceptable progress toward a set of political economic and socio-political goals on the other. Similar possibilities and considerations apply in respect of institutional mechanisms.

Professional work can continue now on data collection and option formulation. It should build on the best available data base, i.e. UNIN's Namibia: Toward Economic Reconstruction and Development, not engage in perpetual self-help reinvention of new, non-cumulative bases for each study. Further, experience - especially in Tanzania, Zimbabwe, Botswana - should be studied in respect to defined structures, issues, instruments, institutions and outcomes to arrive at better understanding of what options really exist for Namibia and the warnings or promise experience elsewhere in the Southern African region present to Namibia.

Politically also certain steps appear practicable and perhaps desirable now:

- a. Liberation Movement Secretariat and policy level consideration of presently available professional input; leading to

- b. identification of priority areas for further work as well as goal guidelines within which to conduct it; and perhaps
- c. creation of a core Secretariat and Commission on incomes and prices policy to coordinate work and to build up options, staff experience and structures to launch action in Namibia on an informed, prioritised basis immediately on independence.

a luta continua!

Falmer
8-VII-88