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Labour Markets and Human Resources Development in the Small States of Africa and the Indian Ocean

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1. INTRODUCTION

Empirical studies done under the new growth theory (endogenous growth theory) has shown consistently that human capital has a significant impact on economic growth. Education is both a result and a determinant of income and can produce public and private benefits. The starting point of endogenous growth theory was the dissatisfaction with the neoclassical approach, with its assumption of a steady state of zero per capita growth. Instead it brings back into the realm of economic analysis long-term growth by assuming that some investments, such as human capital or knowledge acquisition, are not subject to diminishing returns because they generate spillover to the rest of the economy (Romer, 1986).

A second set of benefits are those that relate to research and development which comes from investment in human capital. A number of studies have been done based on the Romer (1986) model and the Lucas production function (1988) model, with some extensions and modifications being done to these models in terms of measurement of the human capital variable. The studies generally find that an increase in average male secondary schooling of 0.68 years raises annual GDP growth by 1.1 per cent a year, while an increase in tertiary education of 0.09 years raises annual growth by 0.5 per cent a year. They find an interaction between initial GDP and human capital (broadly defined, including health and education), so that countries that lag behind tend to grow faster if they have high levels of human capital.

The link between human capital development and poverty reduction is in general based on the assumption that the educated labour force is able to get productive employment in the labour market. Thus the ability of labour markets to create well-paid jobs is very important. This chapter looks at the labour market in eight small countries in Africa and the Indian Ocean. It covers the labour market in terms of labour supply, labour demand, wages/salaries and other aspects of labour costs, unemployment, education and training initiatives, competitiveness and human resource development, migration and brain drain, labour market regulations and institutions, and other matters related to the labour market.

The chapter makes a synthesis of common trends and peculiarities of these labour markets with a view to teasing out the policy implications for making labour markets functional in small developing countries. A major constraint is the unavailability of labour market data on a time series basis of these small countries. Moreover, it is a difficult task to generalise about such heterogeneous countries. It is, however, easy to generalise in terms of two categories. The first category covers the small Southern African countries of Botswana, Lesotho, Swaziland and Namibia. These are all countries that have a lot in common in terms of the history of their labour and economy. In particular, these are countries that are dependent on South Africa for most of their imports as well as having had a long history of labour migration to the South African mines. These countries all have a common history of having been members of a common monetary union and using the Rand as a common currency. Botswana, however, moved out of the union in 1976 when it introduced its own currency, the Pula. The other countries, even though they introduced their own currencies, continue to have their currencies value at par with the South African Rand, while Botswana's is determined by a basket of currencies that also have the Rand as one of the units. The second sets of countries are those in the Indian Ocean, being Mauritius, Seychelles and Maldives. These also have a lot in common in terms of commodities that are associated with them being islands. For instance, they have a well-developed tourism sector and to some extent are highly dependent on sea-based activities such as fishing. The Gambia, though not having a common history or geography with the other seven, has features that are quite similar to some of the small economies in Southern Africa. What is particularly discernible is its dependence on a single commodity and the inability to diversify away from that single commodity. It also has high and rising unemployment that is typical of the other small African economies.

2. LABOUR FORCE DYNAMICS AND LABOUR SUPPLY

The basis of labour supply for any country is the population, both from natural growth and migration from other countries. A major issue relating to labour force growth, especially in the Southern African region, is HIV/AIDS, the effect of which has been to reduce the labour force. Table 1 shows the changes in population over time. The countries typically have small populations of fewer than 2 million with the exception of Namibia with just about 2 million people.

Over time, the population growth rate has been falling for all countries. The population growth rate for Botswana was reduced from 2.5 in the period 1990–95 to about 0.8 per cent per annum in the current period, 1996–2006. The lower growth rate of population is typical of all the countries under study. Maldives, however, has the largest population growth among these countries with 2.7 per cent in 2006. This was a fall from 3.4 per cent recorded in the 1990s. Half of the population in Maldives is under the age of 15.

For most of these countries, the decrease in population growth rates are a result of successful implementation of family planning, increased education of women, expansion of employment for women in certain sectors, etc. In terms of population aged 14 to 64, which is what comprises the labour force, there has generally been an increase for the countries for which data are available. The proportion of that population increased from 54 per cent in 1990 to 59 per cent in 1996 for Botswana, 51 per cent to 56 per cent for Lesotho, 55 per cent to 56 for Namibia. What these statistics generally indicate is that the labour force has been increasing over time, even though it grew by less than the previous period. This would imply an increase in the labour force for these countries.

Table 2 shows the changes in participation rates over time for the total labour force and separately for females. The total labour force participation rate has not been changing, mainly due to the male one remaining the same. For most of the other countries except Botswana, the female labour force participation in the labour market increased significantly. The highest rise is for Mauritius, which increased from 26 per cent to 34 per cent. Swaziland also increased significantly from 36 per cent to 39 per cent between 1980 and 2004.

What is evident from the statistics is that the total labour supply in these small countries has been increasing quite rapidly, even though population growth has been declining. This is posing a challenge for employment creation, especially because most of those joining the labour force are youth who have less on-the-job experience and are therefore less employable. For Mauritius for instance, the total labour force grew at an average annual rate of around 1.4 per cent over the past four years and there are around 9,000 new

Table 1: Population changes over time

Country	*Population ('000)*	*Growth Rate: 1990–95*	*Growth Rate: 1996– 2006*	*Population aged 14–64/ pop. 1990*	*Population aged 14–64/ pop. 1996*
Botswana	1760	2.5	0.8	53.5	59
Lesotho	1791	1.2.	0.5	51.3	56.2
Namibia	2052	3.5	2.0	55.1	56.3
Swaziland	1029	2.1	0.7	51.8	55.7
The Gambia	1556	3.6	3.0	56.1	57.8
Seychelles	81	0.9	0.7	—	—
Mauritius	1256	1.2	1.0	65.6	69.7
Maldives	270	3.4	2.7	—	—

entrants into the labour market each year. The total labour force increased to 549,600 at the end of June 2004 and is estimated at around 556,700 at the end of June 2005.

3. EMPLOYMENT/LABOUR DEMAND TRENDS

Labour demand is typically derived demand, as it is derived from the output produced by labour. There is therefore a relationship between the country's performance in terms of output and its performance in terms of demand for labour or employment. Table 3 shows the growth rate of per capita income for the period 2002 to 2007. On average, the countries recorded a per capita income growth rate, which is better in 2006 than in the previous periods. The best performer in terms of this indicator is Botswana, and the worst cases were Gambia and Swaziland.

Table 3 shows the growth rate per capita, while Table 4 shows the distribution of output by sector. Except for Gambia, most of the output of these countries comes from the manufacturing and service sectors. Generally, most of these countries' economies are based on very few extractive or agricultural commodities with very low industrialisation. This results in most of them being susceptible to external shocks. Most of these economies are narrowly based and have, over time, failed to diversify away from the economic base.

The economy of Botswana is one that started from a very poor condition. At independence there was very little apart from subsistence agriculture. Because of low industrialisation, a number of Batswana were migrant workers in the South African mines. Table 5 shows the distribution of workers by sector. While the mining sector has been the major sector in terms of contribution to GDP, exports and government revenue, its contribution to employment has been very small, ranging between 3 and 5 per cent of total share of employment. Its contribution to GDP has been more than 35 per cent over the last two decades. The small contribution of mining to GDP was mainly due to the capital intensive nature of the production of the mining sector. Moreover, there was very little diamond processing within the economy, which has

Table 2: Changes in Labour Force Participation Rates (LFPR)

Country	*LFPR: 1980*	*LFPR:2004*	*Female LFPR: 1980*	*Female LFPR: 2004*
Botswana	43	45	49	45
Lesotho	39	40	41	42
Namibia	41	40	41	42
Swaziland	34	35	36	39
The Gambia	51	51	45	45
Seychelles	48	48	45	46
Mauritius	36	44	26	34
Maldives	52	55	—	—

Table 3: Growth rate of per capita Real GDP: 2002–2007

COUNTRY	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
Botswana	5.1	6.1	6.1	6.6	4.8	5.2
Lesotho	1.0	0.8	1.9	1.8	3.7	3.2
Namibia	5.0	2.1	5.3	3.0	3.8	3.9
Swaziland	0.3	0.5	-0.1	0.4	0.3	–0.3
Gambia	—	—	—	—	—	–0.3
Mauritius	0.4	2.7	3.7	2.2	2.9	3.3
Seychelles	—	—	—	—	—	1.4
Maldives	—	—	—	—	—	4.1

Source: (i) National Statistics Offices of the SADC Member States; (ii) IMF, African Department Database; (iii) World Economic Outlook (WEO) Database 2007; (IMF) Regional Outlook; sub-Saharan Africa, 2007

Table 4: Share of Output by Sector

COUNTRY	*Agric output*	*Manufacturing output*	*Service Output*
Botswana	2.4	52.8	44.9
Lesotho	16.4	15.4	41.3
Namibia	12.1	11.6	59.5
Swaziland	10.1	36.6	39.4
The Gambia	37.7	12.8	49.5
Seychelles	2.7	15.2	68.5
Mauritius	5.3	19.6	67.4
Maldives			

therefore meant that there was little benefit in terms of employment in the diamond industry. The biggest employer over the period has been the Government, with an employment share of about 40 per cent. For the years that data are available, employment in South African mines has been declining, falling from 15 per cent of total employment in 1986 to about 4 per cent of total employment in 1999.

While distribution of output is skewed towards manufacturing, especially diamond mining, the sectorial distribution of employment is completely different. The sector with the biggest share to employment is commerce, with more than 20 per cent, followed by manufacturing, with more than 10 per cent. Given the effort of government in terms of programmes and policies to boost manufacturing, its performance is disappointing. In terms of distribution of employment between government and the private sector, it is worth noting that the private sector has the biggest employment share of about 57 per cent, followed by central government with 30 per cent. Local government and parastatals have the lowest employment of 8 and 5 per cent respectively (CSO, 2005). In terms of annual growth rate, employment has been

Table 5: Distribution of Workers by Sector (%)

Sector	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*
Agriculture	3	4	4	4	3	3	3	3	2	2	2	2	1	2	3	2	2	2	2	2
Mining and quarrying	6	5	5	4	4	4	3	4	3	4	4	4	2	3	4	3	2	3	3	3
Manufacturing	9	9	10	10	12	12	11	10	9	10	10	10	5	11	13	11	9	11	11	11
Electricity and water	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Construction	10	10	13	14	15	15	15	13	12	10	10	10	5	11	12	11	8	10	9	8
Commerce	17	17	16	16	18	18	18	18	20	19	20	19	9	17	2	19	15	19	19	22
Transport and communications	5	5	4	4	4	4	4	4	4	4	4	4	2	4	4	4	3	4	4	5
Finance and Business	6	6	6	7	7	7	8	7	8	8	8	7	34	7	8	7	5	7	7	4
Community and Personal service	3	3	4	4	4	4	4	4	4	4	4	4	1	2	2	2	2	2	2	1
Education	1	1	1	1	1	1	1	1	1	2	2	2	1	2	3	2	2	2	3	3
Central Government	32	30	29	28	26	25	26	29	29	30	30	30	18	33	38	30	25	31	32	33
Local Government	7	7	7	6	6	6	6	7	7	7	7	7	4	7	9	8	7	8	8	8
Private and Parastatals	60	63	65	65	68	69	68	64	65	63	63	63	78	60	53	62	49	61	60	60
All Sectors	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Migrant mine workers	15	13	11	9	8	7	6	6	5	5	5	5	2	4	—	—	—	—	—	—

Source: Various CSO Bulletins

increasing in the late 1990 to early 2000 period at a much lower rate of about 1.5 per cent. It is during that period that unemployment was also rising, as will be indicated in the next section. The current period is one that holds more promise in terms of employment growth, which was much higher at 2.8 per cent than the population growth at 2.4 per cent. This is, however, lower than the 3.1 per cent recorded between 2003 and 2004. The biggest challenge for Botswana's economy is in trying to diversify the economy and being able to create more jobs from the non-mining sector.

Lesotho is also very similar to Botswana in terms of lack of diversification from one sector. For Lesotho, the dominant sector in terms of employment is subsistence agriculture. Table 6 shows the distribution of labour force by industry in Lesotho. More than 50 per cent of the working population and close to 60 per cent of the working males are engaged in subsistence agriculture. The second largest sector in terms of employment is wholesale, retail, trade and repair with about 9 per cent share to employment, followed by construction with 7 per cent and textiles with 6 per cent. Women dominate the education, manufacturing and textile, private household activities and the wholesale, retail, trade and repair industries. With manufacturing, more jobs are in the textile area, which is a response to international and clothing markets, particularly in the USA under the African Growth and Opportunity Act (AGOA). While agriculture adds more than 50 per cent to employment, its contribution to GDP has been declining over the years. It dropped from about 30 per cent in the early 1980s to about 19 per cent in 2002. This was due to poor and erratic weather conditions.

Table 6: Lesotho Labour Force by Industry and Gender, 1997

Industry	*Male*	*Female*	*Total*
Agriculture and Forestry	6.5	3.6	5.2
Construction	9.5	3.9	6.7
Education	2.2	7.4	4.5
Electricity, gas and water	1	0.2	0.6
Financial intermediation	0.5	0.8	0.6
Health and Social work	0.4	1.6	1
Hotels and restaurants	0.3	2.6	1.3
Manufacturing and textiles	3.1	9.5	5.9
Mining and quarrying	3.1	0.5	1.9
Other community, social and personal services	0.7	1.1	0.9
Private household activities	0.6	10.5	5
Public admin, defence and social services	1.8	2.3	2.1
Real estate, renting and business activities	1.1	2	1.5
Subsistence Farming	59.1	41.5	51.3
Transport, storage and communications	4.3	0.6	2.6
Wholesale, retail, trade and repair	5.8	12.6	8.8
Total	100	100	100

Source: LFS 1997

Besides a decline in agriculture, there was also a fall in Basotho migrant workers to South African mines since the independence of South Africa. The number of Basotho migrant mine workers fell from 130,000 in 1999 to 62,125 in 2002. This obviously has implications in terms of low remittances. The decline in migrant labour was a result of the restructuring of South Africa after its independence and the response to changing gold prices. In 2004, migrant workers comprised 20 per cent of the labour force. In terms of distribution by sector, more than 50 per cent of the working population was engaged in private person/household, and another 28 per cent were employed in private formal establishments, while Government and parastatals employed 11.9 and 4.2 per cent respectively.

Just like Lesotho, Swaziland is dominated by agriculture and agro-processing industries and government services. Swaziland was historically quite dependent on South Africa for employment, as it had a large number of migrant labourers working in the South African mines. In the 1980s Swaziland experienced favourable industrial growth, which was led by companies relocating from apartheid South Africa and was a government attempt to take advantage to attract foreign direct investment. Table 7 shows the sectorial share of output in Swaziland. Agriculture has generally been declining from about 16 per cent to about 11 per cent. Industry has, on the other hand, been increasing its share from 41 per cent to about 45 per cent, while service has almost remained the same at about 43 per cent. GDP growth has declined over the years. It was about 9 per cent in the period 1985–1989, and fell to about 4 per cent in 1990–1997. Growth of output declined further to about 2 per cent in 2005 (ADB, 2006).

The so-called modern sector of Swaziland is dominated by agriculture and forestry products. Swaziland is essentially an exporter of unprocessed or semi-processed products, and hence has less value added and therefore less employment. As shown in Table 8, the share of agriculture in employment has been declining over time, falling from 43 per cent in 1970 to about 22 per cent in 2000. The share of manufacturing has, on the other hand, been rising from 13 per cent to about 21 per cent in 2000. Construction and transport sharers to employment have not changed significantly over time.

The Namibian economy, like the rest of the Southern African Customs Union (SACU) countries, is highly dependent on extraction of natural resources. The country was a colony of South Africa and gained independence from

Table 7: Share of Output by Sector in Swaziland

Sector	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*
Agriculture	15.9	14.0	14.6	11.4	10.7	10.8	10.0	11.3	11.2	11.2
Industry	40.9	43.8	42.4	44.4	44.2	45.0	46.1	45.1	45.1	45.1
Service	43.2	42.2	43.0	44.1	45.1	44.3	43.9	43.7	43.7	43.7

Source: CSO Swaziland

Table 8: Sectorial Share of Employment

Year	*Agric forestry*	*Manufacturing*	*Construction*	*Transport*
1970	43.2	12.7	5.5	5.5
1971	44.3	12.4	5.4	5.4
1972	45.2	12.1	6.7	6.7
1973	41.5	12.9	6.9	6.9
1974	45.2	12.2	7.1	7.1
1975	44.1	14.0	5.2	5.2
1976	43.1	12.4	4.6	4.6
1977	39.8	12.7	6.2	6.2
1978	38.1	12.3	11.1	11.1
1979	38.7	12.0	11.1	11.1
1991	25.2	18.3	5.6	7.1
1992	25.8	18.4	6.6	5.4
1993	25.7	18.4	5.1	5.0
1994	24.0	18.6	4.9	4.9
1995	25.1	19.0	6.4	4.8
1996	24.9	18.0	5.6	3.0
1997	21.9	19.1	6.4	3.6
1998	22.7	20.6	6.7	3.7
1999	21.4	20.1	6.1	2.9
2000	22.3	20.5	6.0	9.5

Source: CSO, Swaziland

South African rule in 1990. The Namibian economy was highly integrated into the South African economy during the decades-long occupation, which inhibited autonomous, authentic economic development. As shown in Table 9, agriculture has been and is still the dominant sector in terms of employment, with 29 per cent of workers engaged in this sector in 2000. Mining activities (especially diamond mining), extensive livestock farming in the commercial – then almost exclusively white-owned – areas and widely uncontrolled fishing activities characterised the economy at independence. The apartheid policy of racial segregation compounded the dual nature of the economy and society. The vast majority of the population was confined to the so-called homelands, particularly in the north and northeast of the country, and to a subsistence economy. Education was limited to the transfer of basic knowledge and skills. This resulted in a society characterised by a relatively wealthy minority living in well-developed towns and cities with functioning communal services and involved in the formal economy, and a majority living in rural areas, lacking basic services and making a living in the informal and subsistence economy.

Economic growth rose substantially after independence but then slowed down towards the end of the first decade. On the other hand, population growth declined from 3.1 per cent in 1991 to 2.6 per cent in 2001, according to the respective Population and Housing Censuses.[1] These should have been favourable conditions for a reduction of unemployment in the country.

Table 9: Employment by Economic Sector in Namibia in 1997 and 2000

Sectors	*1997 (%)*	*2000 (%)*
Agriculture	36.6	29.3
Manufacturing	6.5	5.3
Mining	1.6	0.9
Fishing	1.7	1.8
Wholesale/Retail trade and repair of motor vehicles	8.4	9.0
Others	45.2	53.7

Source: Ministry of Labour, 2001; Ministry of Labour, 2002

However, unemployment remained at a high level of about 31 per cent in 2001, although it had declined compared to previous years. Employment growth, as shown in Table 10, rose at a lower rate than output growth.

The agricultural sector is the major employer in Namibia, accounting for 29.3 per cent of all employees. Most of these jobs are provided by the traditional agricultural sector, while the commercial agricultural sector contributes only about 30,000 jobs. The agricultural sector is followed by the public sector and the wholesale and retail trade sector. The mining sector contributes significantly to foreign exchange earnings and government revenue, but employs less than 1 per cent of the labour force. Government is the single largest employer, with some 90,000 funded posts for the 2005–06 financial year. It is followed by the textile industry with about 7,000 jobs, which are, however, currently under threat.

In terms of employment since independence, new industries such as zinc refining and the textile industry have created roughly 8,000 jobs. Additional jobs are created in the service industries owing to increased demand, for instance, for transport services. On the other hand, the agricultural and, more recently, the fisheries sectors have laid off workers. Workers in the fisheries sector have been retrenched because of strong competition resulting, in part, from a strong local currency and increased oil prices. While there was cautious optimism that the unemployment rate had dropped, results from the 2004 Labour Force Survey indicate a considerable increase again, to 36.7 per cent. This was unexpected, and a thorough analysis of the Labour Force Survey data is needed in order to establish the causes for this rise. Furthermore, results from the National Household Income and Expenditure Survey 2003/04

Table 10: Comparison of Employment and GDP growth in Namibia, 1997 and 2000

	Employment	*GDP in constant 1995 prices, N$million*	*Employment growth*	*GDP growth*
1997	401,203	13,665		
2000	431,949	15,100	7.7%	10.5%

Sources: Republic of Namibia, 2004; Ministry of Labour, 2001 and 2002 suggest a substantial drop in income inequality and income poverty. These results contrast with the rising trend of unemployment.

Mauritius is a country that seems to have done well in terms of diversifying its output and employment over the years. As shown in Table 11, we could discern easily the evolving changes in the different macroeconomic sectors of Mauritius as diversification sets in and more importantly as the structure of the economy undergoes changes. To cite an example, it can be observed how employment levels have been systematically declining in the Primary sector and more particularly in the sugar sector. The latter has fallen in both absolute and relative terms. This could be attributed to the ultimate phasing out of the sugar protocol, which has benefited the Mauritian economy for quite a few decades. The sugar sector is cutting down its labour inputs in an attempt to reduce production costs and to re-engineer its production function from generating sugar to ethanol as a local source of energy. The declining trend in the manufacturing sector is basically due to the decrease in employment in the Export Processing Zone (EPZ) sector. The latter is losing its competitive edge due to high labour costs and low productivity registered in recent years. The decline in Foreign Direct Investment (FDI) in this sector and the delocalisation of firms would also lend support to this finding. However, contrary to the trends observed in the primary and secondary sectors of production, employment levels have been systematically increasing in the tertiary sector. All sub-categories within this sector have experienced an increase in employment levels, albeit much more pronounced in the services sector.

The number of foreign workers has been declining in recent periods. From a peak of 19,121 in June 2003, the total number of foreign workers declined to 18,062 in June 2004 and 16,166 in June 2005. This is largely on account of the

Table 11: Sectorial Composition of Employment in Mauritius (in 000s)

Sector	*Year*		
	2000	*2001*	*2002*
Primary:	57.1	48.2	46.5
Sugar cane	29.4	21.6	19.9
Secondary:	187.7	186.7	183.5
Manufacturing	142	139.5	134.8
EPZ	89.8	85.7	80
Energy	2.9	3.1	3
Construction	42.8	44.1	45.7
Tertiary:	238.8	255.2	264.9
Trade, Restaurants and Hotels	86.4	92.8	96.7
Transport, Storage and Communication	30.8	33.4	34.6
Financial Sector	21.4	21.8	22.5
Services	100.2	107.2	111.1

Source: CSO (2004)

contraction in employment in the EPZ sector, which employs most of the foreign workers.

Like the SACU economies, the Gambian labour market is highly undiversified as it relies heavily on a single commodity, groundnuts. The agricultural sector accounts for the largest employment share with more than 50 per cent of the population engaged in subsistence farming, livestock raising and groundnut cultivation. The sector is also the source of food and export earnings. But agriculture contributes about 23 per cent of GDP since it is a low productivity sector. The industrial sector is very small, accounting for less than 8 per cent of GDP. Manufacturing activities are limited to crushing of groundnuts and food processing and provide employment to 3 per cent of the country's labour force (Republic of Gambia, 1998). Another important sector to employment is tourism, which provides about 2 per cent of the labour force.

Seychelles is a country that is highly dependent on tourism, which contributes 10 to 15 per cent of GDP and two thirds of foreign exchange receipts. Its dependence on tourism therefore means the country is highly susceptible to external events (Government of Seychelles, National Statistics Bureau, 2006). As shown in Table 12, the largest share of output comes from the tertiary sector at more than 60 per cent, followed by the secondary sector at about 30 per cent. The primary sector contributes the least with about 3 per cent share. In terms of employment, the majority of workers of more than 50 per cent are employed in the private sector. The second largest employer is Government with 32 per cent share in 2006 (see Table 13).

Like the rest of the island economies, Maldives' economic base is very narrow and is primarily based on tourism and fishing. In 1998 for instance, tourism made up 33.8 per cent of GDP while fishing accounted for about 10

Table 12: Share of total output by sector in Seychelles

Sector/Year	*2002*	*2003*	*2004*	*2005*
Primary	2.9	2.6	2.6	2.6
Secondary	30.3	27.7	26.5	29
Tertiary	63.4	64.1	67.6	66.9

Source: Seychelles National statistics Bureau

Table 13: Share of employment by sector in Seychelles

Sector/Year	*2002*	*2003*	*2004*	*2005*	*2006*
Private sector	59.2	52.6	51.7	53.8	52.5
Parastatals	12.4	16.5	16.9	17.2	15.2
Government	28.4	30.9	31.4	29.0	32.3
Total	100	100	100	100	100
Unemployment Rate	4	3.1	3.5	3.6	2.1

Source: Seychelles National Statistics Bureau per cent (Government of Maldives, 2001). Table 14 shows a summary of the employment statistics.

While there are variations of the eight countries in terms of performance and employment creation, there are a number of common features. One is the slow growth of employment compared to labour supply over the years. The labour force is mainly youthful and therefore not easy to absorb into employment. Secondly, most of these economies have failed to diversify away from reliance on a single commodity and have therefore remained susceptible to external shocks. Output growth has not been matched by employment growth for most of these economies. The result of the mismatch between labour supply and demand, as will be shown in the next section, is growing unemployment and the informal sector.

4. WAGES/SALARIES AND OTHER LABOUR COSTS

In most of the countries in Africa, wages were institutionally set for most of the period. There also existed minimum wages for unskilled labour for most of these countries, making wages inflexible even during times of economic recession and high unemployment. In the current period with globalization, there has generally been an increased wage growth with worsening outcomes for unskilled labour, especially those engaged in the informal sector. While nominal wages were rising, real wages have over time for most of these countries been rising very slowly due to high inflation rates. The few studies done on the impact of minimum wages have indicated that they have not had a significant impact to employment creation. Employment has failed to grow not because labour costs are high, but because of other factors (see Siphambe, 2003).

In terms of country experiences, Botswana, like the other countries in this chapter, has had slow growth in real wages. Table 15 shows the changes in average real wages between 1980 and 2002 by economic sector. As seen, the highest average real wages in 1980 were in electricity and water, and finance and business services. By 2002, electricity and water had the highest average monthly wages followed by transport and communication. In agriculture,

Table 14: Labour Force Indicators in Maldives

Year	*Population 15+*	*Participation Rate*	*Labour Force 15+*	*Employed Persons 15+*	*Unemployed Persons 15+*	*Unemployment Rate*
1985	98728	52.1	52433	50661	772	1.5
1990	112561	49.5	55745	55272	473	0.8
1995	130670	51.3	67042	66515	527	0.8
2000	158897	54.8	87070	85356	1714	2

Source: Adapted from Rashid, 2006

Table 15: Average Monthly Real Wages by Economic Activities in Botswana, 1995 Prices[1]

Economic Activity	*1980*	*1985*	*1990*	*1995*	*1997*	*2002*	*2003*	*Annual growth rate†*
Agriculture	238	189	269	250	266	599	542	1.61+
Mining and Quarrying	921	1032	1517	1185	1482	3176	3362	2.38+
Manufacturing	683	779	695	582	500	889	944	–0.71ns
Electricity and Water	1124	1041	1599	1350	1597	4438	5569	3.11+
Construction	594	590	615	633	552	979	1050	0.74+
Commerce	525	549	635	580	672	1282	1253	1.45+
Transport and Communication	1000	808	1167	1206	1404	3632	3597	1.43+
Finance and Business Services	1045	1088	1321	1265	1301	3114	3080	1.98+
Community and Personal Services	787	723	780	776	1062	1967	1965	0.90+
Education	985	997	1372	1618	1563	3359	2830	3.91+
Government	na	1676	1789	2015	1987	2822	2502	1.39+
National Average	970	941	1062	1022	1067	2359	2781	1.27+

Source: BIDPA, 2004

†: based on regression estimates using data for the period 1980-2002. ns: statistically not different from zero. +;+: statistically significant at 1%; 5%.

[1] The exchange rate between Pula and US Dollar then was P5.4= USD1. It is currently P6.2=USD1.

wages were far exceeded by those of other economic activities throughout the period. The highest growth in real wages was in the education sector (3.9 per cent), followed by water and electricity (3.11 per cent). Manufacturing registered a negative annual growth rate in average monthly real wages during the period. On aggregate the average real wages in Botswana have been growing at an annual rate of 1.27 per cent over the period 1980–2002.

Table 16 illustrates the average monthly earnings in the various sectors of the economy and does provide additional insights through the sectoral changes within and across sectors and time. While all sectors and sub-sectors have experienced an increase in the average monthly earnings, it is a fact that they are far higher in the tertiary sector; and more precisely, in financial intermediation. Within the secondary sector, the highest average earnings occur in the energy sub-sector, followed by construction. By all standards, the average earnings in each sub-category of the tertiary sector offset those of either the primary or secondary sector. This could be explained by the surging demand for tertiary sector skills, which have not yet been matched by the supply of such skills. The latter would require a long period of apprenticeship, costly training and, very often, special aptitudes. Hence, it can be seen that in the tertiary sector there have been both rising employment levels and average monthly earnings.

Table 16: Composition of Average Monthly Earnings (in Rupees) by Sectors in Botswana

Sector	*Year*		
	2000	*2001*	*2002*
Primary:	6585	7940	8707
Sugar cane	6159	7386	8308
Secondary:	6131	6821	7437
Manufacturing	5544	6155	6668
EPZ	4774	5323	5684
Energy	13515	17518	18987
Construction	8746	9280	10153
Tertiary:	10425	11243	11817
Trade, Restaurants and Hotels	8562	9394	9804
Transport, Storage and Communication	11491	12777	13716
Financial Sector	12224	14553	15441
Services	10328	11061	11576
All Sectors	8178	9159	9845

Source: CSO (2004)

5. UNEMPLOYMENT

For most of the sub-Saharan countries, the 1990 period was a time when most economies were failing to create well-paid jobs with the result being either rising open unemployment or rapid expansion of the informal sector. To some extent, these revealed the inability of the labour markets to be flexible in response to macroeconomic shocks. Wages are generally inflexible downward even in face of high unemployment, therefore meaning that markets fail to clear. For most of these countries, expansion of the formal sector has not kept pace with population growth or the size of the labour force. Table 17 shows the unemployment rate for the eight countries. The SACU countries have the highest unemployment rates of between 18 (Botswana) and 52 per cent (Lesotho). The island economies have done fairly well with low unemployment rates. The unemployment in the SACU countries is generally structural in

Table 17: Current Unemployment Rates

Country	*Unemployment Rate %*
Botswana	17.6
Lesotho	52
Namibia	36.7
Swaziland	40
The Gambia	4
Seychelles	2.1
Mauritius	9.3
Maldives	2.0

nature and is a result of the failure of these economies to diversify from the few extractive commodities.

The next part of this section summarises the issues about unemployment for each of the countries in detail. Botswana's economy is typical of a country that has failed to diversify its economy away from diamond mining. While diamond production was propelling the economy in terms of output, it was creating few jobs due to its capital-intensive nature. As a result, employment creation was not enough to absorb the increasing labour force, therefore unemployment was increasing over time. Table 18 shows that the rate of unemployment in Botswana was recorded at about 14 per cent in 1991. The unemployment rate then rose to about 22 per cent in 1994 and remained almost stable at that level until 1996 (CSO, 1997). Unemployment, however, fell slightly to 21 per cent in 1998 and fell further to 16 per cent in 2000 (see Table 18). Recent estimates from the 2005–06 Labour Force Survey reveal that unemployment has declined again from the 24 per cent estimated in 2002–03 to 17.6 per cent. Even though unemployment has fallen, the current level is still quite high and a major challenge for the economy.

In terms of distribution of unemployment by gender, the 2005–2006 Labour Force Survey indicates that, of the majority of unemployed, 55.5 per cent were women. Despite a lower labour force participating rate of 50 per cent (compared to 65 per cent for men), women had an unemployment rate of 19.9 per cent, while men had an unemployment rate of 15.3 per cent. Female youth (12–29) had an unemployment rate of 31.8 per cent, while that of males was 23.3 per cent. Unemployment is therefore concentrated among women and the youth. The youth are obviously unemployed because they have less work experience. Some of the issues could also be due to their late entry into the labour market compared to the older cohort (CSO, 2006).

As shown in Table 19, unemployment among females is more severe: in 2001, unemployment rates for males and females were 16.37 and 23.85 per cent, respectively. Unemployment among females is much higher, even though the labour force participation (LFP) rate for females is far lower than

Table 18: Trends in Total Labour Force and Unemployment in Botswana

Year	*Unemployed*	*Employed*	*Total Labor Force*	*Unemployment Rate (%)*
1991	61, 625	379, 938	441, 293	13.9
1993–94	107, 723	391, 804	499, 527	21.6
1995–96	94, 528	345, 405	439, 033	21.5
1998	115, 703	441,187	556,890	20.8
2000	90, 729	483, 432	574, 161	15.8
2001	109, 518	449,235	558,753	19.6
2002–03	144,424	462,401	606,826	23.8
2005–2006	114,422	537,043	651,465	17.6

Source: Calculated/computed from HIES, Census, and LFS their male counterparts. This indicates that if the LFP rates were equal for both male and female, the rate of female unemployment would be much worse than the current situation. By area types, unemployment is highest in urban villages (24.6 per cent), followed by rural areas (17.73 per cent) and lowest in urban towns (15.59 per cent).[2] Thus, although unemployment is a social concern across the country, it is more problematic in urban villages compared to other areas.

Although the statistics show unemployment to be a serious problem in Botswana, it does not seem to be a major social problem compared with the situation in other countries. For instance, until recently, the informal sector appears to have been less developed in Botswana compared with other African countries. Illegal migrants from other countries, especially Zimbabwe, fill many of the lower paid jobs, such as gardeners and domestic workers. This could also be a result of the relative strength of Botswana's currency, the Pula, against the Zimbabwean dollar, as well as the desperation of the Zimbabweans, given the dire economic situation in their country.

The fact that the Botswana population generally maintains high reservation wages (minimum wages below which labour chooses not to participate), despite high unemployment, seems to suggest that there must be something missing from the picture. One explanation is that many of those who openly declare themselves as being unemployed probably have family support, which allows them to continue looking for a suitable job without revising their reservation wage downwards in the face of unemployment. Many workers are not willing to work for anything significantly below the minimum wage, even if they are unemployed. This has also been exacerbated by the existence of government relief programmes and social safety nets in general. Workers can afford to remain unemployed and not take up work in agriculture because

Table 19: Unemployment and Labor Force Participation Rate by Gender, Areas, and Youth in Botswana

	Unemployment rate	*Labor Force Participation rate*
Total	19.60	46.97
Gender		
Male	16.37	55.95
Female	23.85	38.78
Area types		
Urban town	15.59	64.62
Urban village	24.60	46.64
Rural	17.73	37.85
Youth (15–24)		
All youth	40.86	36.53
Male youth	34.57	40.46
Female youth	48.03	32.89

Source: calculated from the 2001 census government programmes are enough to sustain their day-to-day living. The high reservation wages may also be linked to the fact that a large number of the members of the labour force see themselves as too educated for some of these jobs. The demonstration effect provided from past experience was that, with a junior certificate, one could easily have worked in a white-collar job given that the country started from a scarcity of human capital. But given the relative abundance of educated graduates, this is no longer the case and therefore more and more youth labour is beginning to accept these jobs, albeit after a time-lag and unsuccessful search for a white-collar job.

Some of the factors found to have contributed to the unemployment situation are shortages of skills (especially entrepreneurial skill), a wrong attitude towards work (which contributes to low productivity), and lack of finance (BIDPA, 1997, Siphambe, 2003). Recent studies on productivity in Botswana found that workers have a relaxed attitude to work and seem to lack motivation. There have been numerous efforts to address these problems, some of which have been the main task of the Botswana National Productivity Centre.

Just like the Botswana case, the Lesotho labour market is characterised by low demand in relation to supply of labour. The labour force continues to increase by approximately 25,000 youth as new entrants every year. Excluding migrant labour, Lesotho had an unemployment rate of 52 per cent. In terms of gender, females had the highest rate of 57 per cent, while males had an unemployment rate of 50 per cent. When migrant labour is included, unemployment rises to about 54 per cent, with that of females being close to 60 per cent. Including hidden unemployment increases the total unemployment to about 64 per cent. The main causes of unemployment are diminished employment prospects in agriculture due to bad weather, a small industrial base, and retrenchments of the South African mining industries (Global Policy Network, 2006). The highest unemployment is for those aged 15–29.

Like the other SACU countries, the Swaziland labour market is characterised by an excess supply of labour, especially unskilled labour. As shown in Table 20, unemployment has been rising since 1986. It rose from about 22 per cent in 1986 to about 29 per cent in 2002. This was a result of the decline in formal sector employment due to the reduction in private sector employment resulting from shedding of jobs from the textile sector. There is also limited investment in other labour-intensive industries, while some firms were also shedding labour as a way to remain more competitive and profitable (Central Bank of Swaziland, 2006). From unofficial figures, unemployment is estimated at over 40 per cent, with youth being the hardest hit with an unemployment rate of 60 per cent. As a result of the high and rising unemployment, the informal sector is gaining prominence in Swaziland. What has made matters worse is that mining in South African mines has continued to decline due to restructuring in South Africa. This is to do with increased mechanisation, and relatively high mine wages that now attract South African citizens. As a result Swazi mining labour in South Africa declined from 20,041 in 1993 to 7,445 in 2004.

Table 20: Unemployment Rate in Swaziland, 1986–2002

Unemployment/year	*1986*	*1991*	*1995*	*1997*	*2002*
Total	21.5	18.2	21.8	22.8	29
Urban	15.4	8	14.7	15.7	–
Rural	36.3	25.2	24.5	27.8	–

Source: CSO, Swaziland

Table 21 shows the labour force, employment and unemployment in Namibia over time. Women are more affected by unemployment than men (39 per cent compared to 28 per cent in 2000). Most striking is the impact of educational attainment on employment status. Thirty-six per cent of the labour force with only primary education is unemployed, compared to 42 per cent with junior secondary (Grade 8 to 10) and 34 per cent with senior secondary education. Those with no formal education are less affected – only 23 per cent are unemployed. A possible explanation is that these are older people staying on farms, and are thus employed or self-employed in the traditional agricultural sector, while people with some degree of formal education migrate to towns and industrial centres in search of work and a better standard of living. A good education almost guarantees a job. The youth is hardest hit by unemployment. Almost half of the age group 15–19 years is unemployed. The rate drops dramatically the older the people are. From the mid-thirties, the unemployment rate falls to 10 per cent and below. Youth unemployment is thus a major challenge to the country.

There are a number of factors that explain the high rate of unemployment in Namibia. The economy is characterised by natural resource extraction that is highly capital intensive (mining, fisheries). The commercial agricultural sector is laying off workers to stay competitive, while the subsistence agricultural sector remains an employer of last resort. The introduction of a minimum wage for farm workers has reportedly contributed to retrenchments on

Table 21: Labour Force, Employment and Unemployment, various years in Namibia

Year	*Employed*	*Unemployed*	*Labour Force*	*Unemployment rate (Broad)*
1991[1]	388,014	91,765	479,779	N/A
1993/94[2]	350,280	84,398	434,678	N/A
1997[3]	401,203	97,121	498,324	34.5%
2000[4]	431,949	109,598	541,547	33.8%
2001[5]	409,591	185,258	594,849	31.1%
2004[6]				36.7%

Sources: [1]Republic of Namibia. 1992/93; [2]National Planning Commission. 1996; [3]Ministry of Labour, 2001, [4]Ministry of Labour, 2002; [5]Republic of Namibia, 2003, [6]The Namibian 24 May 2006 commercial farms. Furthermore, cattle farms have been turned into game farms and hunting lodges, often requiring fewer employees than before. Moreover, they become part of the tourism sector if they stop livestock farming altogether.

Relatively new manufacturing activities, such as textiles and diamond cutting and polishing, have had a positive impact on employment. However, the value chain of Namibia's raw materials needs to be extended in order to add further value and create employment. One of the main challenges remaining for the manufacturing sector is the small and dispersed population, coupled with a highly skewed income distribution that limits demand. In particular, newly established companies face stiff competition from well-established and capitalised South African companies, not only on the domestic market, but also abroad. Because of its limited size and range of products, the manufacturing sector contributes just 5 per cent to employment.

So far, investment – both domestic and foreign – has not been sufficient to alter significantly the situation in the labour market. In a similar vein, Namibia's economic growth has not been particularly employment creative.[3] GDP in constant prices grew by 11 per cent between 1997 and 2000, while employment increased by 8 per cent.

Table 22 summarises unemployment trends for Mauritius. The unemployment rate maintained its upward trend, reaching 9.3 per cent in June 2005 (8.5 per cent in 2004), representing some 50,500 unemployed. The male unemployment rate climbed to 6.1 per cent (5.8 per cent in 2004) while the female unemployment rate increased to 15.3 per cent (13.5 per cent in 2004). Moreover, it is seen that the proportion of people being unemployed is increasing rapidly among women. The number of unemployed women in absolute terms nearly doubled between 2000 and 2005, and percentage-wise, it is more than twice of its male counterpart. The nature of the unemployment is of a structural nature, meaning that there is a mismatch between available skills and available jobs. The majority of the unemployed is youth, has less experience,

Table 22: Unemployment in Mauritius, 2000–2003

	Unemployment					
	Male		*Female*		*Both Sexes*	
Year	*Number ('000)*	*(%)*	*Number ('000)*	*(%)*	*Number ('000)*	*(%)*
2000	18.0	5.4	15.9	9.4	33.9	6.7
2001	18.9	5.6	16.5	9.5	35.4	6.9
2002	18.3	5.4	19.1	11.0	37.4	7.3
2003	19.7	5.7	20.8	11.7	40.5	7.7
2004	20.3	5.8	24.8	13.5	45.1	8.5
2005	21.5	6.1	29.0	15.3	50.5	9.3

Source: Central Statistical Office

has low education levels and is single and family supported. This is because the education system did not prepare the labour force for newly emerging sectors, such as ICT.

For the Gambian economy, the unemployment rate was estimated at 4 per cent in 1993 and was more rampant among the youth, especially males aged 20–24 years of age. This is because there are fewer job opportunities as well as the fact that the youth lack marketable skills. Unemployment is also concentrated in urban areas.

Maldives and Seychelles have generally done very well with unemployment rates of about 2 per cent. For Maldives, the unemployment rate generally declined between 1985 and 1995, but began to increase to 2 per cent in 2000. Maldives' unemployment rate is also quite low compared to the other countries covered in this chapter, including the best performers in terms of economic growth, such as Botswana. What is common with other countries in the chapter is that female participation rate is lower than males and yet they face higher unemployment rates than males.

In general, the SACU countries have performed badly in terms of employment creation. General characteristics of unemployment are that it is more prevalent among youth and women. For most of these countries it is structural, resulting mainly from the inability of these economies to diversify from single export commodities.

From the few studies done on the determinants of employment, the conclusions have been that the major determinants are age, education and gender. The probability of being employed increases if you are male, educated or older (for further discussions of these empirical results for Botswana refer to Siphambe, 2003). On the demand side, the major determinant of employment was output as represented by the country's GDP. Wages were found not to be significant determinants of employment (Siphambe, 2003). These results imply, therefore, that to reduce unemployment it is necessary to increase output, especially of certain sectors that have higher output elasticities; and also improve the education of the labour force.

Table 23: Labour Force Indicators in The Gambia

Year	*Population 15+*	*Participation Rate*	*Labour Force 15+*	*Employed Persons 15+*	*Unemployed Persons 15+*	*Unemployment Rate*
1985	98728	52.1	52433	50661	772	1.5
1990	112561	49.5	55745	55272	473	0.8
1995	130670	51.3	67042	66515	527	0.8
2000	158897	54.8	87070	85356	1714	2

Source: Adapted from Rashid, 2006

6. LABOUR MARKET REGULATIONS AND INSTITUTIONS

A major explanation for the lack of flexibility for labour markets in most of these countries to adjust in the phase of unemployment is the existence of labour market regulations. The Namibian labour market is, for instance, characterised by a high degree of regulation. The Labour Law 2004 includes provisions for extended annual leave, compassionate leave, maternity leave, severance pay and payment of outstanding leave on termination. While it is necessary to protect workers' rights, rigid labour laws prevent job creation, since they increase the cost of labour relative to capital. High labour costs also act as a barrier for small and medium-sized enterprises (SMEs) to enter the formal sector. A strongly regulated formal sector can thus result in a growing informal sector with negligible protection for employees.

The Botswana labour market has always been regulated through the incomes policy. Government wage and incomes policy was intended to cover areas where the market forces determining prices, wages and incomes may not result in efficient and/or equitable results. Thus, minimum wage regulations are intended to prevent exploitation and achieve other social policy objectives, while parastatals' wages and salaries are kept aligned with Government wage scales to forestall excessive wages and cost structures that could make the economy uncompetitive. Thus, the incomes policy aims at making the business climate attractive for investors, especially for investments in enterprises that could produce exportable goods and services.

Botswana's incomes policy was adopted in 1972 with a view to avoiding rapid wage escalation that could lead to growing income disparities and social discord. At that time, the Incomes Policy emphasised rural development and employment creation, which were viewed as key operational targets for achieving the national development goals and objectives. With most of the population living in rural areas and engaged in subsistence farming as their main livelihood, there was concern that mineral developments underway and the urbanisation processes that were occurring, would lead to manpower shortages, rapid wage escalation, widening income disparities, urban migration, growing urban unemployment and social tensions. Government was concerned that the emergence of such problems could thwart its strategies for economic and social development. While government would develop skilled manpower as rapidly as possible, it viewed wage restraint as a crucial ingredient in its overall macroeconomic policy framework. Wage restraint was considered important for promoting employment creation and enabling government's resources available for development to be spread as widely as possible. At the same time, government recognised the need to protect workers and consumers from monopolistic exploitation.

As part of the incomes policy, a number of institutions were developed as part of the tripartite system to bring together workers, employers and government. Some of these institutions are: the National Employment, Manpower and Incomes Council (NEMIC), the Wages Policy Committee (WPC) and the Minimum Wages Advisory Board. NEMIC's terms of reference include monitoring and periodically making recommendations concerning the general levels of government wages, taking into account the wider impact on employment creation. In addition to NEMIC and in keeping with the undertaking to periodically review public sector wages and salaries, government has reviewed public sector wages and salaries through a series of Salary Review Commissions.

Towards the end of the 1980, the Botswana Government began to realise that the incomes policy was not serving its purpose given the changes in the economic environment, especially the growth of the private sector. It therefore commissioned a review of the 1972 Income Policy. The Revised Incomes Policy was adopted in 1990. Some of the main features of this policy are that the private sector was allowed to determine its wages guided by the need to become profitable. There was a recognition that the private sector had now grown and needed to be de-linked from Government pay structure to encourage its growth and competition. The incomes policy, however, maintained minimum wages so as to protect unskilled workers from exploitation by private sector employers. The parastatal sector was and is still tied, in terms of pay to the top and bottom pay of Government, but unlike in the past it could determine its own pay structure in between the top and bottom of Government pay.

The Revised National Policy on Incomes, Employment, Prices and Profits was reviewed again in 2003–04 with a view to aligning Botswana's Incomes Policy with best international practices, as well as with the country's Vision 2016 and other national policies. As a result of the review, Parliament is still discussing the document, which has not become a public document yet. Some of the major proposals in the 2003–04 review are to introduce minimum wages for agricultural and domestic service workers who are currently not covered by the minimum wage legislation; the review also proposed to remove the tie to some parastatals in terms of being linked to Government pay, so that they can attract skilled personnel that can make them competitive globally.

For Lesotho there is a minimum wage system that is set according to occupations in wages. There is a Wages Advisory Board that examines the rates annually. The minimum wages apply to all workers.

The determination of wage rates in Mauritius is based on a tripartite system involving employees, trade unions and the government. Annually, wages and salaries in the public sector are adjusted in line with inflation through what is known as the COLA (Cost and Living Allowance). The adjusted figure is again subjected to various discussions and bargaining. Furthermore, in the public sector, there exists a system known as the Pay Research Bureau (PRB) which submits a report every five years on wages, salaries and working conditions of civil servants together with parastatal organisations. This report makes recommendations for adjusting pecuniary and non-pecuniary benefits in line with structural changes of the economy, labour market changes, evolution of the world economy and private sector challenges. The National Remuneration Board (NRB) is the main body that performs these duties in the context of the private sector.

7. EDUCATION AND TRAINING INITIATIVES

Most of these economies have a shortage of skilled labour, despite the enormous effort in terms of investment in education and training. As a result they have to import foreign labour, while having an excess supply of unskilled and semi-skilled labour. This points to the fact that the education system has not done much in terms of improving the quality of education and creating the skills needed by the economy. Most of countries concentrated on increasing access to education while they neglected the quality of education, which was needed especially in terms of diversifying the economy away from the few natural products and towards industrialisation.

Botswana is a typical country that has made tremendous efforts to invest in human capital. Lack of skilled and educated Batswana was one of the most important constraints on development for Botswana at independence and for many years afterwards. At independence, there were few schools and educated Batswana as a result of the neglect of the education system by the colonial government. The few schools that existed were a result of local and missionary initiatives. At independence, Botswana is believed to have had 40 Batswana who were university graduates and about 100 with senior secondary certificate. All of the university graduates were trained outside the country, mainly in the Republic of South Africa (Harvey and Lewis, 1990). Given the small human capital inherited from the colonial government, the Botswana government had to invest heavily in education, but there were still severe shortages mainly due to long time lags inherent in education and rapid economic growth, which in turn increased the demand for educated personnel (Harvey and Lewis, 1990).

In response to this scarcity of skilled labour, given the availability of revenue from diamond mining, the Government began to expand schooling both in terms of physical facilities and increase in enrolment. The education sector has always received the lion's share of both the development and recurrent budgets of Government of more than 20 per cent.

Given the emphasis of the Botswana government on human resource development over the years, there has been a sufficient output of people coming from primary and secondary schools who are ready to enter into training. Table 24 shows the enrolment in primary and secondary education since 1991. Enrolment rates for both primary and secondary schooling are very high. Dropout rates are minimal (primary 1.8 per cent, secondary 2.6 per cent). The transition rate between primary and junior secondary education was 96 per cent in 2001 and 53 per cent between junior and senior secondary, i.e., from Form 3 to Form 4 (Bennel and Siphambe, 2005). It is currently 62 per cent and is planned to increase to 68 per cent or more by 2009. It is quite evident from this table that enrolment continues to increase. As shown in Table 25, 50 per cent of people aged 20–24 have completed Forms 1 to 4. This is significantly higher than those aged 40–44, with about 20 per cent having completed Forms 1 to 4.

Table 26 shows the number of people who were issued with certificates by the Directorate of Apprenticeship Industrial Training/MTTC between 1997 and 2005 by trade. Between 1997 and 2005, the output from the different vocational centres almost doubled for most fields. If you take into consideration that some of the certificate-level output was produced by the University of Botswana and other tertiary-level training, the output produced is more and has grown quite significantly over the years. The total enrolment for Vocational Technical and Colleges for 2004 was estimated at 12,780 students and was growing over time.

Table 24: Primary and Secondary School Enrolments in Botswana, 1991–2003

Year	*Primary*	*Secondary*
1991	292,233	68,487
1992	301,482	75,873
1993	305,479	85,689
1994	310,128	86,684
1995	313,693	103,159
1996	318,629	108,353
1997	322,268	116,976
1998	322,690	143,604
1999	323,874	148,076
2000	324,283	152,246
2001	329,451	151,847
2002	332,777	156,024
2003	331,456	156,687

Source: CSO, Statistical Yearbook, 2003.

Table 25: Educational Attainment of the Working Population Aged 12 Years and over in Botswana, 2001
(rounded %)

Age Cohort	*No education*	*Incomplete primary*	*Complete primary*	*Forms 1–4*	*Completed secondary*
20–24	6	10	6	51	26
40–44	23	20	21	20	17
All	18	17	14	29	22

Source: Population and Housing Census 2001

Table 26: Certificates Issued by DAIT/MTTC at Trade Test C, B, NCC Level in Botswana, 1997–2005

Trades	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*
Auto Electrical	265	146	156	205	196	268	203	279	305
Auto Mechanics	251	286	159	163	352	405	512	498	603
Agriculture	113	98	103	64	98	112	145	78	256
Bricklaying	356	138	289	306	356	379	406	568	702
Cabinet Making	219	138	159	198	208	345	375	380	408
Carpentry	245	245	265	243	550	568	605	615	605
Electrical	175	206	276	238	264	288	306	308	315
Fitter Machinist	103	64	76	35	16	35	12	43	64
Heavy Plant	89	65	49	82	105	106	106	115	130
Hotel/Catering	68	35	46	12	19	85	35	46	59
Painting	95	65	113	156	189	143	112	120	135
Panel Beating	105	65	58	67	92	65	101	45	87
Plumbing	167	111	89	116	168	190	204	304	270
Welding	165	132	154	165	189	205	206	275	306
Instrumentation	0	0	0	0	0	0	6	2	3
Power Plant	54	18	52	468	23	46	105	116	248
Heavy Plant Operators	0	0	0	0	0	29	49	69	370
Refrigeration	8	20	64	52	36	46	59	67	89
Totals	2488	1832	2108	2518	2825	3315	3547	3928	4955

Source: MTTC Records

Table 27 shows the breakdown of the labour force by level of training attainment in 2001. Slightly more than 80 per cent of the work force had received no formal training. Despite very high rates of economic growth over the last three decades, there is still an excess supply of semi- and unskilled labour in Botswana. The overall unemployment rate for individuals with no training was 28.4 per cent for females and 22.1 per cent for males in 2001 (Bennel and Siphambe, 2005).

Table 27: Population aged 12 and over by training attainment and sex in Botswana, 2001

	Total (rounded '000)			*% of population over 12*		
	Female	*Male*	*Total*	*Female*	*Male*	*Total*
No training	526	434	960	84.6	76.5	80.7
Certificate	62	93	155	10	16.3	13
Diploma	21	21	42	3.4	3.7	3.6
Degree	11	17	28	1.8	3	2.4
Total	620	565	1185	100	100	100

Source: 2001 Population and Housing Census

The majority of newly recruited semi- and unskilled workers in formal sector enterprises in Botswana have completed ten years of education (seven years' primary and three years' junior secondary school). The rapid expansion of education provision, particularly lower secondary education during the 1990s, has dramatically improved the education attainment profile of the labour force. In terms of availability of trainable labour force, the country has therefore produced high enough numbers. What may be lacking is the right quality for the needs of the labour market.

Just like Botswana, Lesotho, Swaziland and Gambia have invested heavily in education, even though they have done so at a lower rate than Botswana. Expenditure on education for Lesotho was estimated at 10 per cent in 2005 (African Economic Outlook, 2006). As a result there has been a positive change in terms of the labour force as measured by some of the statistics. Adult illiteracy rates were, for instance, falling from 18 per cent in 2000 to 14 per cent in 2005. The primary school enrolment ratio rose from 104 in 1990 to 112 in 2001, while secondary enrolment also rose from 13 in 1975 to 24 in 2001 (African Development Report, 2004). Between 1999 and 2004 Swaziland was spending 5.5 per cent of GNI on education. This is, however, lower than Lesotho at 10 per cent during the same period. Illiteracy rates have therefore been declining over time, reaching 17 per cent in 2005 from about 25 per cent in 1990 (African Economic Outlook, 2006). Education is a basic fundamental right for every Gambian child. Because of the rapid growth in population, school enrolment has however been low. Primary school enrolment was estimated at 57 per cent in 1988 and was 79 per cent in 2002. This is far lower than that of the continent as a whole at 92 per cent (African Economic Outlook, 2006).

Maldives gave great emphasis to provision of comprehensive and quality education, which has seen it enjoying 98 per cent adult literacy rates. Like most countries, there remains a major challenge in terms of improving the quality of the education system. As a result, Maldives' development activities are continually hampered by a shortage of qualified and skilled manpower, which is only filled through heavy importation of expatriate labour. At the same time, there are unemployed citizens of Maldives who, because of the improved standard of living, have become discriminating about jobs they would accept. Because of the relative success of Maldives in the region, it is attracting both legal and illegal labour from neighbouring countries such as Sri Lanka, Bangladesh and India. The biggest challenge to the economy of Maldives is diversifying it from tourism and fishing, which make it vulnerable to external shocks. There are also problems with producing local skilled labour, because of the fact that there are many dispersed islands.

8. MIGRATION, BRAIN DRAIN AND REMITTANCES

Studies on migration are very scanty for the eight countries covered in this chapter. Historically, the SACU countries were dominated by migrant labour to the South African mines. For Botswana, Lesotho, and Swaziland, remittances from migrant labourers were a major source of foreign exchange. That situation has, however, changed quite drastically due to restructuring in South Africa. This is to do with increased mechanisation and relatively high mine wages that now attract South African citizens. As a result, Swazi mining labour in South Africa declined from 20,041 in 1993 to 7,445 in 2004. Basotho and Batswana workers have also been declining due to these changes in South Africa.

An important cause for concern for Lesotho and Swaziland is the migration of skilled labour to South Africa in search of greener pastures. The remittances from these migrants are, however, not properly captured in the statistics of these countries. Botswana also has a small but growing proportion of nurses and teachers who have migrated to the UK in search of better pay and better working conditions. From a government point of view, the brain drain is not so serious, even though there is anecdotal evidence of a shortage of nurses. Private hospitals are able to fill the gap with foreign workers, especially from Zimbabwe, due to its worsening economic conditions. The remittances from these teachers and nurses are also not well captured in the official statistics. Compared to countries in Western Africa, especially Ghana, these may constitute a very small proportion of the total income of the country. In the long run, there are likely to be external benefits in terms of acquired skills by these migrants; skills which they are likely to bring to the country on their return. Unfortunately, migration is not managed as governments see it as neither beneficial nor a significant worry. There is, however, need for more empirical research on migration from these countries.

9. HIV/AIDS AND THE LABOUR MARKET

An important issue for the labour markets, especially those in SACU countries, is the high prevalence rates of HIV/AIDS. The prevalence rates are quite high for these countries, with Swaziland having the highest rate at 43 per cent of women attending antenatal clinics. Botswana, Namibia and Lesotho have rates of 17.5 per cent, 35 per cent, and 19.2 per cent respectively. Studies done show that the impact of the epidemic on the labour market and the economy in general has been to reduce labour productivity, and to some extent growth of the economy as governments have been shifting some of the resources needed for development into funding HIV/AIDS-related expenditure.

HIV/AIDS absorbs the largest portion of the budget currently, both in terms of recurrent and development budget for the Botswana economy. The epidemic is also reducing the already scarce skilled labour in these countries, making it difficult for them to achieve their desired goals. Their human development indices have been declining tremendously as a result of the declining life expectancy resulting from the epidemic. In response, countries like Botswana have been providing free anti-retroviral drugs, which is taking away a lot of the resources that could have been channelled towards growth and development. For these countries, HIV/AIDS is a major challenge for their labour markets (for a detailed analysis of the impact of HIV/AIDS on some of these countries' labour markets, refer to Greener et al, 2000, Greener et al, 2004, and Jefferis et al, 2007).

10. POLICIES AND PROGRAMMES FOR ENHANCING THE ROLE OF LABOUR MARKETS

The labour markets of the small countries of Southern Africa are generally characterised by persistent unemployment and poverty. Most unemployment increased in the 1990s and is more severe among youth and women. It is higher in urban areas and its duration is increasing over the years. The size of the labour force is increasing, despite the effects of HIV/AIDS. The island economies and The Gambia, however, have low unemployment rates.

Despite the differences in unemployment rates, the eight countries in this chapter have common features. These are that:

- most of them are based on very few extractive or agricultural commodities with very low industrialisation. This results in most of them being susceptible to external shocks. Most of these economies are narrowly based and have, over time, failed to diversify away from the economic base.
- most of these economies have a shortage of skilled labour, despite the enormous effort in terms of investment in education and training. As a result, they have to import foreign labour, while having an excess supply of unskilled and semi-skilled labour. This points to the fact that the education system has not done much in terms of improving the quality of education. Most countries concentrated on increasing access to education, while they neglected the quality of education, which was needed, especially in terms of diversifying the economy away from a few natural products towards industrialisation.
- due to excessive rural urban migration and the inability of urban centres to absorb the increasing labour supply, there has been an increase in the informal sector in most of these countries. Data show that employment in the informal sector for Botswana was 19 per cent, 72 per cent for The Gambia and 24 per cent for Mauritius. In most sub-Saharan countries the informal sector employs over 70 per cent of urban workers (Bhorat, 2005).

A number of polices and programmes for enhancing the role of the labour market are required to deal with both demand and supply side of the labour market:

- On the labour demand side there is a need to diversify these economies so they do not rely heavily on single commodities. The countries need to come up with programmes that will boost employment creation.

There is a need for countries to support a diversified set of industries especially geared for the export market, given that they have small populations. There is a need to identify key growth areas and support them in terms of finance, infrastructure and other means. Some of these countries are already moving in that direction. Botswana, for instance, has developed several employment schemes, which unfortunately were not very successful due to poor management of the programmes. The programmes were poorly targeted and there was no timely monitoring and evaluation. There is also a need to come up with policies that promote self-employment. Such schemes should aim to develop entrepreneurial abilities, especially in young people. There is also need to give special support to SMEs. Such enterprises have been shown to have very high potential for employment creation, especially self-employment.

- On the supply side, countries need to develop a set of policies and programmes to improve performance of labour markets. Most of these countries face critical shortages of skilled personnel, while at the same time having a surplus of unskilled labour. These countries urgently need to produce detailed and comprehensive national human resources development strategies, which focus in particular on the occupational requirements of key growth sectors in the economy. The development of a labour market information system is essential. Most of these countries lack the labour market information, since they do not have comprehensive databases for such information. Most of them, for instance, do not conduct tracer surveys.
- A major problem on the supply side has to do with quality of education. Most of these countries, driven by philosophies such as the UN declaration of 'Education for All' expanded their education quite significantly and sometimes beyond the ability of the resources. This led to an erosion of quality of education. For most countries, training was usually to fill shortages in the public sector and therefore it became clearer that the skills developed were not suitable for the private sector. And yet the private sector was expected to take a leading role in terms of both employment creation and economic growth. Vocational education was, for most of these countries (especially the SACU countries), neglected in pursuit of training for white-collar jobs. Vocational education is usually considered to be inferior to general education. As a result of the poor conditions of many of the African vocational education and training programmes, it is difficult for graduates to meet the private sector skill demands. There is, therefore, a need to develop policies towards access to formal on-the-job training. This calls for increasing training access for both adults and youth. At a general level, there is also a need to improve the quality of education in these countries.

- Most of these countries have low productivity and high costs of production that make them uncompetitive in the international market. Most studies done on these countries indicate that labour market regulations, like minimum wages, do not have a significant impact on employment creation. This is because they are set at very low rates and wages also account for a very small share of the total costs of the firms. There is also an issue that, even when regulations are in place, they are often not enforced due to limited coverage. Even though most countries have ratified a good number of the International Labour Standard Conventions, they have not changed their national laws to allow for enforcement of these standards. Given that wages are not the main binding constraint, it therefore follows that competitiveness must come from increased productivity and greater development of worker's skills. There is, therefore, a need to intensify programmes for enhancing productivity in the workforce in all the countries.

Notes

1. Government of the Republic of Namibia, 1992 and 2003.
2. In 1991, 19 of Botswana's villages started to be classified as urban villages. These were defined as villages with fewer than 25 per cent of their workforce working in traditional agriculture. These are, however, different from the more established urban areas such as Gaborone, Francistown, etc. Examples of urban villages are Molepolole, Mahalapye, etc.
3. Bank of Namibia, 2004.

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