



To what extent do economic policies and the economic structural heterogeneities inhibit the employment absorptive capacity of the Namibian economy?

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Brief Note

Distinguished NUNW Leadership
Ladies and Gentleman

My topic of today dwells on the long standing soul searching question of to what extent economic policies and the economic structural heterogeneities inhibit the employment absorptive capacity of the Namibian economy? Putting it mildly one can recast this title as to what extent does economic policies and its dualistic economic structure, inhibit employment or caused increased unemployment in Namibia?

First of all, how is the structure of the economy?

Namibia is endowed with natural resources such as diamonds, base metals, agricultural livestock fisheries and tourism. Namibia is characterized still by its dualistic features. The old tourism adage that Namibia is a land of contrasts holds true also in economic sense. There are two very different and separate yet interrelated economies in one economy in Namibia. There is a commercialized and primary commodity based enclaved economy controlled by a significantly less counted number of Namibians on the one hand and a largely subsistence and economically marginalized economy on the other where a disproportionate number of Namibians are residing.

This dualistic structure is much more evident in the labour market where wage disparities are highly skewed and biased towards the primary commodity economic enclaves characterized by low productivity, capital deployment intensity and rigid employment.

Why is unemployment high in Namibia?

There is abundant evidence to prove empirically and theoretically that unemployment rate is high in Namibia. The recent statistics show that unemployment rate had reached 37 percent. Namibia's unemployment rate is the highest in the SACU member states with Swaziland trailing behind by 30 percent. Combining the underemployment statistics, our total unemployment could exceed 60%. According to a well published Afrobarometer survey, over half of the people surveyed in Namibia say that unemployment is the most important economic problem.

There are also considerable disparities in unemployment: more than 56.4 percent of men are employed, compared to only 40.7 percent of women; employment in urban areas stood at 66.5 percent, nearly double the rate in rural areas, where it was just 34.7 percent.

The statistics that we rely on should however be treated with caution. They say figures can't lie but liars can figure. The latest unemployment rate contradicts in the sense the results of the latest Namibia Household Income and Expenditure Survey, which found that Namibians were better off than they were a decade ago, and the country was on track to meet the UN's millennium Development Goals by 2015. "The survey says households living in severe poverty declined from 8.7 percent to 3.9 percent. The Gini Coefficient seems to have drop from 0.7 to 0.6. But now narrow unemployment is at 36.7 percent. Economic rationale can tell that there is a positive link between increased unemployment and incidence of increased poverty. From a developmental perspective, we should be mindful how we communicate our statistics as one hand should reasonably be mirroring the other hand.

The unemployment problem remains chronic even in the face of Government promoting economic policies that are employment friendly. Given that Namibia are one of the youngest cousins in Africa to be independent, at the age of 17 Namibia should be proud of the relatively peaceful transition from colonial rule to independence. From an economic and political stability point of view, the SWAPO led government should be commended for addressing certain imbalances such as safeguarding generally prudent fiscal policy, sound and stable macroeconomic

management, stable yet volatile/low economic growth, fairly developed and well maintained infrastructure, and strong legal and regulatory environment.

The National Development Plans and the Vision 2030 are quite clear on one crucial issue. Government policy is aimed at promoting growth and employment and reducing poverty and inequality. Key instruments so far for achieving these aims are high expenditures on education, health, a universal pension system, and other social services. Further to this, measures have been taken to create employment and to redress inequities on the labour market. At the same time, the Namibian Government follows a market-oriented and open economic policy, based on acknowledgement of the fact that the problems of unemployment, poverty and inequality can only be overcome in the context of economic growth. The aims of the government so far include a prudent budget, a conservative approach to foreign debt, and public sector employment.

Under such macro economic conditions, we could convincingly conclude that these all can be termed to have aid in increased employment but we are seeing exactly the reverse.

Empirical studies show that there are various economic policy related problems that causes unemployment in Namibia. These are the dualistic labour market, low education attainment, lack of skilled labour, unprocessed exports and time inconsistent policies.

On the dualistic labour market, independent Namibia inherited a highly segmented labour market, where every defined 'ethnic group' had differentiated access to

employment and to wages, with a major underlying factor being unequal access to education. Coupled with this segmented labour market, we see that unemployment becomes also more dualistic reflecting in the declining importance of agricultural employment with no compensatory or commensurate increases in employment in the industrial and services sectors.

Our education system leaves much to be desired to promote sustainable employment. It is characterized by poor quality, low efficiency, low economic and functional skills relevance and low capacity for entrepreneurship, knowledge creation and innovation. There is econometric evidence that proves that Namibians have generally low education attainment which increases the probability of being unemployed. Despite its middle income status and significant resources spend on education, Namibian ranks lowest among its peers in SACU in student performance on reading and Mathematics. Low academic performance translates into low completion rates as currently evident in 20 percent in science, 35 percent in humanities and 44 percent in education. Education remains the primary scud missile in Namibia's fight to reduce unemployment and hence current ETSIP efforts to raise education quality is highly welcomed. This is most encouraging in the sense that there is ample evidence that with increased education attainment for those who are fortunate, the propensity of having higher incomes also increases.

Further there is something interesting to take note especially for our Home Affairs Ministry. There is a strong complementarity between unskilled and skilled labour. Unemployment rate overtime falls among the unskilled labour as skilled labour increases. This means that if you

restrict importation of skills into the country this could therefore increase unemployment among unskilled workers.

The increasing reliance on unprocessed exports and the lack of diversification efforts also can perpetuate chronic or structural unemployment. Employment patterns fluctuate with commodity price swings which are largely beyond our control. Economic diversification efforts such as in textile and clothing sectors remain fragile and can given the global trends and competition impose short term benefits but medium to long term costs.

Looking to the future, what can we do to alleviate the problem of unemployment?

Allow me to return to my positivism. Namibia has a good track record for the last 17 years economically, socially and politically. There are bumps along the road but Namibia can be a good candidate for tackling unemployment and ensure increased absorptive employment in the economy.

It seems at first that the stable yet low growth seems not to create employment. The problem could be the dualistic and enclaved structure of the economy. Growth in one sector does not engineer employment in another sector due to absence of forward and backward linkages. There may be a need for economic reform in this country but then it needs credible policies to transform the economy. We have economic policies as indicated in our NDP's and Vision 2030 but we are rather shy in implementation as we as Namibians we are scared to fail and refrain from rocking the boat of the currently slowing growth of our economy. There is a need therefore for finding a growth path that is employment friendly and not employment shy.

I feel encouraged about ETSIP because the education system needs a complete overhaul. Without quality education, history world wide showed that an economy is doom. Only be reinvigorating value added and well targeted investments in the education sector, can we see post secondary education developed to a standard that produce the skills required to meet the needs of our policy objectives according to Vision 2030, that of a diversified and growing manufacturing, service oriented and knowledge economy by 2030.

This skills development should ideally be complemented by importation of required and much needed skills on a targeted and interventionist basis and a health system that deals with other social evils such as HIV/Aids. The regulatory environment such as the recently promulgated Labour Act should be conducive for sound labour relations and proper functioning of the labour markets.

I am confident that with the right policy mix between macro economic policies on one hand and the labour market policy can we see a transformed economy that is employment friendly and most importantly will solve these primary commodity enclaves that acts as inhibiting factor to employment creation.

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