Presentation to the United Nations Commission for Social Development

45th session, 7-16 February 2007

"Promoting employment and decent work for all - Towards a good practice model in Namibia"

- Research Paper -

by Z. Kameeta, C. Haarmann, D. Haarmann, H. Jauch

Presentation to the United Nations Commission for Social Development

45th session, 7-16 February 2007

"Promoting employment and decent work for all - Towards a good practice model in Namibia"

- Research Paper -

written by

Bishop Dr. Z. Kameeta

Dr. Claudia Haarmann

Dr. Dirk Haarmann

Herbert Jauch

Email: cd.haarmann@gmx.net

Windhoek, 2007

ISBN: 978-99916-842-1-5

Table of Contents

Abbreviations

ACP	Africa, the Caribbean and the Pacific
AGOA	African Growth and Opportunity Act
ANC	African National Congress
ARV	Antiretroviral (ARV) Treatment
BIG	Basic Income Grant
CCN	Council of Churches in Namibia
DfSD	Desk for Social Development (ELCRN)
ELCRN	Evangelical Lutheran Church in the Republic of Namibia
EPAs	Economic Partnership Agreements
EPRI	Economic Policy Research Institute, South Africa
EPZ	Export Processing Zone
EU	European Union
FDI	Foreign Direct Investment
IIP	Infant Industry Protection
ILO	International Labour Organisation
IMF	International Monetary Fund
LaRRI	Labour Resource and Research Institute
NAMTAX	The Namibian Tax Consortium
NREGA	National Rural Employment Guarantee Act (in India)
NUNW	National Union of Namibian Workers
OVC	Orphans and Vulnerable Children
PPP	Public Private Partnership
SACU	Southern African Customs Union
SME	Small and Medium Enterprise
SWAPO	South West African People's Organisation
TB	Tuberculosis
TNCs	Transnational Corporations
UNDP	United Nations Development Programme

Introduction

I am now convinced that the simplest approach will prove to be the most effective -- the solution to poverty is to abolish it directly by a now widely discussed measure: the guaranteed income.

(Martin Luther King Jr in: Where Do We Go From Here: Chaos or Community? (1967)

Decent employment is a matter of survival for the people of Namibia. The call for a good practice model towards employment creation and decent work for all, must sound like asking for the realization of heaven on earth for the majority of Namibians. Namibia holds the sad record of being among the most unequal country in the world (UNDP, 2004:38). The huge socio-economic disparities are largely a reflection of colonialism and apartheid, but also of the class stratification that has taken place in post-independent Namibia (Jauch & Karamata, 2005:1). Despite having been classified as a lower middle-income country, about 2/3 of the people live below the poverty line (Haarmann & Haarmann, 2005:34). Having a job is a question of "to be or not to be" as there are very few safety nets and virtually no possibilities of making a decent living outside the formal sector. Furthermore, a large portion of formal sector workers earn "poverty wages" that hardly enable them to sustain themselves and their families (Jauch, October 2004:1). Besides poverty and unemployment, people in the region face further challenges such as HIV and AIDS, labour migration, tenant labour systems and generally low skills levels (Torres, 1998).

Namibia holds the sad record of being amongst the most unequal countries in the world. Despite having been classified as a lower middle income country, about 2/3 of the people live below the poverty line.

Nevertheless, it is safe to say that despite repeated calls from various groups for large-scale job creation, this goal has not been achieved. According to Namibia's Labour Force Survey of 2000, 33.8% of the population were classified as unemployed. Official statistics indicate that this figure rose further to 36.7% in 2004 (Ministry of Labour and Social Welfare, 2005). The Labour Force Participation Rate has dropped significantly from 53.4% in 2000 to 47.9% in 2004 (Ministry of Labour and Social Welfare, 2004:39). These unemployment figures stand in contrast to the otherwise impressive macroeconomic figures. Over the last few years the country has shown positive economic growth rates, low inflation and interest rates and strong domestic demand (Jauch & Karamata, 2005:1). This, however, did not translate into additional jobs.

According to Namibia's Labour Force Survey of 2000, 33.8% of the population were classified as unemployed. The official statistics by the Ministry of Labour indicate that unemployment rose to 36.7% in 2004!

This paper starts of by looking at the social circumstances of Namibians today. We have analysed statistics with a view of highlighting what they mean for the majority of the population. This first section highlights the importance of a structural intervention. The second section assesses the current strategies, their success and weaknesses. The third section looks briefly at possible alternatives within the current framework. The fourth section tries to sketch the way towards a good practice model in Namibia, by showing that a redistributive programme in the form of a Basic Income Grant, is an important step towards promoting employment and decent work on a large scale in Namibia. Two main features are key to the programme:

- To curb abject mass poverty and to free people out of the destructive circle of the survival economy by giving income security.
- To redistribute wealth to the majority of people, where it is most effective and to foster both investment and consumer demand.

It is argued that this is a programme, which would have an immediate impact on mass unemployment and poverty. In conjunction with further developmental policies it has the potential to lead to employment and decent work on a large scale.

Section 1: The Namibian context - Statistics and the view from below

1.1 Employment, unemployment and economic inactivity

Nearly half of Namibian households (47%) rely on 'wages and salaries' as their main source of income. In urban areas, this figure is as high as 74% (Ministry of Labour and Social Welfare, 2005:2). These figures indicate the critical importance that wages and salaries have for the survival of Namibian households (Jauch & Karamata, 2005:7). The Labour Force Survey concluded that unlike in other African countries, there is hardly an urban informal sector in Namibia (Ministry of Labour and Social Welfare, 2005:2).

The Ministry of Labour found that 26.5% of urban households

> *live in very precarious housing conditions, namely in impoverished housing units (Ministry of Labour and Social Welfare, 2005:2).*

The majority of unemployed people were long term unemployed: 73.2% were unemployed for over 12 months out of which 76.8% were unemployed for over 24 months (Ministry of Labour and Social Welfare, 2005:69). Even among the employed, 30.3% are found to be underemployed (Ministry of Labour and Social Welfare, 2005:77).

The majority of people among the unemployed are long-term unemployed: 73.2% are unemployed for over 12 months.

This situation is aggravated for young people and for women:

Unemployment among teenage and young adults is dramatic. Among the 15-19 year olds the unemployment rate was 64.6%, and among the 20-24 year olds it stood at 57.4% in 2004.

While the overall unemployment rate for men stood at 30.3%, the female unemployment rate was 43.4%.

For young women of 15-19 years of age, the national average unemployment rate was highest at 70.2%! Most young people have no chance of finding any kind of employment. To have any prospect of employment and a future with even a modest own source of income is the exception for Namibia's youth.

For the majority of young people, to have no chance of any kind of employment is the norm.

It is important to note that the labour force, meaning the total number of people classified as employed and unemployed, was 9.7% higher in 2000 (541,447) than in 2004 (493,448)! In other words: while nearly exactly the same number of people were recorded as 15 years or older - the number of people defined as economically inactive increased by 13.8% between 2000 and 2004. 47,723 people did no longer appear in the statistics as employed or unemployed but were recorded as students, homemaker, old-age, ill/disabled, or other. Despite this, the unemployment rate increased substantially, which suggests that a substantial number of people who were formally recorded as employed moved into this group of economic inactivity.

Many employed people in Namibia work in the agricultural sector. It is noteworthy that about 2/3 of them are communal or subsistence farmers.

Most of the employed people in Namibia found work in the agricultural sector (102,636 = 26.6%, see Ministry of Labour and Social Welfare, 2005:52). It is noteworthy that out of these about 2/3 are communal or subsistence farmers (Jauch & Karamata, 2005:6). Since 2000, the number of people employed in agriculture declined by 20,661 people, which equates to a decline of 20.1%. This was confirmed by a recent farm workers study which found that about 40% of all surveyed white farmers had retrenched or dismissed workers in the last three years (Karamata, 2006:6).

It is no coincidence that the squatter camps around the main urban areas are continuously growing and in many towns have outgrown the townships created under apartheid colonialism. Furthermore, many workers in the agricultural sector and other sectors are still challenged by endemically low wages, appalling working conditions (including ill-treatment and abuse) and less than acceptable living conditions.

The following sections depict what these statistics mean for the majority of Namibia's population.

1.2 The opportunity costs of life in the survival economy

The poor have to spend hours securing their survival for the next day by collecting water and firewood and trying to obtain some food. These daily survival struggles absorb time, labour and other resources, which otherwise could be used for productive economic purposes.

The survival economy prevents proper education, and hence is an obstacle to the proper qualification of the future workforce. Malnutrition under the age of four results in stunted growth of children. This is further aggravated by poor school performances, if children are not properly fed. High absenteeism and high drop-out rates in order to assist the family in the struggle for survival also have to be attributed to poverty.

It has to be argued that in a survival economy, a market failure firstly exists between individual and community interest. The informal social security system outlined below is an example in this regard. Secondly, poor people face a constant dilemma when the quest for sheer survival today dictates acting in a way, which will endanger their future existence. Research findings by the DfSD for example pointed out that, while many women are aware of the risk of contracting HIV through commercial sex work, they are nevertheless forced into prostitution as their and their children's or siblings' daily survival is dependent on this income. Crime, and the eating of unhealthy food from the dump-site are just some other of the many economic examples, where poverty leads to behaviour, which has devastating and destructive consequences in the medium to long term.

1.3 Poverty - a structural disadvantage to investment and productivity

Recent research in Namibia has shown that people living in formerly disadvantaged communities still continue to carry a disproportionally high burden of caring for other poor people (Haarmann & Haarmann, 2005:3941)–. This informal social security system effectively imposes an informal tax on the poor, which deprives people of any chance to escape poverty, for example by starting their own businesses. There is a linear correlation of the richest households supporting other households with only about 8% of their income while the poorest households spend up to 23% of their meagre incomes on other poor people. This can be explained by the demands placed on income earners in poor communities. Social solidarity and the absence of any other form of formal social security necessitate that income earners in poor communities assist their extended families and neighbours on a regular basis. In economic terms this, however, constitutes a regressive tax on the poor, diminishing their ability to save and invest, and thereby diminishing the chance to enhance their own economic opportunities.

On the demand side, the absence of substantial amounts of cash in the local economy prevents businesses and local projects from becoming successful and sustainable. Especially in small rural communities, the limitation on the demand side to actually pay for goods provided advances monopoly situations of larger businesses, exploiting the little cash there is. These monopolies are very effective in outmanoeuvring upcoming new businesses into bankruptcy, and then raising prices again. (Haarmann & Haarmann, 2004)

Informal markets and trading are characterized by insecurity. As income is sporadic and subject to great fluctuation, the propensity for entrepreneurial risk-taking is naturally low. Hence the capacity to venture into new business niches and to develop innovative new employment opportunities is equally low.

People living in formerly disadvantaged communities still continue to carry a disproportionally high burden of caring for other poor people. This constitutes a regressive tax on the poor, diminishing their ability to save and invest, and thereby diminishing the chance to build up their own employment opportunities.

1.4 Malnutrition stunts children for life and prevents the development of human capacity

Childhood deprivation leads to long-term strains on the nation's health and education systems, draining resources that could efficiently target other social priorities. Childhood malnutrition often leads to severe and costly physical and psychological complications in adulthood. The transmission mechanisms of early deprivation are manifold. For instance, the associated childhood stress leads to reduced life expectancy. Early malnutrition reduces the capacity of the immune system to protect the body. Studies in South Africa found a strong link between poverty and low birth weight. The long-term consequences include higher risks of heart disease, strokes, hypertension and diabetes. The inertial effects are long lasting-the negative consequences of pre-natal malnutrition can be passed on to the next generation. Women who themselves suffered from pre-natal malnutrition are more likely to give birth to under-weight babies - even if they have proper nutrition during their own pregnancies.

1.5 HIV increases the already acute poverty problem and vice versa

The HIV/AIDS epidemic and its consequences created a major crisis for the Namibian society. The following findings from participatory research by the DfSD give an exemplary overview of how HIV and poverty are related (Haarmann & Haarmann, 2004):

- In Tanidare/Windhoek, the congregation felt that besides poverty and alcoholism, the stigma, which comes with HIV/AIDS, is the biggest problem in the community. They called upon the church to become active to educate people to see HIV/AIDS as a "normal" sickness, so that the stigma is removed.
- In Keetmanshoop, the two congregations explained that the problems in their two townships differ. In Krönlein, the people do not come out if they are sick to get help but rather keep quiet and try to hide. In Tseiblaggte, people start to come out, if they get sick, because this is a way to get help. The HIV prevalence rate seems to be high. This was attributed to the mines in the surrounding areas as people work there for a period of time and then come to Keetmanshoop during their leave. The trucks from South Africa are said to be another contributing factor as the truck drivers use local prostitutes.
- The youth in Mariental reported severe peer-pressure: They told us that in order to belong to a certain group they had to have unprotected sex or even have HIV. They also said that people just wanted to try to contract HIV as everybody was talking about it, but actually nobody believed that it was so horrible.

- In rural areas (Hoachanas) the lack of medicine was seen as a big problem. People said that AIDS patients were only treated with TB medicine.
- Basically all the communities reported an increase in the number of Orphans and Vulnerable Children (OVC).
- In many families the 'middle-generation' has died because of AIDS-related sicknesses and old people had to take care of their grandchildren, relying entirely on their social pensions, welfare organisations and begging.
- In addition, there were many child-headed households because of the AIDS-related deaths of their parents. They often did not have anything to eat and had to rely on their meals at school.
- Different communities reported about the practice of sugar daddies and that it was very difficult to talk to the young girls about it. The young girls said that they were from very poor households and did not know how to pay for their clothes and costs related to their schooling.

1.6 ARVs do not work for those without food security

ARVs (like TB treatment) do not work if people have no food at all or only food of low nutritional value. ARVs are prescribed to be taken after a meal. While the ARVs are now available in all major towns in Namibia due to the mass "roll-out" campaign by the Namibian government, the intended poorer beneficiaries are often faced with hunger and malnutrition and thereby the effectiveness of the medication is seriously impeded.

ARVs (like TB treatment) do not work if people have no food at all or only food of low nutritional value.

1.7 Conclusion

Human beings living under bridges and who search in dumps for their daily bread are not doing so by choice, but are forced to resort to such actions by an unjust economic order that prevents them from making a living in a dignified way.

Human beings living under bridges and searching in dumps for their daily bread are not doing so by choice, but are forced to resort to such actions by an unjust economic order that prevents them from making a living in a dignified way. A solution must thus address the structural injustices, which perpetuate the ever-increasing unemployment and poverty rates. The trend throughout the years shows that unemployment is rising, inequality is increasing and poverty is worsening.

Section 2: Current strategies - an assessment

This section assesses the strategies for promoting employment since Namibia's independence in 1990, their successes and weaknesses.

2.1 Government as an agent

After Independence one of the key strategies by Government to curb unemployment was to act as employment creator itself. This was attempted through the labour-based road works programme and by incorporating more people into the army and civil service.

Labour-based road works programme (public works)

The Namibian Government with the assistance of the Swedish Government implemented labour intensive road works as part of its Second National Development Plan 2001 to 2002. The project intended to construct 157.7 km of gravel roads in the mainly rural northern regions of Namibia through labour-intensive practices. Research for the First Annual Project Report in 2002 clearly confirmed "economical competitiveness" and viability of the work done (Namibian - Swedish Specific Agreement on Transport Sector Support, 26.02.2002). 41 trainees had completed the theoretical training of the Small-Scale Contractors Development Programme, and it was anticipated that by the end of the project four small-scale contractors could be fully operational. By the end of September 2001, 19,870 worker-months of employment had been created, of which just above 1/3 was done by women. For comparative reasons, if one were to calculate a worker to be employed for working 10 months during a year, this would equate to just below 2,000 workers, who found low skilled employment for a year. The target of the project was 25,000 worker months, which would be 2,500 workers employed for one year.

Namibia's labour based road works need to be commended for its economic competitiveness. However, one needs to acknowledge that this programme is far from pointing a way for a turnaround strategy in addressing mass unemployment.

The project needs to be commended for its economic competitiveness. To have achieved this in a highly competitive road construction market, to use unskilled labour in competiton against large road construction companies is in itself a success. However, one needs to acknowledge that this programme is far from pointing a way for a turnaround strategy in addressing mass unemployment because:

- The programme is capable to create short term employment only.
- The skills development is very limited with a target of only four small-scale contractors
- Employment for 2,500 workers covers less than 1.5% of the unemployed.

Increased public service

It is debatable whether in the long run an increased public service is a just, sustainable and efficient way of employment creation and social upliftment.

The size of the public service has been rising continuously over the years. Thereby, the government absorbs labour into its civil service. However, the civil service delivery remains mediocre and needs drastic improvement to deliver quality services to the Namibian public. The relatively large size of the public service is currently inevitable - to guarantee some form of income for civil servants and their families. It is debatable, however, whether in the long run this is a just, sustainable and efficient way of employment creation and social upliftment.

2.2 Government as a facilitator - Public Private Partnerships

Namibia has been following standard economic advice to seek the solutions for its social challenges in public private partnerships (PPPs). The advice by the International Monetary Fund in its latest country report is indicative of this approach (International Monetary Fund, January 2007):

- Boost private sector development
- Increase labour market flexibility
- Reducing labour costs
- Open the financial markets
- Tighter fiscal policies
- Cut Namibia's wage bill

The Namibian government in line with this advise had pinned its hope for employment creation and redressing social ills by trying to boosting economic growth through local public private partnerships and foreign direct investment:

> *The political imperative of our Government is to attain sustainable economic growth, social development, reduction of disparity in socio-economic development, addressing unemployment, poverty and economic empowerment of previously disadvantaged citizens. These objectives will be achieved through accelerated economic growth. Economic growth is, however, the enduring challenge facing Namibia. How could economic growth be accelerated? Is Namibia competitive enough to attract foreign direct investment? What is Namibia's investment climate? How could*

Namibia's own savings be mobilized to support economic growth? (Angula, 2005)

2.3 Governments intervention to support employment creation in the private sector

Local intervention

Some private businesses have been able to convince government to protect and support their companies from outside competition. A good example is the Ohlthaver & List Group of Companies. The company was founded in 1923, and is one the biggest private companies in Namibia employing over 4,000 people. The company works in seven different areas, including farming, beer brewing, diaries, fishing, hospitality etc. The Namibian government granted protectionist measures to the company (for example protection for the company's breweries against competition from South Africa (n.a., 17.01.2000). In 2000, government granted Ohlthaver & List the status of Infant Industry Protection (IIP) (Weidlich, 16.08.2006) and consequently a 10% levy was introduced on imported dairy products (Heita, 03.03.2003). Despite such protection and the achievement of record profits by Namibia Breweries (194% increase in its operating profit from 2005 to 2006 – Ngavirue, 03.10.2006), the Ohlthaver & List Group continuously downsizes production and shed over 900 jobs in the recent past (Weidlich, 25.01.2007).

Companies are first and foremost not interested in employment creation or even to keep current employment levels but instead in profit maximization.

This is just one example to show that companies are first and foremost interested in profit maximization but not in employment creation or even the maintenance of current employment levels.

FDI (Foreign Direct Investment)[1]

Namibia's Export Processing Zone (EPZ) Programme

In 1995, the Namibian Government introduced the Export Processing Zones (EPZ) Act, which was justified on the basis that despite the creation of conducive investment conditions, economic growth and investments had remained far below government's expectations. The incentives offered to EPZ companies are:

- Corporate tax holiday;
- Exemption from import duties on imported intermediate and capital goods;

[1] This section is based on Jauch 2006

- Exemption from sales tax, stamp and transfer duties on goods and services required for EPZ activities;
- Reduction in foreign exchange controls;
- Guarantee of free repatriation of capital and profits;
- Permission for EPZ investors to hold foreign currency accounts locally;
- Access to streamlined regulatory service ('one stop shop');
- Refund of up to 75% of costs of pre-approved training of Namibian citizens;
- Provision of factory facilities for rent at economical rates (Endresen & Jauch, 2000)

When the EPZ Act was passed, it stated that the Labour Act of 1992 would not apply in EPZs. The government argued that both local and foreign investment in the first five years of independence had been disappointing and that EPZs were the only solution to high unemployment. At the time, President Sam Nujoma described the exclusion of the Labour Act as necessary to allay investors "fear of possible industrial unrest". He promised that regulations on conditions of employment would be put in place to address the fears of workers. He further described the non-application of Namibia's Labour Act in EPZs as "a delicate compromise, which is necessary to achieve the larger goal of job creation" (The Namibian, 30 October 1995).

A comprehensive study of Namibia's EPZ programme found that EPZs had fallen far short of the government's expectations of creating 25 000 jobs and facilitating skills and technology transfer needed to kick-start manufacturing industries in the country.

Trade unions opposed the exclusion of the Labour Act as a violation of both ILO conventions and the Namibia's constitution. The country's largest union federation, the National Union of Namibian Workers (NUNW) instructed its lawyers to challenge the constitutionality of the EPZ Act in court. However, during a high level meeting between the government, SWAPO and the NUNW, in August 1995, a "compromise" was reached which stipulated that the Labour Act will apply in the EPZs, but that strikes and lock-outs would be outlawed for a period of 5 years (Jauch, Keet & Pretorius, 1996). Since 2001, the Labour Act fully applies in EPZs.

In 1999, Namibia's Labour Resource and Research Institute (LaRRI) carried out a comprehensive study of Namibia's EPZ programme. The study found that EPZs had fallen far short of the government's expectations of creating 25 000 jobs and facilitating skills and technology transfer needed to kick-start manufacturing industries in the country. At the end of 1999, the EPZs had created less than 400 jobs although millions of dollars had been spent on promoting the policy and on developing infrastructure with public funds (Endresen & Jauch, 2000). However, the Namibian government argued that it was too early to measure the success and failures of the programme as EPZs would only show results in the long term. Citing Mauritius as an example to follow, government argued that the island had to wait 20 years for their EPZ programme to yield positive results (The Namibian, 26 April 2000).

By the end of 2004, the total number of EPZ jobs had increased to about 10 000, largely due to investments in textiles and garments by the Malaysian company Ramatex which contributed to an increase of about 40% in manufacturing jobs between 2002 and 2004. However, in terms of overall employment, the EPZ jobs (including Ramatex) accounted for only about 3,6% of all job and thus did not contribute significantly to reduce Namibia's high rates of unemployment.

Ramatex

With a turnover of about US$ 300 million in 2004, Ramatex is the largest integrated textile and garment manufacturer in Malaysia. The company has manufacturing facilities in Malaysia, Cambodia, China, Singapore, Mauritius and Namibia. The Malaysian facility mainly caters for the export quota markets, whereas products manufactured in China are mainly aimed at the Chinese domestic market and non-quota customers. The production in Namibia services the US market under AGOA (Mollet, 2001).

In terms of overall employment, the EPZ jobs (including Ramatex) accounted for only about 3,6% of all job and thus did not contribute significantly to reduce Namibia's high rates of unemployment.

The company has similar operations in all countries consisting of spinning mills, knitting plants, dye and print houses and also operates (under the subsidiary names Gimmill Industrial and Fulong) several sewing plants. It operations in Namibia were envisaged to reach 16 million kg of yarn, 12 million kg of fabric and 3,6 million garments by 2006 (Mollet, 2001).

Ramatex set up an integrated production chain in Namibia, importing raw cotton from West Africa and machinery from Asia. The cotton is turned into fabric which in turn is processed into final garments that are shipped with US$ price tags into the USA. The factory compound consists of spinning, knitting, dying, cutting and sewing departments.

Ramatex and its four subsidiaries in Namibia employed about 7000 workers in 2004, including about 2000 Asian migrant workers. Following retrenchments in 2006, the company currently employs about 4000 – 5000 workers. Given Namibia's small manufacturing sector accounting for around 22 000 jobs in 2004 (latest figures available), Ramatex created a significant number of Namibia's manufacturing jobs.

All Namibian Ramatex products are currently exported to the USA but figures about the company's volumes and sales are not made public. However, the trade statistics of the US Department of Commerce reveal that exports from Namibia into the USA increased from US$ 57,4 million in 2002 to US$ 238,3 million in 2004, largely due to minerals as well as clothing and textile products.

Ramatex represents a typical example of a global production chain in the area of globalisation. The experiences in Namibia are in line with international trends of Transnational Corporations (TNCs) spreading their operations globally in search for increased profits. The fact that Ramatex managed to play out three Southern African countries against each other shows how TNCs utilise their bargaining position to gain increasing concessions from host countries, which are desperate to attract investors. Ramatex' s employment practices are in line with other global textile companies who prefer young women workers who are seen to be "docile" with "nimble fingers" and less likely to join trade unions or resist company management (Jauch, Keet & Pretorius, 1996).

The Ramatex operations in Namibia have been characterised by many controversies. Many of the conflicts and tensions have remained unresolved and Ramatex has contributed to the establishment of a large number of "working poor" in full-time employment, unable to meet even their basic needs. This stands in sharp contradiction of the Namibian government's stated objective of promoting decent work in line with ILO standards.

The financial support that Ramatex received from the Namibian government is equivalent to the salaries of all workers for 40 months – more than 3 years!

The Ramatex investment did not come to Namibia free of charge. Based on the assumption that Ramatex and its subsidiaries employed about 5 000 Namibian workers with an average wage of N$ 600 per month, and given the expenses of about N$ 120 million in public funds to set up infrastructure for the company, the following calculation can be made: The financial support that Ramatex received from the Namibian government is equivalent to the salaries of all workers for 40 months – more than 3 years! A huge investment by any standard which could only be justified if Ramatex' operations in Namibia would lead to long-term sustainable jobs of decent quality. Otherwise one may well argue that the huge public investments could have been spent more efficiently on other programmes aimed at job creation.

Namibia's experiences over the past 10 years suggest that the EPZ policy should be reviewed to ensure that it will promote socio-economic development in Namibia instead of draining national resources. Areas that warrant particular attention are the creation of backward and forward linkages, adherence to good labour standards, respect for Namibian laws and policies and environmental considerations. The dying processes at Ramatex, for example, resulted in severe water pollution whose costs are carried by the surrounding communities and the Windhoek municipality (The Namibian, 28 October 2005 and 26 May 2006; Republikein, 29 May 2006)

In terms of employment creation for the people it has become clear that people working in such low paid jobs are faced with high insecurities in terms of being replaced anytime, and do not become equipped with marketable skills, nor do they earn a decent salary to effectively break out of their poverty circle.

It has become clear that people working in such low paid jobs are faced with high insecurities in terms of being replaced anytime, and do not become equipped with marketable skills, nor do they earn a decent salary to effectively break out of their poverty circle.

Free Trade Agreements

Free Trade Agreements thus far have brought little economic returns for Namibia. However, some sectors like the beef industry were negatively affected and shed jobs as a result of free trade agreements.

Currently the USA is trying to sign a free trade agreement with SACU. While it is by no means clear, how a small economy like Namibia could benefit from such an agreement it is clear that revenue, which currently is collected by SACU and then transferred as an income to Namibia would fall away. The SACU income to Namibia is an important source of revenue. Even the IMF regards the "*projected sharp drop in SACU receipts - to some extent related to trade liberalisation*" as a threat to the financing of Namibia's substantial development needs for health, education, poverty reduction and infrastructure (International Monetary Fund, January 2007).

Even the IMF regards the "*projected sharp drop in SACU receipts - to some extent related to trade liberalisation*" as a threat to finance Namibia's substantial development needs for health, education, poverty reduction and infrastructure (International Monetary Fund, January 2007).

Furthermore, it is feared that the Economic Partnership Agreements (EPAs) between the EU and the ACP countries (75 poor countries in Africa, the Caribbean and the Pacific) are a threat to millions of jobs and livelihoods across the developing world, including Namibia. The forced opening up of markets in developing countries for the competition with EU industries and agricultural products might be devastating to the economies in developing countries. Job losses, deteriorating working conditions and a drop in government revenue due to a loss of income from tariffs have occurred during previous liberalisations processes. These anticipated negative consequences of the EPAs are feared to worsen the living conditions in developing countries. Developing countries seem to have little to gain from the process and the loss in government revenue will result in cuts in spending on education, health and social services hurting mostly the poor and vulnerable groups (Karamata, 20.02.2004).

Conclusion

In total only 23,755 people are employed in Namibia's manufacturing sector. This total number is just above the number of people who lost their employment in the agricultural sector in the last four years alone. The hope that the private sector would become a large-scale job-creator with substantial impact on unemployment has not been fulfilled. It thus has become clear that economic growth and "sound" macroeconomic indicators, which Namibia has indeed achieved since Independence, did not translate into sustained benefits for the majority of the population.[2]

2 see also Seekings & Nattrass 2005: 380

Section 3: Alternatives?

3.1 Workfare and employment guarantee

The Namibian Tax Consortium (NAMTAX), a government appointed commission was established to propose tax reforms for boosting economic growth. It found that at best, job creation by Government could reach about 5 to 10% of the unemployed. The widely praised 'working for water programmes' in South Africa have shown that at most about 40,000 people were employed there. With over 20 million South Africans living in poverty, it is clear that these programmes on their own cannot create the required number of jobs for those in need.

With regard to the National Rural Employment Guarantee Act (NREGA) the UNDP found that:
- unit costs are extremely high and
- corruption is rife.

The National Rural Employment Guarantee Act (NREGA) in India guarantees a minimum wage to one person from every poor household. While at first sight this intervention seems appealing, the downsides are enormous. The UNDP in its latest study on social protection and the role of cash transfer systems in developing countries found that in this Indian programme:

- unit costs are extremely high and
- corruption is rife "in fact only one fifth of the enrolled labourers were actually there. The wages of the other four fifths were appropriated by corrupt officials." (Mehrotra, June 2006:13–14)

Based on the evidence in South Africa, Samson concludes:

> *The cost of a South African workfare programme amounts to several times the cost of a basic income grant, yet fails to distribute benefits to those most in need of social assistance. (Samson, Haarmann & Haarmann, 2001:3)*[3]

3.2 Conditional Cash Transfers

Conditional cash transfer programmes (e.g. in Namibia and South Africa most prominently the State Old Age Pensions) play a pivotal role in curbing extreme poverty. These programmes are, however, not primarily implemented to boost employment.

3 This conclusion is supported by Seekings and Nattrass (2005:392-399)

Nevertheless, research shows that direct cash transfer programmes in Namibia and South Africa improve income security and may boost employment. Samson et al. developed a strong case, when they studied the conventional economic theory, which suggests that social grants may undermine labour force participation by reducing the opportunity costs of not working. However, when empirically tested against the cash transfer systems in the developing context in South Africa, they found that:

- Social grants provide potential labour market participants with the resources and economic security necessary to invest in high-risk/high-reward job search.
- Living in a household receiving social grants is correlated with a higher success rate in finding employment.
- Workers in households receiving social grants are better able to improve their productivity and as a result earn higher wages. (Samson et al., 2004)

Cash transfers as such have been shown to be supportive in boosting employment.

Cash transfers as such have been shown to be supportive in boosting employment. The conditionality e.g. a means-test[4] is to be held responsible for minor negative distortions at the upper income level of this otherwise positive balance (Samson et al., 2004).

4 Through the means-test people are faced with a situation where they have to choose between the benefit of a transfer programme or low income employment on the other side.

Section 4: Towards a good practice model

4.1 A Basic Income Grant

The current debate about a Basic Income Grant in Namibia is based on the following proposal: A monthly cash grant of not less than N$100[5] (~14 US$) should be paid to every Namibian citizen as a citizen's right up until s/he reaches a pensionable age. At that point s/he is eligible to receive the universal State Old Age Pension of currently N$370 (~53 US$)[6]. The BIG money paid to people who are not in need and not in poverty could be recuperated easily through adjustments in the tax system.

A monthly cash grant of not less than N$100 (~14 US$) should be paid to every Namibian citizen as a citizen's right up until pensionable age. Namibia has the capacity to mobilise the necessary resources without undermining international competitiveness.

The Basic Income Grant is more than an income support programme. It provides security that reinforces human dignity and empowerment. It has the capacity to be the most significant poverty-reducing programme in Namibia, while supporting household development, economic growth and job creation. The cost is ranging from 2.2% to 3.8% of national income. A tax effort analysis as well as other models have proven that Namibia has the capacity to mobilise the necessary resources without undermining its economic base. On the contrary, Namibia's economy will benefit from the long-term growth impact of the Basic Income Grant over time.

The next paragraphs summarise the developmental effects of the BIG in different areas:

A BIG is an empowerment programme for economic activity.

A BIG is a universal programme that alleviates the problem of income insecurity. Primarily it is not a welfare programme but an empowerment programme for economic activity. This stands in contrast to conditional or so-called "targeted" programmes, which do not provide income security, which people can use for potential investments. Not only is such conditional support not broad-based and thereby flawed with distortions but the moment people start to move out of their poverty trap, by investing and finding work, the support

5 For the poorest 20% of households, this translates into an increase of about 50% of per capita income.

6 E.g. a household of six people below the age of 60 would receive N$600 [~150 US$] per month.

needed for successfully escaping poverty is taken away as a result of coditionalities.

The BIG would bring crucial resources into households, which are infected and affected by HIV: Nutrition is a pre-requisite for a healthy lifestyle and a BIG would ensure at least some level of food security. Furthermore, the success of the roll-out of Anti Retroviral Treatment (ARVs), which is crucial to enable many Namibians to continue living a productive life while being HIV positive, is inseparably linked with access to basic nutrition. Like in the case of TB treatment, ARVs can only be effective (and in fact not be harmful) if taken after a meal. A BIG would guarantee these means to people, who currently cannot afford regular meals. In addition, people in rural areas often lack transport money to access health care and a BIG would enable them to do so.

The BIG, by securing nutrition, is a human capital investment: Currently children who do not get proper nutrition cannot perform at school. Children who are malnourished under the age of 4 years are stunted and will never develop their full potential. The BIG, by providing the means for basic nutrition, would increase capabilities and real choices of the future workforce of Namibia.

Through a BIG money of the working poor would be freed for economic investment.

A BIG is an effective tool for lowering the regressive informal tax on the poor (see above), as it would put in place a basic social security system and the poor would not be as dependent on remittances by others. The burden of caring for the poor would be more justly and progressively distributed over the whole society. Thereby, **money of the working poor would be freed for economic investment**, to productively use their own resources and potential in the economic realm, and ultimately offer the chance to escape the vicious circle of poverty.

On the expenditure side, a BIG has various developmental impacts: A BIG of N$100 per month per person would generate a net-benefit of over N$900 million a year reaching the rural communities in Namibia. It can be argued that this would work as an engine for local economic development. The poor would have the ability to spend larger amounts on locally produced goods and services. This would create more viable and sustainable opportunities for employment in the rural areas.

A BIG provides the necessary resources to successfully enter the job market: Decent clothing, a permanent postal address, a telephone line etc. are important prerequisites for being employable. The BIG would assist in providing these necessities as well as provide start-up capital for own business ventures.

Economic insecurity prevents people from taking entrepreneurial risks: If people are faced with the alternative of buying food for the household or investing the money into self-employment, with the risk of no or delayed returns, people necessarily are reluctant to take risks, which endangers the survival of their families. The BIG would provide some income security, which in return would free resources for entrepreneurial risk-taking.

The BIG is a tool to rectify market distortions towards the realisation of decent work. The BIG would help to rectify current power imbalances, which are created by severe dependency on any form of cash income: It would go a long way to strengthening workers' bargaining power against exploitative labour practices (e.g. domestic or farm workers etc.). The same is applicable to intra-household distribution, where especially women would be empowered to say 'no' to abusive relationships.

The BIG is a tool to rectify market distortions towards the realisation of decent work.

Practical considerations: Building on the success of the payment of the social pension through the smart card system, Namibia has the technology and the capacity to pay out a Basic Income Grant effectively and cost-efficiently to every Namibian. The non-existence of a means-test for a Basic Income Grant prevents corruption and favouritism often associated with conditional cash transfers where officials have the power to grant (or not to grant) the benefit.

In conclusion: The BIG, while being administratively simple and just, would not only reduce poverty, but also avail resources necessary for the poor to successfully enter into employment or self-employment.

4.2 Concluding remarks

It has become clear that the aim of achieving employment and decent work for all is not a question of trying to change the behaviour of people, who would be responsible for their misery. Government needs to be aware of its role as the key agent in addressing the structural constraints that keep the majority of Namibians outside the economic mainstream, condemning them to a life in poverty. A structural problem needs a structural solution. Employment creation programmes in the form of public works are important for the immediate alleviation of unemployment and poverty, but in a situation where the structural imbalances are not redressed, they are like an ambulance, which rushes from one accident to the other. Most importantly, we need to accept that the private sector in a market economy, has only one objective, namely to generate profits. It is an illusion that without a structural intervention the private sector would have an interest in creating additional jobs or changing the structure, which form the basis of the current generation of profits.

A redistributive programme in the form of a Basic Income Grant, is a prerequisite to effectively promote employment and decent work on a large scale in Namibia.

A redistributive programme in the form of a Basic Income Grant, is a key component to effectively promote employment and decent work on a large scale in Namibia. Two main features of the BIG are key in this regard: Firstly, it would curb abject mass poverty and free people out of the destructive circle of the survival economy by providing some level of income security. Secondly, it would redistribute financial resources to the majority of people, where they are most effective to foster both investment and demand.

A Basic Income Grant forms a crucial platform for other important interventions by a developmental state to be effective.

We are aware that a Basic Income Grant on its own will not be able to solve the mass unemployment in Namibia. However, the BIG forms a crucial platform for other important interventions by a developmental state to be effective. In order to achieve decent work for all, the measures building on and being implemented in conjunction with the BIG, should include:

- Control of capital outflow and increased investment of Namibian savings in the Namibian economy
- Improved and enforced labour standards to achieve "decent work" that allows workers to escape the circle of poverty
- Improved and enforced environmental standards that protect and preserve Namibia's resources and environment for future generations
- Trade protection for SMEs to allow the increased production of consumer goods for the local market inside Namibia
- Local growth strategies that break the monopoly of transnational corporations (such as Shoprite) over local markets.
- A selective approach to Foreign Direct Investment (FDI) which must serve Namibia's developmental needs through skills and technology transfers, adherence to labour standards and promotion of local manufacturing. FDI needs to be linked to local technological development and has to be aligned with regional long term development plans
- Trade agreements and bilateral co-operation agreements must be carefully evaluated against their local economic impact
- Savings and loan schemes for the poor have to be established.

In this context, we believe that the introduction of the BIG will be a significant step towards poverty alleviation, employment creation and the reduction of inequality in Namibia. The BIG Coalition plans to raise funds for the introduction of the BIG in one specific area in Namibia for a limited period of time to show the positive effects of a BIG in practice and to prove that it can be implemented successfully!

Section 5: References:

Angula, N. MP [Prime Minister]. (2005). *A high level colloquium on "Mobilising domestic savings for investing in the domestic economy": A joint undertaking between the office of the Prime Minister and the Namibian Chamber of Commerce and Industry,* from www.opm.gov.na/pm/speeches/2005/commerce.htm.

Endresen, S., & Jauch, H. (2000). *Export processing zones in Namibia: Taking a closer look.* Namibia.

Haarmann, C., & Haarmann, D. (2004). *Desk for Social Development: Strategic Plan.* Windhoek.

Haarmann, C., & Haarmann, D. (2005). The developmental impact of a Basic Income Grant. In C. Haarmann, & D. Haarmann (Eds.), *The Basic Income Grant in Namibia. Resource Book* (pp. 31–42). Windhoek.

Heita, D. (2003, March 03). The fight to control local milk industry thickens: Dairy importers challenge Namibia Dairies over govt protection. *Namibia Economist*,

International Monetary Fund. (January 2007). *Namibia: 2006 Article IV Consultation - Staff Report; Public Information Notice on the Executive Board Diskussion; and Statement by the Executive Director for Namibia* (IMF Country Report No. 07/12). Washington, D.C.

Jauch, H. (October 2004). *Working People in Southern Africa: Chapter prepared for the Project on Alternative to Neo-Lieberalism in Southern Africa (ANSA).* Unpublished manuscript.

Jauch, H., & Karamata, C. (2005). *The Namibian wage bargaining report, 2004.* Windhoek Namibia: Labour Resource and Research Institute.

Jauch, H., Keet, D., & Pretorius, L. (1996). *Export processing zones in Southern Africa: Economic, social and political implications.* Development and labour monographs, 2/96. Rondebosch: Inst. of Development and Labour Law.

Karamata, C. (2004, February 20). Is Africa for Sale? *The Namibian*,

Karamata, C. (2006). *Farm Workers in Namibia: Living and Working Conditions.* Windhoek.

Mehrotra, S. (June 2006). Job Law with Right to Information can cut poverty in India. In UNDP International Poverty Centre (Ed.), *Poverty in Focus. Social Protection the role of cash transfers* (pp. 13–14).

Ministry of Labour and Social Welfare. (2004). *Namibia Labour Force Survey: 2004.* Windhoek (Report of Analysis).

Ministry of Labour and Social Welfare. (2005). *Labour Statistics Bulletin: 2005.* Windhoek.

Mollet, A. (2001). *Profile of Ramatex. A Malaysian group with investments in China and South Africa, Textile Outlook International.*

n.a. (2000, January 17). NUNW backs SAB's plans. *The Namibian*,

Namibian - Swedish Specific Agreement on Transport Sector Support. (26.02.2002). *First Anual Project Report, October 2000 - March 2002.*

Ngavirue, M. (2006, October 03). Breweries announces huge profit. *New Era*, 5.

Samson, M., Haarmann, C., & Haarmann, D. u. a. (2001). *The Social, Economic and Fiscal Impact of a Basic Income Grant for South Africa: Submitted to the Committee of Inquiry into a Comprehensive Social Security System. unp.* Cape Town: Economic and Policy Research Institute.

Samson, M., Lee, U., Ndlebe, A., MacQuene, K., van Niekerk, I., Gandhi, V., Harigaya, T., & Abrahams, C. (2004). *The Social and Economic Impact of South Africa's Social Security System. :* EPRI (Commissioned by the Directorate: Finance and Economics - Department of Social Development)).

Torres, L. (1998). *Labour markets in Southern Africa.* Oslo.

UNDP. (2004). *International cooperation at a crossroads: Aid, trade and security in an unequal world.* Human development report, 2005. New York: UNDP.

Weidlich, B. (2006, August 16). Namibia's dairy industry 'on the brink of collapse'. *The Namibian*,

Weidlich, B. (2007, January 25). Labour unions take grievances to President. *The Namibian*,