

EMPLOYMENT, UNEMPLOYMENT AND THE EVOLUTION OF LABOUR POLICY IN ZIMBABWE

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Abstract

This article discusses the development of the labour market in Zimbabwe. In particular, we analyse the evolution of labour market policy since the colonial period. Empirical evidence on the operations of the labour market are reviewed and the consequences of different labour market policies are analysed.

INTRODUCTION

Developments in the Zimbabwean economy have been discussed in several studies (Mlambo and Kayizzi-Mugerwa, 1991; Durevall and Mlambo, 1995; and Weeks and Mosley, 1996). One of the conclusions of these studies was that the economy has not been able to create a sufficient number of jobs. The capacity to create employment started to diminish in the mid-1970s when sanctions began to bite and the war of liberation intensified. The erratic growth of the economy in the 1980s worsened the unemployment problem. Although public sector employment growth has been relatively high, it was not sustainable. In the 1990s the economy underwent structural adjustment with market forces replacing controls and regulations. It was assumed that as public sector employment contracted, there would be a net increase in employment due to private sector employment creation. However, this was not so, as the formal sector as a whole lost more than 40,000 workers between 1991 and 1995.

The labour market plays an important part in economic development. It is a crucial channel for the transmission of both internal and external policy shocks. In addition, labour market performance has a crucial bearing on economic growth, income distribution and poverty. For example, the labour market was used by colonial regimes to pursue policies of racial discrimination. In contrast, the post-independence government used the labour market to try and achieve equitable income distribution and alleviate poverty.

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The purpose of this article is to discuss the evolution of labour policy in Zimbabwe. Although the country achieved its independence close to two decades ago, the influence of the colonial policies in the labour market is still important in the current labour market situation. Naturally, our discussion will begin with a review of colonial labour policy. The other principal aspects of the labour market reviewed here are: the structure and development of both the formal and informal labour markets, wage developments and the evolution of industrial relations.

THE COLONIAL LABOUR MARKET

The colonial labour market was characterised by overt, apartheid style, racial discrimination. Labour policy was guided by the Industrial Conciliation Act of 1934. Africans were not defined as employees and therefore could not organise or be party to any forum that determined employment conditions.¹ Many Africans were pushed into unproductive land, and thus forced to earn a living through wage labour. Wage labour also became more important with the introduction of poll tax and other rural levies. The system ensured that industry, mining and commercial farms had a constant and cheap source of labour. African workers were not allowed entry into skilled jobs nor were they given any meaningful training. It was not until the late 1950s, when manufacturing began to grow rapidly, that the benefits of a stable and permanent labour force began to outweigh those of unreliable casual labour. Internal labour markets and African labour unions began to emerge. However, these labour unions were used as forums for control and not for protection of workers' rights (ILO, 1978, 6). African unions could not freely bargain for wage adjustments and the right to strike was effectively removed under successive legislative amendments of the Industrial Conciliation Act.² In contrast, white workers could be members of unions and could bargain for their employment conditions. The dualistic nature of the labour market was even more evident in the distribution of wages. In 1975 white workers earned on average ten times the wage of an average African employee. There was hardly any unemployment among white labour.

At independence in 1980, African labour was relatively unskilled, with the wage distribution skewed against them, and was organised into weak and fragmented unions. Unemployment among blacks was close to 10%. These were the disparities that the government sought to redress

¹ International Labour Organisation (1978).

² The government could veto any intended strike action simply through the Presidential decree. Between 1950 and 1980, there was not one legal strike by black workers in Rhodesia (Herbst, 1990).

and consequently, labour market policies after 1980 revolved around these issues.

A NOTE ON LABOUR FORCE DATA

It should be noted from the outset that in analysing the Zimbabwean labour market, data is always a problem. In Zimbabwe there are several different sources of information related to the labour force, employment and unemployment. However, no one source has a satisfactory coverage over time and across sectors. The most comprehensive survey is the Quarterly Employment Inquiry (QEI), which provides information over time for the whole of the formal sector. Another important survey is the Census of Industrial Production (CIP). It is a yearly survey that gathers information about the number of people employed in manufacturing, mining, electricity and water supply, and construction. The other surveys are too limited in either time or coverage to be of much use in evaluating the changes in employment. In this section we describe some of the shortcomings of the QEI and CIP and how they are likely to affect the data reported.

In the QEI, data on employment and wages expenditures is collected and summaries are published by the Central Statistical Office (CSO)'s Quarterly Digest of Statistics for the economy divided into 13 sectors. The CIP is a yearly survey that gathers information about the number of people employed in manufacturing, mining, electricity and water supply, and construction. In spite of having a wide coverage both in time and space, QEI and CIP have several weaknesses. One issue of concern is the coverage of the enterprises in the surveys. First, questionnaires are sent out to all formal companies, that is, companies registered by the Registrar of Companies. However, all do not respond and so in practice only a sample is analysed, which is obviously not random. Most likely there is a bias towards including large companies in the sample. Before the introduction of the Economic Structural Adjustment Programme (ESAP) there were few bankruptcies, in particular among big companies, so the bias in the sample was probably not a problem. However, during the 1990s several big firms have collapsed, and it is generally believed that these have not been replaced promptly by new ones. Hence, it is possible that the figures reported on employment are too low for the 1990s. Secondly, since only registered companies are surveyed, employment in the informal sector is not measured. This is not a great problem as long as the relation between employment in the formal and informal sectors is more or less constant because then the information on growth rates is correct. This has not been the case, however. The informal sector has grown rapidly and, according to anecdotal evidence, new firms sometimes

prefer to be in the informal sector even when they are fairly large and technologically advanced. Hence, this problem is also likely to create a tendency for the surveys to underestimate both the number of people employed and the growth rate in employment.

During recent years there has been a strong trend towards casualisation of labour in Zimbabwe. This means that many workers are hired on short-term contracts. In practice this often implies that a worker might work one week, be unemployed for a couple of weeks, then work for some weeks, and so on in the same company. How this change in employment patterns affects the collection of data is not clear. It could lead to an overestimation of the number of people working full time, or the opposite, if employers fail to keep track of the hours worked by casual workers.

Another weakness of the QEI and CIP surveys is that children under the age of 15 are by definition excluded from the labour force, and thus do not enter the statistics. Since child labour is common in developing countries, and Zimbabwe is no exception, there can be a substantial difference between actual employment and what is reported for some sectors. This problem is likely to be most severe in agriculture. Available data on child labour, obtained in the 1992 Population Census, indicates that close to 39 000 children aged between 10 and 15 years were employed, which is about 3% of all children in that age group. If all these were working in agriculture, employment would have been about 10% higher in that sector.

Finally, there is the difficulty of finding information on the number of people engaged in domestic services. Up until the mid-1980s this kind of employment varied in a way that made sense, but then there has been too little change. In 1985 it was 98 000; it rose to 102 000 in 1998, and since 1990 the number has been exactly 102 100. Thus, there is no reason to believe that 102 100 even closely corresponds to the number of people employed in private domestic services.

In reading the subsequent sections it is important that these shortcomings in data are borne in mind.

THE FORMAL LABOUR MARKET AND LABOUR FORCE PARTICIPATION

Table 1 shows the size of the labour force including the unemployed, employed and communal farmers. In 1982 the labour force comprised of 2.48 million people, increasing to 4.045 million by 1995. The share of the formal sector labour force to total labour force has declined from 47% in 1982 to 31% in 1995, while the share of the unemployed has trebled (and is almost the size of the formal sector) in the same period.

Table 1
SIZE AND STRUCTURE OF THE LABOUR FORCE

	1982		1992		1995	
	thousands	%	thousands	%	thousands	%
Total Labour-force	2 483	100	3 502	100	4 045	100
Employment	1 177	47.4	1 236	35.3	1 250	30.9
Communal Farmers	1 038	41.8	1 502	42.9	1 600	39.6
Unemployment	268	10.8	764	21.8	1 195	29.5

Sources: Government of Zimbabwe (1996; 1988)

The distribution of the formal labour force is shown in Table A1 in the appendix. An inspection of this table shows that agriculture and manufacturing are the major employers of labour. These two sectors combined contribute more than 40% of total formal employment and 36% of Gross Domestic Product (GDP). The other important contributors are education, distribution and hotels, and domestic services. The structure of formal employment seems to have changed over time, however. The share of employment in agriculture fell from 35% in 1975 to 24.3% in 1990, only increasing slightly to 26% by 1994. Two potential explanations underlie this structural shift: First, the droughts of 1983, 1987, 1990 and 1992 might have contributed to the decline in the agricultural share. Its share in GDP has also fallen from 17% to 13%. Secondly, minimum wages might have forced commercial farmers to become more capital intensive. The manufacturing sector, on the other hand, has continued to increase its employment level and its GDP share. In 1975 its share in employment was 14.5%, reaching a peak of 16.5% in 1990, and slightly declining to 16% in 1994. Retrenchments during ESAP partly explain the decline in 1994. For the same years its GDP share has been 22.8%, 24.7% and 22.5%, respectively.

The share of the public sector in total employment has increased over the years.³ In 1975 it was 9.3%, 19% in 1985, and 23.1% in 1994.⁴ This pattern is explained by government policies immediately after 1980. As part of its "growth with equity" policy, the new government expanded its provision of social services, including health and education. In the labour market the new government deliberately assumed the role of "employer-of-last-resort". However, in 1991 under ESAP and specifically as a budget balancing measure, policies de-emphasised the leading role of Government

³ Public sector includes health, education and public administration.

⁴ The proportion of public sector employment to total formal sector employment which is 23.1% is relatively smaller than those of other African countries. For example in Kenya, Tanzania, Uganda and Zambia the proportions are 45.8%, 50.5%, 30.5% and 59.7% respectively.

Table 2
DISTRIBUTION OF FORMAL SECTOR FEMALE EMPLOYEES (PERCENTAGES)

	1980	1982	1984	1986	1988	1990	1992	1994
Agriculture	49.5	35.6	35.2	35.2	34.8	35.3	36.5	37.5
Mining	0.7	0.8	0.7	0.7	0.7	0.7	0.6	0.6
Manufacturing	6.8	7.6	8.1	6.3	6.5	6.3	5.8	7.1
Electricity	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1
Construction	0.6	0.4	0.4	0.4	0.6	0.8	1.4	2.4
Hotels	7.0	8.1	6.6	6.5	6.8	6.7	6.7	6.7
Transport	1.8	1.8	1.9	1.7	1.7	1.7	1.4	1.9
Finance	2.9	3.3	3.0	2.7	2.6	2.7	2.8	2.8
Public Sector	30.6	42.3	44	46.4	46.2	45.6	44.7	40.9
Total Females	100	100	100	100	100	100	100	100
% of formal*	17.0	15.7	16.5	17.7	17.8	18.0	18.0	19.9

Source: Calculations based on figures from ILO Statistical Year Books (various issues); *Proportion of total female employees to the total formal sector labour-force.

in employment creation. The public sector started retrenching part of its labour force.

Table 2 shows the distribution of female employees in the formal sector. Women are largely concentrated in the public sector, followed by agriculture. In 1994, 40.9% and 37.5% of female formal sector employees were in agriculture and the public sector, respectively. Electricity and water, mining, construction, transport and finance are still male-dominated industries. Table 2 also shows that female participation in the formal labour market has increased over the years (from 17% in 1980 to 20% in 1994). Their share continues to increase in the better-paying public sector, and declining in the low paying agriculture sector.⁵ This picture seems to hold also in other African countries. In Kenya, for example, 17.8% of the formal sector workers were women in 1983, but their ratio had increased to 23.1% by 1994. They are also largely concentrated in agriculture and the public sector (Ikiara and Ndung'u, 1997, 33).

Female employment in the formal sector grew at the rate of 2.7% (compared with 1.4% for males) between 1980 and 1994. Explanations include the phenomenal expansion and diffusion of education after independence, which saw enrollments for both sexes more than quadruple in the different institutions.⁶ Secondly, at independence all discriminatory wage and other gender biases in the labour market were abolished. Finally, the introduction of minimum wages in 1980 and paid maternity leave, may have made participation in paid work more attractive than household work.

ECONOMIC SHOCKS AND EMPLOYMENT

Table A2 in the appendix shows changes in formal employment from 1970-1994. During the Unilateral Declaration of Independence (UDI) period (1970-1979) employment growth averaged 1.7% per annum with public administration spearheading it.⁷ However, if we subdivide this period, interesting patterns emerge. The highest level of employment growth (4.5% per year) was recorded in the period 1970-1974. The manufacturing and construction sub-sectors spearheaded this growth. The two sectors benefited from the import-substitution industrialisation strategy, pursued by the government in the face of sanctions.

In the period 1975-79 total employment declined by an average of 1.1% per year. Two factors explain this trend. First, there were two

⁵ See Table A3 in the appendix for ratios of wages in different sectors.

⁶ In the period 1979 to 1994 enrollments increased at primary school by 312%, at secondary school by 899%, and in tertiary institutions by 355%.

⁷ The Rhodesian government unilaterally declared its independence (UDI) from Britain in 1965.

negative external shocks which disrupted the economy; the intensification of the liberation war and the first oil shock of 1973/4. Second, the dynamics of the import-substitution strategy had been lost by the mid-1970s as the easy stages had been exhausted (Davies and Rattsø, 1990, 322). At sub-sectoral level, public administration had the highest growth. Employment in this sector grew from 50,000 in 1975 to 74,000 in 1979. This was because the UDI government absorbed most of the war-displaced white workers, and recruited additional manpower to service its war machinery.

In the post-independence decade (1980-1990) employment grew annually by 1.8%, or 1% during the 1980-1984 phase, and 2.4% in the six years that followed. This period was marked by high public sector employment growth. Employment in the education sector, for example, increased by an average of 21% per year. This high post-independence public sector employment growth is not unique to Zimbabwe. This has happened elsewhere in Africa (see van der Geest and Wignara, 1996, 15; Cohen, 1993; and van Ginneken, 1990). Van der Geest and Wignara, and Cohen note that the government of Kenya, for example, acted as "employer-of-last-resort" after independence. The motivation in Kenya was political, and also to strike some ethnic balance. The reforms currently sweeping across less developed countries have reversed this trend.

Other sectors (except agriculture and mining) recorded moderate to high employment growth between 1980 and 1990. The decline was severe in agriculture as the sector was hit hard by the 1983 drought. 1983 was also marked by an overall downturn in economic activity partly due to the world recession — GDP growth was negative at 4%.

The period 1986-1990 was characterised by modest employment growth (2.4% per year). Although growth was positive but lower than in the previous period in many sectors, the major employers of labour, agriculture and manufacturing, increased their employment levels more rapidly. A boom-slump economic growth pattern characterises this period.⁸

The ESAP period 1991-1995, saw the wholesale restructuring of the economy and the overall removal of "rigidities" in the labour market, such as minimum wages and employment protection regulations. As part of the general restructuring process, government intervention in the labour market ended in 1990. Employers took this opportunity and adjusted their labour force. Employment in non-agricultural sectors fell from 939,800 to 844,000 in the first two years of the reforms. However, the public sector had by 1995, retrenched 20,000 workers. The private formal

⁸ See Mlambo and Kayizzi-Mugerwa (1991) for a detailed discussion of the changes in economic activity during the 1980s.

sector on the other hand, retrenched 25,510 workers.⁹ Because of retrenchments, employment growth during the Economic Structural Adjustment era was lower (see Table A2). What then explains the behaviour of formal sector employment in Zimbabwe?

Economic theory gives us two main approaches to the study of employment determination. First, the neoclassical theory which broadly views the labour market as capable of reaching a full employment equilibrium through a flexible wage. Central to neoclassical theory is that labour markets clear, a situation that means the absence of involuntary unemployment. If there is involuntary unemployment real wages adjust downwards relative to the rental rate of capital. Unemployment is therefore a symptom of high, inflexible wages. If there is continuous unemployment, it would be institutional, caused by government or trade union intervention. The main policy prescription from this theory is that labour markets should be flexible.

In the Keynesian approach employment is determined in the product market. Deficient demand in the product market leads to unemployment. High prices depress demand for goods and therefore depress demand for labour. Improving demand conditions in the product market is the prescription for increasing labour demand.

In Zimbabwe employment determination has recently been studied by Kanyenze (1993, 1996), Knight (1996) and Ncube (1998). Kanyenze and Knight estimate a model of the form

$$\ln l_t = \alpha + \beta_q \ln q_t + \beta_w \ln w_t + \beta_l \ln l_{t-1} + \varepsilon_t$$

where l , q , w represent employment, output and the real product wage, respectively. ε is the error term. Kanyenze estimates this equation for nine sectors (for the period 1970-90) namely agriculture, mining, finance, construction, manufacturing, electricity, distribution, transport and other services. Output was found to be significant in all but two sectors (agriculture and mining). Real product wages were significant in agriculture, mining and finance. The lagged dependent variable was significant in seven of the nine sectors and the sizes of the significant coefficients indicated a leisurely speed of adjustment to equilibrium. Knight's model is applied to the formal sector as a whole, agriculture and manufacturing, for the period 1979-90. In the formal sector and agriculture real product wages were significant with elasticities of -0.176 and -0.325, respectively. Output and lagged employment were significant in the formal sector and manufacturing equations. What we learn from these two studies

⁹ Zimbabwe Congress of Trade Unions (1996).

is that aggregate demand factors are important in employment determination.

Ncube (1998) models employment determination slightly differently. He estimates a less restrictive translog labour demand function and uses panel data estimating techniques. The empirical analysis is based on a cross-section of ten manufacturing industries observed during the period 1970-1993. A two-way fixed-effect error-component model specification is used. Labour demand is a function of real producer wages, output, interest rates, the lagged dependent variable and rate of technical change. Both static and dynamic versions of the labour demand function are considered. Results of this study suggest that labour demand responds more to real wages, followed by output, and lastly interest rates. On average there is technical regress (labour-using) in all industries. Total regress in the sample period was found to be 16%. The speed of adjustment is constant across industries. The mean speed of adjustment was found to be 39%, also, as in the other studies, indicating a relatively slow speed. This is not surprising considering that the Zimbabwean labour market was under extensive controls in the 1980s.

INCIDENCE OF UNEMPLOYMENT

Despite unemployment being one of the worst features of Zimbabwe's economic performance, statistical data to establish the trends, structure, and dynamics of the problem are sketchy. Reliable time-series data are non-existent. For some indication of the structure of unemployment in Zimbabwe we shall use the 1986 labour-force survey data as well as the 1992 census data (see Tables 3 and 4). But since the survey and census data collection methods differ, the results are not entirely comparable. The census report of 1982 indicates that unemployment was about 10.8%, in 1986 it was 7.2%,¹⁰ and in 1992 it was 21.8%.¹¹

It is thus not surprising when economists and policy makers estimate unemployment to be currently at least 30% (Government of Zimbabwe,

¹⁰ The 1986 figure for unemployment is lower than the 1982 figure not because unemployment dropped, but the definitions of unemployment differ. The 1982 and 1992 figures are derived from the census reports, and unemployment is defined as persons who, as their main activity over the previous year, had done no work or were looking for work or were available for work. The 1986 figures are from a labour-force survey, and unemployment is defined as those not working in the previous week but available for, and wanting work.

¹¹ Unemployment seems to be slightly higher than that of other countries in the region. In 1991 for example, unemployment in Kenya (urban — see Kulundu, 1997); and Zambia — national — see Seshamani and Kaunga, 1997) is between 17.8% and 23.6%, and 21.6% respectively.

1996, 129). The labour market is also characterised by high levels of underemployment, especially in the rural areas and within the urban informal sector. Government of Zimbabwe (1996) estimates that 300,000 people are underemployed in the rural and informal sectors.

Table 3

INCIDENCE OF UNEMPLOYMENT BY GENDER, AGE AND RESIDENCE
1986 (% OF THE LABOUR-FORCE)

	Rural areas*	Urban areas	Total	Total (000)
Male	2.7	13.3	6.5	111
Female	5.3	27.4	7.9	123
Age				
15-24	7.1	46.5	14.9	138
25-34	4.1	13.5	6.9	59
35-44	1.9	5.5	4.2	22
45+	1.2	17.2	1.7	15
Total	3.5	17.9	7.2	234

INCIDENCE OF UNEMPLOYMENT BY AGE AND EDUCATION 1986 (% OF
THE LABOUR-FORCE)

	No education	Primary	Secondary or above	Total	Total (000)
Age					
15-24	2.2	10.6	19.3	14.9	138
25-34	2.6	8.2	7.2	6.9	59
35-44	2.3	4.8	2.2	3.5	22
45+	1.3	3.6	1.3	2.3	15
Total	1.6	6.8	11.6	7.2	234

Source: Government of Zimbabwe (1989).

Notes: *Includes large scale commercial farms

TABLE 4
INCIDENCE OF UNEMPLOYMENT BY GENDER, RESIDENCE, AND AGE
1992 (% OF THE LABOUR-FORCE)*

	Male	Female	Total
National	22.1	21.4	21.8
National excluding Communal Farmers			28.5
<i>By Area</i>			
Urban	19.8	31.3	23.4
Rural**	23.8	17.1	20.8
<i>By Age Group</i>			
15-19	55.2	49.5	52.3
20-24	39.8	36.1	38.4
25-29	20.1	18.3	19.4
30-34	12.4	10.1	12.0
35-39	10.4	6.6	9.0
40-44	9.6	4.5	7.7
45-49	9.1	3.7	7.2
50-54	8.0	3.0	6.2
55-59	7.1	2.8	5.7
60+	5.3	2.2	4.3

**INCIDENCE OF UNEMPLOYMENT BY EDUCATION 1992 (% OF THE
 LABOUR-FORCE)*****

<i>By education</i>	
No education	2.4
Primary	24
Secondary or diploma	25.4
Graduate or post graduate	1.9
Total	15.9

Source: Government of Zimbabwe (1994) and Knight (1996). Notes: *The unemployed are expressed as a proportion of the working age population. **Includes large scale commercial farming, resettlement and communal areas. ***The overall unemployment rate for all educational levels is lower than the national figure because the denominator is persons aged 5 and above.

From Tables 3 and 4 we can make the following observations:

- (1) Overall unemployment is higher in urban than in rural areas.¹² In

¹² In 1992 unemployment was however higher in rural areas for males than females.

1986 the proportion of the unemployed to the labour force in rural areas was 3.5% compared with 17.9% in urban areas. The corresponding figures for 1992 were 20.8% and 23.4%, respectively.

- (ii) In urban areas more females are unemployed than males. However, the differentiation is more difficult in rural areas.
- (iii) Unemployment decreases with age. The youth (aged 15-24) are more represented among the unemployed than any other group, partly because this group is composed of people who lack experience and skills. In addition, most of them are school dropouts. Between 1980 and 1990, there were about 173,315, Grade 1 to Form 6 dropouts per year (Siddiqui and Matare, 1993).
- (iv) Unemployment is greatest among those with secondary education or "above" (i.e. in 1986), and the secondary or diploma education (i.e. in 1992) categories. It has also been noted in other studies (Siddiqui and Matare, 1993, 3) that unemployment is higher among secondary school leavers than any other group.¹³ The lowest reported cases of unemployment are among those with no education, a reflection of non-selectivity of this group as far as jobs are concerned. The massive unemployment of the educated is the consequence of government policy which focussed on the supply side of the labour market. Primary, secondary and tertiary level enrolments increased by 311%, 898%, and 355%, respectively between 1979 and 1984. Thus school output outstripped the jobs created. In 1980 for example, there were 26,000 new labour market entrants with primary and secondary education (not continuing) competing for 33,000 non-agricultural job openings. In 1993, there were 225,000 primary and secondary school graduates who entered the labour market. Instead in that year, non-agricultural sectors shed 20,000 jobs (Knight, 1996, 18).

The problem of unemployment in Zimbabwe has been worsened by retrenchments in both the public and private sectors, a result of structural adjustment. As has been noted above the two sectors retrenched 20,000 and 26,000 workers, respectively. Private sector retrenchments came about largely as a result of poor economic performance while government retrenchments were part of the civil service rationalisation programme. However, the government never envisaged private sector retrenchments at the start of ESAP. The government had assumed that reductions in civil service employment would be counteracted by major employment

¹³ Secondary (and primary) education expansion has not been accompanied by a corresponding increase in jobs and increases in the tertiary sectors of the education system. Between 1980-1990 secondary enrolment increased from 74,321 to 672,653 whereas enrolment at the University of Zimbabwe increased from 2,240 in 1980 to 9,300 in 1990 (Siddiqui and Matare, 1993).

increases in education, manufacturing, tourism and commercial agriculture. The four sectors were projected to increase their employment between 1990 and 1995 by 12,000, 34,000, 13,000 and 20,000, respectively (van Der Geest and Wignaraja, 1996, 16). To date little employment growth has been realised in the formal sector. Many job seekers have been absorbed in the informal sector. In the next sub-section we look at the informal sector alternative.

THE INFORMAL SECTOR AND GOVERNMENT POLICY

When the prospects of employment creation in the formal sector were good, government attitude towards the informal sector was hostile, with stiff and oppressive regulations. The central government and local authorities hoped that this sector would one day disappear. The downturn in formal employment growth, high levels of rural-urban migration, and public and private sector retrenchments under structural adjustment led to a change in attitude. Realising the immense employment "sponge" effect of this sector, the public sector relaxed the laws regulating the sector. Because of the changes in the legal environment affecting the sector and retrenchments due to structural adjustment, there has been a phenomenal increase in its size.¹⁴ Daniels (1994) estimates the growth of the non-formal sector at 14% between 1991 and 1993. As elsewhere in Africa, it has overtaken the formal sector in employment absorption in recent years (Ikiara and Ndung'u, 1997, 54, for Kenya).

A series of studies have been produced in an attempt to characterise the size and structure of the informal sector (see for example, Moyo *et al.*, 1984; Mead, 1991; McPherson, 1991; Peters-Berry, 1993; and Mhone, 1995). These studies agree that the informal sector is both large and a viable complement to the formal sector because it is labour intensive, uses simple and inexpensive technology, is less import dependent and creates employment cheaply compared with the formal sector. For example, the cost of creating a single job in the formal sector ranges from Z\$80,000-Z\$100,000 whereas in the informal sector it is only about Z\$10,000 (Zimbabwe Congress of Trade Unions, 1996, 74).

McPherson (1991) estimated that the informal sector had 845,000 enterprises each employing an average of less than two people. This is roughly the same size as other informal enterprises in Southern Africa.¹⁵

¹⁴ It is difficult to know how much of the informal sector expansion is due to the adverse employment effects of ESAP, or direct incentive effects stimulating the sector such as the relaxation of regulations.

¹⁵ In Swaziland, Lesotho and South Africa, the average enterprise employs 1.85, 1.60, and 2.10 people respectively (McPherson, 1991).

There is consensus among the above studies that women constitute the bulk of employees in the informal sector. Mcpherson puts their share at 57%. The informal sector is also characterised by underemployment and low wages. Whereas average annual wages in the formal sector were about Z\$8,000, in 1990 those in the informal sector averaged only Z\$1,000 (Zimbabwe Congress of Trade Unions, 1996, 74).

DEVELOPMENT AND STRUCTURE OF WAGES

Incomes policy: narrowing wage differences and minimum wages

Among concerns of the government at independence were the skewed distribution of incomes and high levels of poverty. Many people depended for their livelihood on wage income, so the labour market was an important area in which government could change the colonial legacy of poverty and income disparities. The government introduced an incomes policy to narrow income inequalities and also improve the purchasing power of many people.

Wage gaps were moderated by the introduction of minimum and maximum wages. The wages of those at the bottom scales adjusted upwards by wider margins while upper scales were adjusted only a little. For example, in 1982, those earning at most Z\$1,200 per annum had their salaries adjusted upwards by 23.5%, whereas those earning Z\$20,000 per annum had a 1% upward adjustment. In 1985 salaries at the top and bottom brackets were adjusted by 2% and 15% respectively.¹⁶ The effectiveness of such a policy is debatable, however. In the private sector, there was no effective mechanism to detect non-compliance. The policy was however, circumvented through the use of in-kind benefits, fake promotions or allowances and outright secrecy (Shadur, 1996; Knight, 1996; and Herbst, 1990). The system seems to have worked only in central government. Knight (1996) and the International Monetary Fund (1993) argue that though compressionary income policies were effective in the public sector, they had disastrous effects in the civil service. The negative effect of this policy, according to the IMF, was the apparent devaluation of skills in this sector. There was inevitably some widening of the wage gap between private and public sectors and this could partially explain the migration of manpower from the former to the latter, and the persistent shortage of skills in the public sector (Kanyenze, 1996, 57).

Knight (1996, 15) cites the Public Service Review Commission (1989) document which noted that, "... Wage compressionary policies had been taken too far in the public sector ... and that scarcity, and high

¹⁶ See Ncube (1997) for salary adjustments in the 1980s.

turnover of professional and technical staff such as accountants, engineers, and financial managers, was due to compressionary policies". Kanyenze, (1996, 58) and Ncube (1997, 130) also note that falling morale, absenteeism and moonlighting in the public sector were some of the consequences of this policy. Over time, the compression of wages might have contributed to widening of wage gaps between the Zimbabwean workers and other workers in the region, e.g. Botswana and south Africa (Knight, 1996, 22). For example, median salaries of Zimbabwe chartered accountants were 43% of their South African counterparts' median salaries; programmers earned 41%, while employed medical doctors, engineers and university lecturers earned slightly above half. With such differences in emoluments there was considerable brain drain to the south.¹⁷

Minimum wages were different for different sectors, as shown in Table 5 below. In real terms minimum wages reached their peak in 1982, thanks to the boom of 1980-1982, and the good rains. After 1982 real minimum wages were allowed to fall as pressure from the donor community and industry to abandon legislated wages was mounting. The argument from industry and donors was that minimum wages were discouraging employment creation? When the minimum wages policy was abandoned in 1989, agricultural workers were earning 16% above their 1980 levels, whereas those in mining and industry were 9% below their 1980 levels.

Table 5
MINIMUM REAL WAGES: (Z\$ PER MONTH) (JULY 1980=100)

Date of order	Agriculture and Domestic	Mining	Industry and Commerce	Low Income Consumer price index
January 1980	100	100	100	100
January 1981	96.8	117.5	117.5	103.3
January 1982	141.2	127.1	127.1	118
September 1983	107.3	92	96.1	170.9
July 1984	116.7	92.3	96.2	185.7
July 1985	125.9	103.6	103.6	198.5
July 1986	121.7	97	97	232.8
July 1988	116.3	90.7	90.7	286.7

Source: Knight (1996)

Note: In 1987 there was a wage freeze.

¹⁷ For example in 1992 alone, 200 Zimbabwean doctors moved to South Africa (Knight, 1996).

Classical theory argues that the presence of minimum wages is a possible constraint to labour demand. The textbook model of minimum wages contends that if minimum wages are set above the market equilibrium level, employment is reduced. The workers likely to be affected by minimum wages are those at the lower end of the wage spectrum. In Zimbabwe the employment reducing effect of minimum wages has been investigated by Hawkins, *et. al.* (1988). Hawkins *et. al.* surveyed 168 enterprises in Zimbabwe and found that minimum wages had a negative employment effect in the agriculture sector. The survey revealed that 77% of agricultural employers acknowledged that labour costs deterred them from employing more labour, compared to only 39% in non-agricultural sectors.

We test this hypothesis by estimating a simple econometric model (as opposed to Hawkins *et al* survey method) where labour demand (L) is a function of output (y), minimum wages (mw) and a time trend (t) to represent technological progress. Minimum wages are defined as a ratio of minimum wages to average wages in each sector. A panel data framework is used whereby i indexes sector and t represents time.¹⁸ We write this equation as

$$\ln L_{it} = \alpha_0 + \beta_y \ln Y_{it} + \beta_{mw} \ln MW_{it} + \beta_t t + \varepsilon_{it}$$

This equation is estimated over the period 1980-1988, the time when minimum wages were in force. The i index represents the following sectors: agriculture, mining industry and commerce. The estimated equation is:

$$\ln L_{it} = 2.6340 + 0.0601 \ln Y_{it} - 0.0324 \ln MW_{it} + 0.0421t$$

(1.2310) (4.7670) (3.8230) (1.9840)

The results indicate that output, minimum wages and technical change (time trend) were significant factors in explaining the employment situation in Zimbabwe. The minimum wage coefficient is negative and statistically significant, suggesting that minimum wages were a significant constraint to labour demand when all sectors are combined. This result lends support to Hawkins *et al* (1988)'s attitudinal study.

Considering that many workers were at the bottom end of the wage spectrum, the other question that naturally follows is: were minimum wages effective in improving the standard of living of many people? There are diverging views about how minimum wages affect the living

¹⁸ We use a panel data framework to save degrees of freedom.

standards of people. Advocates of minimum wages hold that they redistribute resources in a welfare-enhancing way, and can thus reduce poverty, improve productivity, and foster growth. Opponents, on the other hand, contend that minimum wage interventions result in a misallocation of labour and lead to depressed wages in the very sectors where most of the poor are found, with the effect of wasting resources and reducing the growth rate. This has always been a difficult area to investigate empirically. Previous studies have looked at whether minimum wages actually pushed average earnings up, which would have indicated that at least incomes improved. In Zimbabwe two studies have investigated this issue.

One such study is Kanyenze (1996) which investigated whether minimum wages pushed average wages away from their historic trend. The results from this study suggest that minimum wages actually pushed the wage structure beyond their historic trend. This "push" was large during the 1980-1982 period — the period when there was a sharp increase in minimum wages. It was more pronounced in sectors with an abundance of unskilled workers (e.g. agriculture and domestic service) and less so in areas where there were a lot of skilled workers (e.g. finance, insurance and real estate).

The second study is that of Knight (1996). Knight estimated the following earnings model for the period 1980(3) to 1988(4),

$$\ln e = \beta_0 + \beta_1 \ln mw + \beta_2 \ln p,$$

Where e is the average wage in sector i , mw is the minimum wage and p is the low consumer price index. The coefficient of interest β_1 was significant and positive in mining, agriculture/domestic, and industry/commerce. Respectively, a 1% increase in minimum wages raised average wages by 0.58%, 0.25% and 0.35% — an indication that minimum wages did push average wages up in these sectors.

Government intervention in the determination of wages as well as other employment conditions in almost all the sectors was eased in 1989 and 1990 in line with reforms in other markets.¹⁹ Since then, wage and employment conditions in the private sector are determined through collective bargaining, although it is still subject to indirect government influence. At the beginning of each year the government advises industry and labour on the performance of the economy and that excessive wage deals could impact negatively on labour demand and macroeconomic instability. In collective bargaining, parties are supposed to take note of

¹⁹ The exception here is the domestic and agriculture workers where the government still sets minimum wages.

this "warning". In the civil service the determination of wages and employment conditions is still the employer's prerogative.

Earnings determination

Earnings determination in Zimbabwe has been analysed by Velenchik (1994). She uses data from the Regional Programme on Enterprise Development (RPED) survey and estimates an earnings function with the log of hourly earnings as the dependent variable.²⁰ The results of this survey suggest that earnings rise with experience up to 38 years of age. Returns to primary education and secondary are found to be 0.9% and 23.9%, respectively. Occupational variables, race and sex variables are significant determinants of earnings. The race coefficient suggests that whites earned 23.2% more than blacks when control is made for human capital variables and 11.1% when occupational variables are included. This large difference could be explained by differences in skills or outright discrimination. The gender coefficients indicate that males earn 28% more than women, after controls for human capital and occupational characteristics. Also, this difference could partially be explained by gender discrimination.

Velenchik (1996) also investigated the effect of firm size on wages. Her estimates point out to the powerful effect of firm size on earnings. The major finding in this context was that there is labour market segmentation. There is a labour market for small firms (1-10 employees) and one for big firms (ten plus employees). Small firms are characterised by low wages, low wage dispersion and low returns to human capital variables. The premium on secondary education (compared to primary) is 31% for small firms and 103% for large firms, while the premium on university education is 311% for small firms and 896% for larger firms. Velenchik's results show that small firms are characterised by employees with inferior education, and who are less likely to acquire human capital. Larger firms in her study recruit better quality labour and have internal labour markets with proper career development ladders.²¹

INCOME AND WAGE GAPS

Rural-urban income gaps

The Zimbabwean labour market is characterised by differences in wages between different groups. Labour markets in developing countries can be

²⁰ The RPED data is based on a panel survey of about 200 manufacturing firms and their workers conducted in Zimbabwe between 1993 and 1995. See Gunning (1994) for a full description of this data.

²¹ Similar results have been found in Kenya (see Kulundu, 1997).

safely categorised into rural and urban. The incomes in the two markets differ in their magnitude and composition. Rural households are prone to risks and often respond to this by diversification, both within agriculture and between agriculture and non-agriculture (Bigsten and Horton, 1997). In Table 6 we report the composition and magnitude of rural and urban household incomes.

In rural areas as a whole, the main source of income is wage employment, followed by remittances and lastly the "other" category. Female headed households in rural areas have higher incomes than male headed ones. In female headed households remittances are the major source of rural incomes (40%) compared to about 12% for male headed ones. Employment is the major source of urban incomes (81%) followed by property incomes (12%). Only male headed urban households make remittances while urban female headed households receive remittances. In total, rural households earn almost 39% of the urban households' incomes, while urban female and male headed households earn 48% and 37% more than their rural counterparts, respectively.

Table 6

RURAL AND URBAN HOUSEHOLD INCOMES (1990/91, Z\$ PER ANNUM)

	Total	Employ- ment	Agricul- ture	Property	Remit- tances	Other
Rural areas						
All households	1 290	406	385		290	209
Female headed	1 320	145	428		524	223
Male headed	1 272	557	360		155	200
Urban areas						
All households	3 321	2 992	245	443	—	-359
Female headed	2 738	1 324	764	452	—	198
Male headed	3 414	3 256	163	442	—	-447

Source: World Bank (1995), *Zimbabwe: Country Report* (Washington DC, World Bank).

As in other studies (Mazumdar, 1994; van Der Geest, 1996) we can also use the ratio of manufacturing to agriculture wages to proxy urban-rural wage gaps. The ratios are shown in Table a3 in the appendix. The ratios show that manufacturing to agriculture wage gaps have widened in the 1990s after narrowing in the 1980s. Compared with other Sub-Saharan African countries, the rural-urban wage gaps are wider (and also widening with time) for Zimbabwe. Van der Geest provides estimates of the ratios for 1985, for some African countries: Botswana (3.9), Ghana (1.8), Kenya

(3.04), and Malawi (3.4). The ratios for 1991 were as follows: Botswana (2.06), Ghana (0.87), Kenya (2.71), and Malawi (3.12). For Zimbabwe the ratios are 4.2 and 4.6 for 1985 and 1991, respectively.

Sectoral wage gaps

The development of sectoral wage gaps can also be investigated by looking at average ratios of relatively better paying sectors to low paying ones. Table a3 in the appendix shows that finance, electricity and manufacturing are better paying sectors, while agriculture and domestics are at the lower end. The ratio of the better paying sectors (finance, electricity and manufacturing), to low paying sectors (agriculture and domestics) for the period 1970-1994, are shown in Table a3 in the appendix. The ratio of the better paying sectors and agriculture was wide in the 1970s, narrowed between 1980-1990 and widened during the structural adjustment phase (1991-1995). The ratio of average wages in manufacturing, electricity and finance to wages in the domestic sector, were in 1970, on average 5.8, and in 1994, it was 17.7.

In inspecting Table a3, we see that the gap between public sector workers and the private sector (represented by manufacturing) is widening. Between 1970 and 1983 public servants' wages were above those of the private sector and after 1983 the trend was reversed. The public servants on average earned 141%, 108%, 86% and 70% of the average manufacturing employee wage in 1970, 1980, 1990 and 1994 respectively.²² The public sector has expanded too fast, and relatively high wages have not been preserved.

Occupational, gender and racial wage differences

Data on gender, racial and occupational wage differences in Zimbabwe is sketchy. The only source of information for such gaps is Velenchik (1996a).²³ In Table 7 we show gender, race and occupational gaps for 1993 and 1994.

Females earn lower wages than their male counterparts. Europeans and Asians on average earn about six and three times the wage of Africans, respectively.²⁴ There are also wide wage gaps between professionals and management on one hand, and low level employees such as labourers and support staff, on the other. The question is then what explains these differences. One possible explanation is that Africans or females have inferior human capital endowment compared with whites or males,

²² Kanyenze (1993) using salaries of civil servants and private sector workers in a number of occupations shows that there are wide wage gaps between these two sectors.

²³ This study is based on the Regional Programme of Enterprise Development (REPD).

²⁴ Differences in human capital endowment or discrimination could explain such differences.

respectively. Another explanation is that Africans or females are discriminated against in the labour market. In Zimbabwe no empirical work has been done on discrimination in the labour market. But elsewhere in Sub-Saharan Africa the problem of discrimination exists. For example, Oaxaca (1991, 50) using the Knight and Sabot data of the 1980s, finds that in Tanzanian manufacturing, 17% of the differences in wages are explained by factors other than observed individual characteristics.

TABLE 7

MEAN WEEKLY WAGE BY GENDER, RACE AND OCCUPATION (Z\$)

	1993	1994
Gender		
Men	281.52	368.23
Women	241.73	297.09
Race		
African	236.59	304.97
European	1 298.63	1 805.1
Asian	651.47	1 080.79
Occupation		
Management	1 092.2	1 511.61
Professional	806.26	1 525.45
Office workers	287.97	396.54
Commercial and sales	282.43	388.34
Supervisors/foremen	360.36	467.39
Equipment maintenance	304.12	364.94
Skilled labour	168.7	211.18
Machine operators	132.66	163.83
Labourers	99.14	127.2
Service/support staff	120.9	143.53

Source: Velenchik (1996a).

Trends in real wages

In this sub-section we look at the development of real wages. In Figure 1 below we trace the developments of average real consumption wages for all sectors (total formal sector) and three sub-sectors: agriculture, manufacturing, and the public sector. Consumption real wages are nominal wages deflated by the consumer price index. This reflects the purchasing power of workers' wages. Between 1975 and 1979 real consumer wages increased steadily for all the sectors and between 1980 and 1982 the

Figure 1a
REAL WAGES IN AGRICULTURE

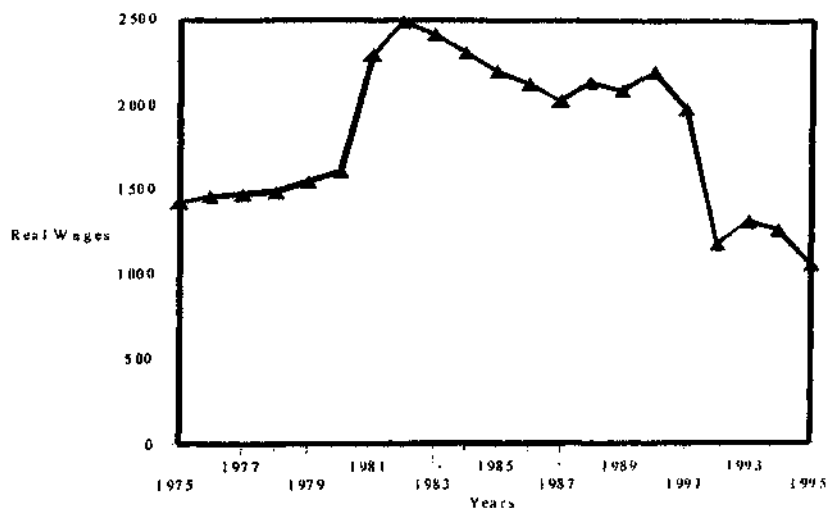
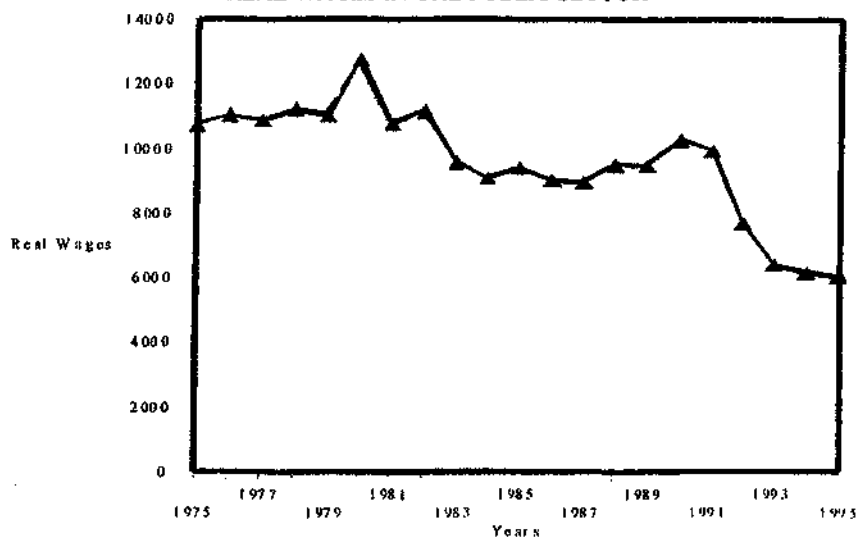


Figure 1b
REAL WAGES IN THE PUBLIC SECTOR



Public Sector includes health, education and public administration

Figure 1c
REAL WAGES IN THE MANUFACTURING SECTOR

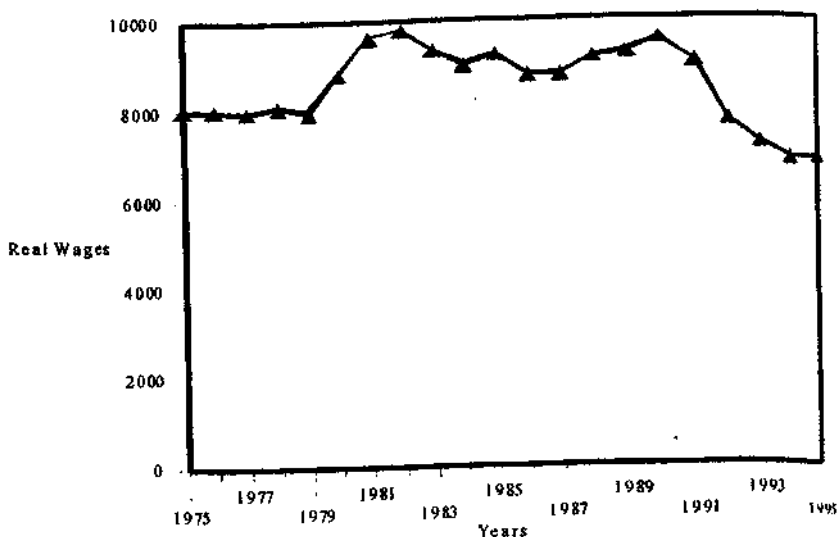
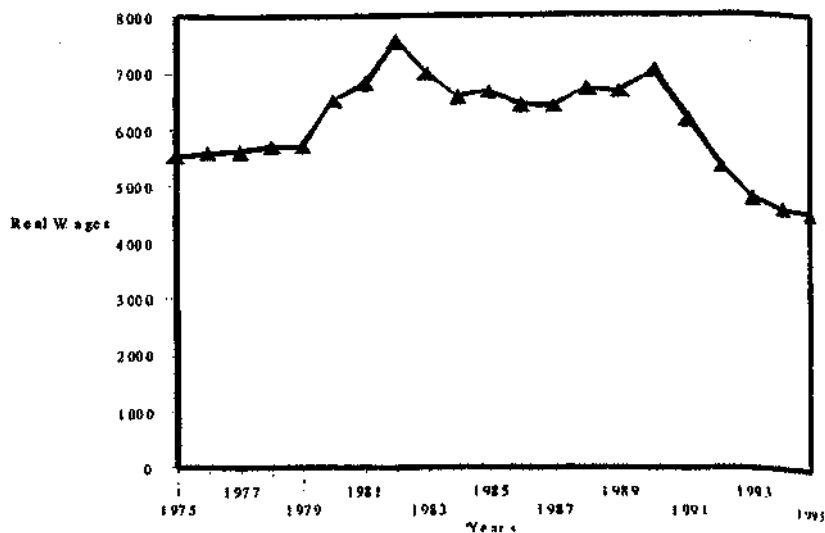


Figure 1d
REAL WAGES IN THE INFORMAL SECTOR



increase in real wages in all the sub-sectors and the formal sector as a whole, was more dramatic. The aggressive minimum wages, economic boom and good harvest that characterised the first two years of independence partly explains this rapid growth. Real consumer wages in the manufacturing sector fluctuated around a stationary path during the period 1983-1990. In the 1990s, manufacturing real wages declined severely and by 1994, they were below those of 1975. In agriculture consumer wages declined after 1982, stabilised between 1987 and 1990, then declined between 1990 and 1992, only recovering slightly in 1993 and falling thereafter.

In the 1990s, high inflation triggered by ESAP eroded wages in the formal sector as a whole. The average purchasing power of all categories of workers in 1995 was lower than in 1975, a clear indication of falling living standards.

This fall in formal sector real wages in the 1990s was part of the ESAP strategy. The World Bank (1989) argues that a fall in real wages especially under adjustment "... Is a brutal but necessary adjustment to reflect labour unemployment caused by a growing labour-force that has outstripped job creation and the need to become internationally competitive." According to the World Bank, industry profit margins, which are likely to be translated into investment, are eroded by excessive wages. However, in Zimbabwe the benefits in terms of employment generation of falling real wages, expected from ESAP did not materialise. Weeks (1996), Zimbabwe Congress of Trade Unions (1996) and Kanyenze (1997) argue that wage rigidities were not a possible cause of unemployment, as wages in Zimbabwe have been flexible.

INDUSTRIAL RELATIONS

Private sector industrial relations

The conduct and performance of the labour market is best understood when put in the broader industrial relations framework. In 1980 the labour market inherited industrial relations characterised by entry restrictions to skilled jobs, training, and apprenticeship, and restrictions to membership of unions to many African workers. Collective bargaining, which was limited to only a few unionised workers (mainly white) was conducted by government-appointed industrial councils. For the non-unionised workers government appointed industrial boards (which were not collective bargaining forums) but whose mandate was to recommend wage adjustments to government.

Government intervention in the labour market continued in the period between independence (1980) and the introduction of structural

adjustment in 1990. The government, besides being an active participant in the wage determination process, was also instrumental in the formation of trade unions. The independence of trade unions was limited through a host of repressive and paternalistic regulations. As Shadur (1994) points out, during this period the government actually took the role of labour's advocate. Government intervened through the Employment Act of 1980. The Act, besides listing the rights of employees, gave the Minister of Labour unlimited powers in industrial relations. Its distinctive feature was that employers were required to seek ministerial approval before any retrenchment or dismissal of an employee for any reason. The regulations were designed to offset the possible negative employment effects of minimum wages.²⁵ The process of seeking ministerial approval was cumbersome and costly. Often the minister denied requests to retrench (Velenchik, 1996b). Employment protection rules made it impossible to adjust the workforce levels in accordance with economic downturns. Some employers however, circumvented these constraints through employing casual labour. The laying off of casual workers did not require ministerial approval (Velenchik, 1996b).

Two studies have looked at the effect of these regulations on labour demand. According to Hawkins *et al.* (1988, 18) the "inability to dismiss workers" was ranked second among the factors that discouraged employment of more workers; 42% non-agricultural and 81% agricultural employers considered regulations as a prohibitive factor.

The other study which has looked at the effect of these restrictions on labour demand is that of Fallon and Lucas (1993). This study estimates a labour demand function over the period 1967-1985 in 29 manufacturing sub-sectors. The dependent variable is the number of employees and the independent variables are the logarithms of real wages and output, and two lags of each. Included on the right-hand side also is the first lag of the dependent variable and a dummy which takes the value of one when job regulations were in force and zero otherwise. The coefficient for employment lagged once in all but a couple of the industries was positive and significant, suggesting that even before the imposition of job security regulations, employers were reluctant to adjust their employment levels rapidly under different market conditions. Probably speedy adjustment may already have been costly. The coefficient on the job security dummy was negative in 24 of the 29 industries and in 20 of the 24, it was significant in at least 75% level. But this dummy coincides with the period minimum wages were in force. However, by including a wage variable in the model,

²⁵ As has been noted above, Fallon and Fallon (1993) analysed the employment effects of job security regulations and found that they actually reduced labour demand.

the effect of minimum wages is controlled for. The other variable that might account for the negative and significant effect of the dummy could be that it is capturing the exodus of white workers in the immediate post-independence period. This is countered by including a net European migration variable in the regression, and still, its inclusion does not change the magnitude and sign of the job security dummy. The conclusion then from this study is that job security regulations reduced employment in many manufacturing industries. In addition, their results indicate that employees in large establishments were affected most by new regulations and that there was greater difficulty or reluctance to reduce employment of Africans than Europeans. In some countries employers have responded by substituting permanent workers by casual workers who are exempt from regulations. India is a good example (see Fallon and Lucas, 1993). Although there was an increase in casual labour in Zimbabwe, the government curtailed this by stipulating a double minimum wage for casual employees.

In 1985 came the most comprehensive labour law, the Labour Relations Act, which repealed the Industrial Conciliation Act of 1934 and its subsequent amendment in 1959, and brought together the provisions of the Employment Act (1980) and the Minimum Wage Act (1980). The main provisions of the new Act were: the definition and protection of interests and fundamental rights of workers; definition of unfair labour practices; the appointment and description of functions of workers' committees; and formation, registration, certification, and functions of trade unions. The Act safeguarded basic labour standards, such as minimum wages and maximum working hours, and more important, it encouraged collective bargaining.

However, besides ushering in a new era in industrial relations, the Act had some inherent contradictions. Industrial action by workers was provided for in the Act, but technically it was taken away from the employees in three ways: first, most of the workers were categorised as in the essential services and therefore not legally allowed to engage in industrial action.²⁶ Secondly, the process of getting permission for any

²⁶ The definition of essential service included workers in "any service relating to the generation, supply or distribution of electricity, any fire brigade or fire service; any sewerage, rubbish disposal or other sanitation service; any health, hospital and ambulance service; any service relating to supply or distribution of food or fuel; any service relating to supply or distribution of water, mining, including any service required for the working of a mine; any communications service; any transport service and anything relating to the repair and maintenance, or to the driving, loading and unloading of a vehicle for use in any transport service; any service relating to any road, railway, bridge, ferry or airfield, and any other service that the minister may, after consultation with appropriate Trade Union and employers' organisation, declare by notice in the Gazette to be an essential service" (Labour Relations Act, 1985). This definition covered most formal sector workers.

industrial action was cumbersome. Workers wanting to engage in industrial action had to give notice of the pending action to the government. The government often took a long time to respond. Thirdly, as the Act also provided for collective bargaining through employment councils, the labour minister was invested with powers to amend or annul collective bargaining agreements if he deemed them not in the interest of the economy (all collective agreements were submitted to the minister for approval).

With structural adjustment, regulations were relaxed and the Labour Relations Act (1985) was replaced by the Labour Relations Amendment Act (1992). Employment security, previously granted to labour, was taken away in the spirit of promoting flexibility in the labour market. Hiring, layoffs and dismissal decisions were given back to the employer. Under the new labour regulations, collective bargaining in unionised industries is handled by employment councils composed of representatives of employers, workers and government, whose agreements have the force of law. In non-unionised ones, collective bargaining is conducted through employment boards, whose members are appointed by the Minister of Labour to represent employers and employees in a given industry, and whose agreements are non-binding recommendations to the minister. Regulations regarding the activities of trade unions and industrial action, however, have remained intact.

The civil service industrial relations

The public service labour market is governed by the Public Service Act of 1931 and to date, the essentials of this Act have not changed. Strikes by public servants are illegal in Zimbabwe as in many other developing countries.²⁷ Wage determination in the civil service is the prerogative of the central government. Public servants are grouped into associations that have no legal status of collective bargaining. The government appointed Public Service Commission (PSC) recommends wage adjustments and it "may consult with any association recognised by the minister" regarding employment conditions. Associations can recommend changes to the PSC, but effective decisions on wages and employment conditions are debated and made by Cabinet.²⁸

²⁷ In Nigeria, for example, strikes in essential services are illegal and all public servants are defined as in essential services. In Tanzania and India public servants also have no right to strike (Van Ginneken, 1990).

²⁸ See Ncube (1997) for a detailed discussion of labour relations in the civil service.

CONCLUSION

This article provided an outline of the main features of the Zimbabwean labour market. This overview shows that employment creation in the formal sector has not matched the number of job-seekers. The ranks of the unemployed have continued to swell each year since independence. Today more than 200,000 school leavers enter the labour market, while the formal sector job market is expanding by a couple of thousands. The unemployment rate has increased from 10.8% in 1982 to 30% in 1995.

The first decade of independence was also characterised by government intervention in the determination of wages. Through its incomes policy the government set minimum and maximum wages. In 1990, intervention in the private sector labour market was replaced by collective bargaining while the government still unilaterally determines civil service wages.

Racial and gender income gaps still exist in Zimbabwe, although unfortunately, we cannot determine whether this is due to differences in human capital endowment or discrimination. Real consumer wages in the formal sector have fallen over the years, especially during structural adjustment. This has negatively affected the standards of living quite substantially. Elsewhere in literature (Kanyenze, 1996) it has been demonstrated that real producer wages have also fallen rapidly during ESAP. However, this fall in producer wages during ESAP has not been accompanied by any meaningful increase in employment.

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APPENDIX

Table A1

SECTORAL SHARE OF REAL GDP AT FACTOR COST AND EMPLOYMENT
(%)

Sector	1975	1979	1980	1985	1990	1994
Agriculture						
% share employment	34.6	34.0	32.4	26.2	24.3	25.5
% share GDP	16.5	11.8	13.5	15.7	12.1	13.4
Manufacturing						
% share employment	14.9	14.7	15.8	16.1	16.5	16.0
% share GDP	22.8	25.3	24.7	23.0	24.7	22.5
Mining						
% share employment	6.0	6.0	6.6	5.2	4.3	5.6
% share GDP	6.7	7.1	7.8	7.3	6.8	7.1
Construction						
% share employment	5.7	4.1	4.2	4.3	6.4	9.1
% share GDP	4.8	2.9	2.5	1.6	1.3	1.8
Health						
% share employment	1.3	1.5	1.5	2.0	2.1	2.8
% share GDP	1.9	2.3	2.1	2.5	2.0	2.6
Education						
% share employment	3.3	1.5	4.2	8.5	9.1	12.1
% share GDP	3.3	3.6	4.9	9.1	8.8	9.1
Finance						
% share employment	1.2	1.2	1.2	1.5	1.5	2.3
% share GDP	6.6	6.3	6.0	5.9	6.3	5.7
Electricity						
% share employment	0.7	0.7	0.7	0.7	0.7	0.9
% share GDP	2.6	2.5	2.2	2.0	3.2	2.7
Pub. admin.						
% share employment	4.7	7.5	7.0	8.6	7.8	8.2
% share GDP	6.6	9.9	8.4	9.6	9.3	9.5
Distribution						
% share employment	7.4	6.9	7.0	7.4	8.1	11.3
% share GDP	13.2	13.7	14.0	6.0	11.3	10.5
Transport						
% share employment	4.3	4.4	4.5	4.8	4.5	5.6
% share GDP	8.1	7.8	6.7	6.0	5.9	6.0

Table A1 (cont)

Sector	1975	1979	1980	1985	1990	1994
Pvt. domestic						
% share employment	11.8	11.2	10.7	9.4	8.6	10.9
% share GDP	2.3	2.0	2.0	1.5	1.1	1.3
Other						
% share employment	4.8	4.3	4.3	5.5	6.2	9.7
% share GDP	5.0	4.9	5.4	6.0	5.1	8.0
Total formal employment; thousands	1 050.2	984.7	1 009.9	1 052.5	1 192.2	934.2
Real GDP Z\$ mil. 1980=100	1 958	2 689	3 424	3 923	4 537	4 739

Source: CSO, *Quarterly Digest of Statistics* (various issues). Notes: GDP is at factor cost, constant 1980 prices.

Table A2
ANNUAL CHANGES IN EMPLOYMENT, 1970-1994 (%)

Sector	UDI Period			Post Independ. Period			ESAP Period
	1970- 1979	1970- 1974	1975 -1979	1980- 1990	1980- 1984	1985- 1990	1991- 1994
Agriculture	1.0	3.6	-1.7	-1.2	-4.1	1.2	2.8
Manufacturing	3.5	7.8	-0.8	2.9	3.0	3.5	0.9
Mining	1.0	2.8	-0.8	-1.2	-1.6	-0.9	0.2
Electricity	2.3	5.4	-0.9	2.6	2.1	3.0	-0.7
Construction	0.8	10.2	-8.6	6.1	2.5	9.2	4.2
Finance	3.2	5.5	0.9	3.5	5.4	2.0	6.6
Distribution Hotels	0.4	3.2	-2.4	3.3	3.5	3.1	2.6
Transport	2.1	4.4	-0.2	1.9	3.0	1.1	-0.1
Pub. Admin.	7.1	2.9	11.2	2.3	4.1	0.8	-3.6
Education	1.0	2.4	-0.5	11.7	20.5	4.4	1.0
Health	3.8	5.0	2.7	4.9	6.2	3.9	-0.7
Pvt. Domestic	0.5	3.4	-2.3	2.7	5.0	0.7	0.0
Others	3.3	6.7	-0.2	5.2	5.5	5.0	6.1
All sectors	1.7	4.5	-1.1	1.8	1.0	2.4	1.6

Source: Calculations based on Central Statistical Office, *Quarterly Digest of Statistics* (various issues).

Table A3

RATIOS OF MANUFACTURING, ELECTRICITY, AND FINANCE REAL WAGES TO AGRICULTURE AND DOMESTIC WAGES

	M/A	M/D	E/A	E/D	F/A	F/D
1970	5.3	3.3	7.6	4.8	14.5	9.2
1975	5.7	3.9	9.0	6.1	15.4	10.5
1980	5.5	4.2	8.5	6.5	13.7	10.5
1985	4.2	5.3	6.0	7.6	8.4	10.7
1990	4.4	5.6	5.8	7.5	9.3	11.9
1994	5.3	10.6	9.0	16.3	13.2	26.2

M/A: Manufacturing/Agriculture

M/D: Manufacturing/Domestics

E/A: Electricity/Agriculture

E/D: Electricity/Domestics

F/A: Finance/Agriculture

F/D: Finance/Domestics

Source: calculations based on *Quarterly Digest of Statistics* (various issues).