THE IMPACTS OF LABOUR MARKET LIBERALISATION AND GOVERNMENT COMMITMENT TO REFORM: ZIMBABWE, 1991-2000

1 Introduction

Overview

The genesis of the economic crisis gripping Africa lay in impact of the oil crises of the 1970s, the debt crisis of the early 1980s, declining international terms of trade, and some internal factors that inhibited economic growth. Many countries have never fully recovered from the slump hence are stuck on low growth paths. Some countries embarked on structural adjustment reforms on the behest of the International Monetary Fund (IMF) and the World Bank in the late 1970s and 1980s. Thus the topic of structural adjustment has been around for more than two decades, and can be classified as a dying topic in some sense. Many evaluation studies have been conducted (Mosley, Harrigan and Toye, 1991; Cornia, Jolly and Stewart, 1987; and Mosley, 1992; among others) and have made different conclusions about the effectiveness of structural adjustment. Nevertheless, more than a decade after these studies, the topic remains lively and relevant to some countries, particularly the late comers to the reform process. Zimbabwe is one such country. Ten years after independence in 1980, the country embarked on structural adjustment. This peaked in the mid-1990s, and some elements of the necessary reforms still remain to be implemented. For this reason studying the impact of structural adjustment in Zimbabwe remains relevant for policy, particularly as we focus on resolving the current crisis gripping the economy. More importantly, the role of government policy and commitment to the success and/or failure of the reforms is a critical lesson for Zimbabwe.

Zimbabwe's first decade of independence was characterised by massive government interventions in the economy. There was strict foreign currency allocation and exchange rate management, legislated minimum wages, price controls and controlled interest rates. The government produced the 'Growth With Equity' policy document in 1981 as a framework for redistribution and redress of inequalities inherited from the colonial regime. Yet the intended redistribution could not be achieved as the economy was not growing fast enough, and there were also inherent rigidities and inefficiencies within the economy. The inefficiencies began to manifest themselves towards the end of the decade in the form of basic commodity shortages, rising unemployment and inflation, and capacity under-utilisation. When macroeconomic instability becomes extreme, the question ceases to be whether a country should stabilise or not, but rather when and how to do it. Thus stabilisation became necessary, and the government embarked on orthodox economic reforms supervised by the International Monetary Fund (IMF) and World Bank in 1991.

The adopted reforms were based on the desire to introduce free operation of market forces in the economy. The structural adjustment programme (locally called the Economic Structural Adjustment Programme, ESAP) was published in a policy document 'The Framework for Economic Reform, 1991-95' (Government of Zimbabwe, 1991). The stated expectations included raising capacity utilisation and the level of investment in the economy, which would have positive employment spin-offs, reducing fiscal profligacy, opening up to international trade, and removing price controls. These expectations were to be achieved through the liberalisation of both internal and external markets for freer private sector operations. This study focuses on the liberalisation of one internal market, the labour market. It analyses the impact of liberalisation on employment and wages. A similar study was conducted by Toye

(1995) focusing on Indonesia and Chile and it informs this study. This study divides the study period into two: the period 1991 to 1996 which is the reform period, and the period 1997 to 2000 which is called the crisis period. 1997 marks the genesis of the crisis currently afflicting the Zimbabwean economy. It is the latter period that is used to demonstrate how government commitment can affect the result of economic reform.

The hypotheses of the study are entrenched in neoclassical economics which forms the foundation of orthodox economic reforms. It is envisaged that labour market liberalisation results in employment and wage flexibility that enhances firms' competitiveness. Such flexibility also results in employment growth. Structural adjustment, through expenditure switching, improves labour market efficiency by causing labour to shift from non-tradable goods to tradable goods. This should improve the foreign currency position of the country. Through expenditure reduction, the reforms result in public sector restructuring in order to reduce fiscal deficits. It is also anticipated that labour market reforms should culminate in allocative and dynamic efficiency gains. The state is expected to reduce its role in the economy and to make laws governing the conduct of economic activities.

Following these assumptions, the study argues that in planning, the labour market must form an integral component of policies, given the role it plays in redistribution, increasing productivity, and raising national standards of living. It asserts that active labour market policies that set minimum conditions yield more superior outcomes than passive policies that leave everything to market forces. It argues for the protection of minimum conditions of employment and income security. It further states that the government is a potent player in the

power dynamics of the nation, and any policies that may adversely affect its existence may be sacrificed.

The progression of this paper is as follows. Section 2 contains a brief analysis of the theoretical background of structural adjustment and some empirical case studies conducted in Africa. It presents the controversies between those advocating for non-intervention in the labour market to eliminate involuntary unemployment, and those urging for intervention to maintain minimum labour standards. The different methods that have been used in evaluating structural adjustment as well as the methods used for this study are presented in section 3. The economic policies pursued prior to and during the economic reform period are analysed in section 4. This is followed by an analysis of the impact of the reforms on economic growth, employment, incomes and labour market efficiency in section 5. Section 6 contains the conclusion.

2 Structural adjustment theory and practice

Structural adjustment policies are entrenched in neoclassical economic theory. They envisage that macroeconomic problems like balance of payments deficits, high inflation and budget deficits characteristic of many developing countries are caused largely by inept domestic policies and unnecessary interventions in the market. The resolution of these problems is viewed as possible through contractionary demand policies which include fiscal austerity, exchange rate devaluation, and market liberalisation (Toye, 1995). Liberalisation is aimed at attaining the right prices operating in the economy through allowing the operation of market forces to attain efficiency. It is argued that governments meddle too much in economic activities and cause inefficiencies. Thus governments should reduce their involvement, implying they have no business in business, but in making laws and regulations that make

business transactions flow smoothly, hence improved efficiency. In the labour market, this efficiency is achievable through allowing employment and wage flexibility so that the demand for labour responds to changing economic conditions (Taylor and Van Der Hoeven, 2000). Flexible wages are assumed to clear involuntary unemployment.

This theoretical analysis treats the labour market like a goods market where the equilibrium price is established through the interaction of supply and demand. Any excess supply of or demand for labour will be eliminated through wage adjustments. Under such conditions, there will be no involuntary unemployment, and where it exists, it is because wages are inflexible. Such analysis results in the conclusion that the state should not interfere in the labour market, but should liberalise it and let wages fall to the 'right' level that clears the market. The World Bank (1981) contended that distortions in the developing countries' labour markets resulted in capital intensive production processes which did not reflect the economies' labour abundant status.

Debate on the efficiency and/or inefficiency of interventions in the labour market has been raging on since the 1980s. The debate gained major impetus from the publication of the UNICEF Report in 1987 which challenged structural adjustment's neglect of social issues (Cornia, Jolly and Stewart, 1987). The development of the debate took a dichotomous institutional perspective. One group consisted of researchers who supported the international financial institutions' view that market forces give superior employment results. This group called for non-intervention in the labour market. The other group consisted of researchers sensitive to the UNICEF Report who supported the International Labour Organisation's view that given the existence of market failures in resource markets, including the labour market,

government intervention is necessary to establish minimum conditions for employment. The World Bank (1990) reiterated the non-interventionist perspective by expressing that rigidities in the labour market like job security regulations raise the cost of labour and reduce its demand, thus resulting in high unemployment, expansion of the informal sector, and increasing poverty. On the contrary, the ILO (1991) envisaged intervention through tripartite dialogue as critical for economic development, which is further strengthened by the ILO conventions. It also envisages support to the informal sector to enhance its employment creation capacity (ILO, 1972; 2002).

These contradictory views result in different policy prescriptions. The Bank's 'distortion' view claims that interventions result in employment failing to adjust to economic shocks. It argues that economic policies that protect employment in the face of economic decline result in more pain to enterprises, and worsens the recession, but says nothing about the pain to workers. Thus asserting that employment protection has efficiency costs is in a way selective and incomplete use economic theory. Nevertheless, Fallon and Lucas (1991) found the impact of labour market interventions to be perverse in India and Zimbabwe. They observed that strict employment protection significantly reduced the level of employment growth. The strength of unions is also viewed as a source of labour market inflexibility. Advocates of non-intervention therefore call for the weakening of unions to facilitate flexibility.

Some researchers question the validity of the 'distortion' view, particularly its attribution of macroeconomic instability in developing countries to government intervention. They argue that labour market interventions cannot be totally blamed for problems like unemployment. This is premised on the finding that in spite of there being minimum wage legislation, many

developing countries set the minimum wages too low, or they practice forbearance in enforcement. This eliminates the negative impact of minimum wages on employment (Gregory 1986). Therefore, reasons other than interventions are behind low employment growth in such countries. Moreover, minimum wage policies may also be ineffective because firms may already be paying efficiency wages. This suggests the possible existence of efficiency wage unemployment in some countries. Given that government interventions are based on information obtained after assessing the possible trade offs between macroeconomic objectives, Gregory (1996) asserts that countries would rarely set minimum wages at levels that cut seriously into employment. This argument is supported by Faruqee (1996)'s study on Nigeria which concluded that because minimum wages were set below the market-clearing rate, they were not a constraint to employment growth. Likewise, when unemployment is high, minimum wages are usually unenforceable, and employers and workers usually collude in ways that avoid the law and save employment.

The 'intervention' view envisages government intervention as bringing Pareto improvements into labour market operations. It emphasises the development of institutions like trade unions and free collective bargaining. In a way it emphasises the quality of employment rather than the quantity. The claim is confirmed in a study by MacIsaac and Rama (1997) on Ecuador which concluded that labour regulations do not have the presumed large and pervasive effects on employment, but actually improved the circumstances of workers covered by the regulations. Given the prominence give to international labour standards in the 'interventionist' view, some of the cost cutting measures implemented by industries are lambasted for reducing the welfare of workers. It is alleged that employers have a bias towards cheap labour solutions by viewing labour as a cost that must be minimised.

Generally, structural adjustment in Africa has been found to have adverse effects on employment. In Nigeria it was found to have resulted in falling employment in the formal sector despite the existence of wages lower than the minimum. Real wages in the economy declined (except in the rural sector), raising poverty. Although overall unemployment fell, it was due to expansion of the rural and informal sectors where there is no observation of minimum conditions of employment, which are usually survivalist in nature. In Nigeria, as in many other African countries, most poor people either fall outside the formal labour market, or are in the informal sector hence are least affected by labour market regulations. Labour market interventions thus impact only on a small proportion of the labour force.

Structural adjustment has been found to raise the level of unemployment in the economy through retrenchments. The study on Ghana's reforms by Fine and Boateng (2000) found that over 10,000 workers lost their jobs in the cocoa sector. Some companies in the construction sector went into liquidation and workers lost employment. This is worsened by the fact that the private sector could not absorb all the discharged workers whose skills might have been structurally inappropriate for the sector. Under structural adjustment, skilled labour is very mobile and marketable internationally, yet unskilled and semi-skilled labour bear the brunt of the reforms because of their abundance and immobility.

Two arguments can be advanced form this point. One argument can support the reform-oriented literature arguing that regulations protect only a small section of the labour force and protects insiders against competition from the surplus labour in the informal and rural sectors. Another argument can as well be advanced to support the pro-intervention argument, that given

that developing African economies are largely non-formal, regulations do not inhibit employment growth. Rather they enhance quality of employment for only a few people, and as such should be expanded to set basic minimum conditions in the non-formal economy too. Apparently, because the informal sector is largely unaccounted for, the proponents of reforms conveniently ignore it and may, as in the case of Nigeria, conclude that reforms resulted in reduced unemployment without elaborating on the quality of employment created and incomes generated.

These debates get more complex when one looks at the definition of unemployment used in collecting the statistics. The definition used plays a significant role in determining the end result. Many developing countries have adopted the strict definition which defines unemployed persons as those who, over a reference period, did not have a job and were actively looking for work, and were available and willing to take up such work. Probing questions to ascertain employment status include asking if persons would have engaged in some form of work for at least an hour over the reference period. Given that many people in developing countries engage in many activities as part of their livelihoods, like producing and selling vegetables, pushing carts and selling food items, they would therefore be counted as employed even though they may be seeking employment. These activities fall within the non-formal sector[1], and most people join it because they cannot find jobs in the formal sector, and they need to survive. Those countries that use the strict definition usually report very low levels of unemployment. An example is that of Zimbabwe in the 1999 Labour force survey which reported unemployment rate of 6%, yet the Ministry of Labour announced a rate of over 45% (also see

[1] For purposes of this study, the non-formal sector consists of subsistence and informal sector operations.

section 5.2 (a)). Be that as it may, an important concept to investigate in underemployment if the strict definition is adopted.

Reforms have been found to result in job insecurity. In some instances, firms have substituted long term employment with short and fixed term employment. This may have positive effects on unemployment. In the case of Spain the reduction of job security caused expansion of contract employment, but was accompanied by growth in overall employment. In developing countries, cases of fixed contracts of employment are increasing, and without guarantee that the contracts will be extended on expiry. There is no evidence showing that this has increased the level of employment, but it is clear that the expansion of contract employment through the human capital effect results in less in-service training for contract compared to permanent workers, which has long-term adverse effects.

Structural adjustment has also been found to result in falling real wages, mainly due to the adverse effects of devaluation policies and rising inflation. The real wage decline is particularly worrisome among public sector workers as governments implement austerity measures to rein in on fiscal deficits. Government usually opt to freeze public sector wages as opposed to more drastic and effective reforms like reducing public sector employment. Unfortunately, declining real public sector wages result in serious negative effects on efficiency. A study on Uganda (Munene, 1995) corroborated this assertion by concluding that reforms resulted in very low public sector wages. This reduced the opportunity cost of employment resulting in increasing cases of shirking, malfeasance and moonlighting particularly in the education and health sectors. The same vices to efficiency were also found to be prevalent in Tanzania following structural adjustment (Mans, 1996).

From the above presentation, it can be concluded that structural adjustment in Sub-Saharan Africa had severe implications on employment and income security, quality of employment, productivity and living standards of workers. This is probably because labour market matters are usually not priority in economic policies, but are expected to be derivative of rising investment and economic growth. Thus direct impacts of policies on workers are not given attention. The following section presents the methods usually used in evaluating structural adjustment. It also contains the methods adopted for this study.

3 Methods used in studying economic reforms

Many methods have been developed over time to appraise economic reforms. These have various strengths and weaknesses. As highlighted by Killick (1995) and Tarp (1993), it is not easy to appraise the impact of structural adjustment because of the impact of non-programme factors. Nonetheless, the desire to learn about the impacts remains unsatisfied, and hence several evaluation methods have evolved over time. Although they do not yield criticism-free results, the different methods generate results which provide useful information towards our understanding of reform policies. Some of the methods used in previous studies include 'before and after' tests, target-versus-actual tests, with-and-without tests, econometric approaches, and country case studies.

Before and after tests compare economic performance before and after the introduction of reforms to establish performance of the implemented measures. Their main weakness is the total attribution of all economic outcomes to the reforms when in fact there may be effects of exogenous factors, thus, results can be misleading.

Target-versus-actual tests compare the actual outcomes of policy variables against the set targets of reforms. Their robustness depends on the models that generate the targets, and they also lack information on the dynamics of achieving the targets. The targets may be set too high or too low, resulting in faulty appraisal of failure or success of the reforms.

With and without tests involve the selection of a sample of control countries that have close characteristics to countries undergoing reforms, and comparing their economic performances. The control group is used as the counterfactual. The main problem with this approach is finding countries that are truly representative to be used as the control. There are some country-specific factors that influence programme implementation which are not captured by this approach.

Econometric methods involve the formulation of models used to predict outcomes of introduced reforms. Some approaches include a dummy variable to capture the effects of policy change. Their efficacy depends on the model specification.

Country case studies explore developments in the country over the reform period. They have the advantage of incorporating country-specific characteristics in their analysis. This approach avoids most of the problems identified above, but may lack comparability across countries unless a methodology is adopted.

The above methods of evaluation have different strengths and weaknesses that need to be taken into consideration when choosing and/or designing a method to evaluate reforms. It may be

appropriate to mix the different approaches so as to maximise on tapping their advantages, generating what Killick (1995) terms 'a menu of information'. Based on this knowledge, this study adopts the case study approach but blends it with the 'before and after' and 'target-versus-actual' approaches to determine the labour market performance of economic reforms in Zimbabwe. The latter two approaches assist in highlighting incidences of reform non-completion and policy reversals. It should be noted that impacts are still recorded whether reforms are completed or not, and have medium to long-term effects on employment. More so, the country case study approach has an advantage over the need to develop a counterfactual inherent in approaches that compare dissimilar countries. Nevertheless, this approach does not capture the impact of an adjusting country on others.

4 Economic policies in Zimbabwe

Following years of intricate interventions in the economy, the government eventually embarked on a stabilisation path to correct the macroeconomic imbalances that had stymied growth. Full-scale economic reforms commenced in 1991 seeking to reduce the role of the state in the economy, allowing for more operation of market forces. This section analyses the background to the introduction of the reforms and the nature of the reforms introduced.

4.1 Pre-reform Period, 1980 – 1990

At independence Zimbabwe inherited an economy with serious inequalities in access to and ownership of resources. High paying and white collar jobs were deliberately reserved for the white minority, while the black majority formed the bulk of the under-paid blue collar labour force. These skewed policies were a form of apartheid which mirrored into the income distribution. On the whole, an estimated 3% of the population (white minority) controlled 2/3

of gross national income (Stoneman & Cliffe, 1989). The World Bank (1987) stated that at independence black incomes were 10% of those of whites. The wage differentials between blacks and whites were 7.3 times for manufacturing, with the lowest differential of 3.5 times in the financial services. Failure to control the historically-entrenched skewed resource ownership resulted in some studies erroneously concluding that whites were more productive than blacks.

To inform policy on incomes and redistribution, the Riddell Commission of 1981 was constituted. The commission's report became the cornerstone of the government's employment, incomes and redistribution policies. In 1981 the government formulated the 'Growth With Equity' policy document to explicitly deal with the inherited inequalities. The 1982 Transitional National Development Plan (TNDP) covering the period 1982/83-84/85 was developed to operationalise the 'Growth With Equity' policies. This was in the light of unsatisfactory donor support as well as the government's socialist rhetoric. The TNDP was succeeded by the First Five Year National Development Plan, covering the period 1986 to 1990. All these policies explicitly articulated their intentions with regard to economic and employment growth, asset redistribution and resettlement of landless black Zimbabweans.

The welfarist policies of the 1980s yielded some significant results for the economy. Health and education provision increased. Enrolment increased substantially between 1980 and 1990. Life expectancy and literacy increased to above the SADC regional average. There was also a presidential directive in the early 1980s for affirmative action to promote black Zimbabweans into decision making positions in both the public and private sectors. The Minimum Wage Act (1980) was introduced following the Riddell Commission report to enhance aggregate demand and income equality which had been depressed by colonial policies. While there were these

progressive changes taking place, the ownership of the means of production remained dominantly white. This forced the government to enact legislation compelling companies to comply with its policies.

Government policies met with some resistance. First there was massive emigration by white labour at all levels following independence. This left a yearning skills-gap in the economy which could not be easily filled given the lack of experience among the black employees owing to historical under-classification of their skills. Some companies started retrenching in response to the incomes policy implemented. To forestall massive losses in employment, the government enacted the Employment Act (1980). This offered unprecedented employment protection to the effect that all dismissals had to be sanctioned by the Minister of Public Service, Labour and Social Welfare. The Labour Relations Act (1985) was passed as the principal employment law, and repealed some colonial pieces of labour legislation. Employment protection constrained companies' ability to respond to changes in demand. Employers complained bitterly about the rigidities imposed by the new regulations. They lobbied for change, and this eventually came in the 1990s.

Notwithstanding the interventions, the inherited economy was characterised by structural problems in production. The industrial structure was largely oligopolistic and had a few monopolies too. Such structure dictated certain conduct and performance of the economy which, coupled with skewed resource ownership, was not optimal. This production structure was accompanied by inefficiencies inherent in the economy. These inefficiencies can be classified as distributive, allocative, microeconomic and dynamic inefficiencies (Mhone, 1990).

Distributive inefficiencies refer to the unequal access to assets, notably land, education and training and finance. This undermined the participation of the disadvantaged groups in productive activities. Allocative inefficiency refers to the large proportion of the labour force that was under- or unemployed, signifying resource waste. Large stretches of unproductive land also existed under the control of a few white commercial farmers. Both the quantity and quality of employment were found to be low. Unlocking these resources and releasing them to use would have produced the impetus necessary for sustainable economic growth.

Microeconomic inefficiencies emanated from distortions at the enterprise level that undermined economic efficiency, competitiveness and employment creation. These include archaic technology, over- or under-employment and high production cost structures. Lastly, dynamic inefficiencies were a result of all the other inefficiencies. Overall, the interaction of the four types of inefficiencies hindered economic growth and development, resulting in the economy remaining trapped in a position typified by low incomes, low aggregate demand, low savings and investment, and low employment. The government recognised these problems and embarked on economic reforms in 1991. The following section looks at the reforms introduced.

4.2 Economic Reforms, 1991 -1996

The government introduced economic reforms in 1990 with the intention of attracting International Financial Institutions support. When this did not materialise because the initial policy proposals were not radical enough, it produced a more drastic package contained in the policy document 'Framework for Economic Reform, 1991-95'. Implementation started in 1991. The key targets of the reforms were to:

- achieve GDP growth of 5% during 1991-95;
- raise savings to 25% of GDP;
- raise investment to 25% of GDP;
- achieve export growth of 9% per annum;
- reduce the budget deficit from over 10% of GDP to 5% by 1995;
- reduce inflation from 17.7% to 10% by 1995; and
- market liberalisation[2].

Narrowing on the labour market, the following objectives were set:

- reduction of government intervention in industrial relations by changing from a situation of comprehensive intervention to one largely driven by market forces;
- liberalisation of the employment process so as to facilitate flexible employment, create new forms of employment and to create more jobs. The government introduced export processing zones, embarked on developing an industrial policy, and supported the informal sector as policy interventions to deal with unemployment;
- liberalisation of the wage determination process by removing minimum wage setting except for the domestic and agricultural sectors, and sectors without employment councils (undesignated sectors). Free collective bargaining between workers and employers was instituted as the medium for wage determination;
- employers were given the power to hire and fire through the repeal of provisions of the Labour Relations Act (1985) and through the introduction of retrenchment regulations and codes of conduct;

[2] The following markets were liberalised: the labour market, the financial sector, the agricultural sector, international trade, domestic pricing of goods and services, and the foreign exchange market.

- the dispute settlement process was reformed to allow for brisk settlement of labour disputes, prolongation of which could be costly to employers; and
- the shop floor was empowered to negotiate collective bargaining agreements and codes of conduct, thereby decentralising the decision-making. This was meant to allow for the development of company-specific flexibilities built around workplace consensus. The decentralisation of decision making implicitly gave more power to employers in dealing with employment conditions in ways that could weaken organised labour, an approach that was applied in Thatcherite Britain on the pretext of attaining industrial flexibility and competitiveness.

These reforms objectives were a drastic departure from active labour policies pursued in the first decade. In order to facilitate the achievement of the new passive policies, the principal law of employment was amended. The resultant changes are analysed below.

4.3 Institutional and regulatory changes

The new changes allowed for the transformation of employment boards to National Employment Councils (NECs), and the formation of such councils in all industries. These consisted of employers and employees representatives, and were tasked with formulating and registering codes of conduct. The codes repealed Statutory Instrument 371 of 1985 which governed disciplinary and dismissal matters in the work place. The NECs were also the new forum on which employers and employees engaged in collective bargaining for wages and conditions of employment. Those sectors without NECs, like the domestic sector, had their wages reviewed by the Ministry of Labour based on recommendations from the tripartite Wages and Salaries Advisory Board.

Works councils, created in the 1980s following series of strikes, were under the new conditions allowed to register codes of conduct too. This created tensions between them and NECs, the latter being trade union-linked institutions. This was particularly so in the case of dual registration of codes. The tension emanated from the fact that works councils are not necessarily part of trade unions. Thus they could establish codes which trade union members within establishments may not agree with. More so, they are comparatively financially poorer than employment councils and also have low expertise. However, a 1993 amendment to the regulations explicitly made works councils' codes more superior, notwithstanding the existence of an NEC code in an industry. While this empowered the shop floor, it weakened trade unions, yet it achieved the intended flexibility.

NECs were tasked with negotiating wages and conditions of service following the abolition of institutional setting of minimum wages. Following pressure from both workers and employers in the 1980s about the adverse effects of wage setting, government wage policy softened. It introduced restricted collective bargaining within specified guidelines in 1989. Full collective bargaining was introduced under the reforms where employers and workers could now meet at NEC level to discuss and set modalities for wage increments in their specific industries. The agreed wage levels were registered with the Ministry of Labour in the form of Collective Bargaining Agreements, and were binding to all operators in the specific industries, whether unionised or not. Employers who could not afford to pay the agreed minimums could apply to the NEC for exemption.

Works councils still played a critical role in wage determination. They were allowed by the regulations to negotiate for increments over and above the NEC set conditions. They were not allowed to settle for less favourable conditions. This provision created a free rider problem as it eliminated the incentive to join trade unions because employers were compelled to pay the NEC-set minimum earnings despite their employees not being trade union members. To some extent, this accounted for the declining trade union membership and influence. Furthermore, the principal Act still granted the Minister power to reject, vary or set aside NEC agreements that he/she felt were detrimental to the economy. The minister could also impose minimum wages if he/she thought it necessary, and this provision was invoked in 2001 when minimum wage setting was reintroduced.

One of the major policy changes that employers had yearned for in the first decade was the right to hire and fire without government restriction. The amended law allowed them to hire and fire without seeking approval from the Minister as long as they did this according to provisions of their registered codes of conduct. Aggrieved employees had the right to report their cases to the Ministry, and if unsatisfied, they could appeal to the labour tribunal and the high court respectively. Several problems arose from this area over time. During the 1980-90 period, if employees were unfairly dismissed, they were not under any obligation to seek alternative employment to mitigate their losses. If they won their cases, reinstatement was obligatory. By seeking alternative employment before their cases were settled, employees risked jeopardising their cases and chances of reinstatement. However, after the reforms, conditions tacitly changed. Although it was not written down, employees were supposed to mitigate their losses arising from temporary dismissal. This development took many by surprise, and was only revealed through court cases. The high court set a precedent in one case

where it ruled that because a dismissed employee had done nothing to mitigate losses arising from dismissal, the employee had to receive reduced compensation from the employer. The same case confirmed that reinstatement was no longer obligatory but the employer was supposed to compensate the employee for the loss of employment. The ruling set a precedent that puts pressure on employees to seek alternative employment, and some lost part of their due compensation because of ignorance of the new expectations which were not stated in the new legislation.

Retrenchment was made easier through the promulgation of Statutory Instrument (S.I.) 404 of 1990 and as amended by S.I. 252 of 1992, as long as employers could justify the need for retrenchment. A tripartite retrenchment committee under the Ministry of Labour is tasked with evaluating retrenchments to ensure adherence to regulations, and made recommendations to the Minister. The Minister reserves the right to make the final decision, or to refer cases back to the committee for reassessment. The new setup thus allowed firms to respond flexibly to changes in demand through employment adjustment. It was necessary to have such regulations because the economy was also opening up to external competition. Local firms therefore needed mechanisms to reorganise their operations in ways that enhanced competitiveness. Apart from being able to downsize their labour force, regulations were also put in place allowing firms to implement short working time and reduce earnings accordingly. While they could apply to the Ministry for authority to cut the number of days they operated in a week, the reduction in wages was limited to not less than 50%. Whether employees agreed to the reduction or not, the Minister could allow the employer to go ahead with the reduction if that constituted reasonable action to retain employment.

The dispute resolution process was reduced to allow for expeditious settlement. A full time Labour Relations Tribunal was set up to clear the backlog of cases which span over more than five years. Full time judges were appointed to adjudicate on the cases. The formerly cumbersome dispute settlement procedures were trimmed to allow for quick resolution. Employment boards were abolished, and the number of referral stages in the Ministry of Labour was reduced. The new structure was such that from the workplace, an appeal could be made to the employment council, from where the dispute would be taken to the Labour Relations Tribunal, and finally, to the Supreme Court. Time limits were set for handling cases at all stages. This quickened dispute resolution.

Other changes made to the law of employment included the abolition of the 'one industry, one union' principle accorded by the Labour Relation Act (1985). This principle allowed unions to organise without competition, making them wield a lot of power in an industry. However, the new scenario allowed for the formation of other unions in already organised industries, even though existing unions had the right to challenge the registration of such unions. The striking down of this provision was also supported by the ILO which argued that the existing provision was opposed to the core ILO labour standard on freedom of association. On the other hand the government used the new scenario to weaken the umbrella trade union body, the Zimbabwe Congress of Trade Unions (ZCTU) through encouraging splinter unions from existing ones. The liberalisation also culminated in the formation of a competing trade union centre, the Zimbabwe Federation of Trade Unions (ZFTU) which is allied to the ruling party and government. It was registered in 1998, and this is beyond the cut off point of this study. Nevertheless, the amendments to the laws allowing for trade union pluralism posed serious challenges to both trade unions and employers. By implication it became feasible that

employers could have multiple collective bargaining agreements with different unions representing sections of their labour force. This challenge started manifesting itself in 2001 but will not be explored here.

Another challenge to the power of trade unions came from the new and widened definition of managerial employee. The new definition included all persons who could make recommendations to their employers on hiring, firing, rewarding, promoting and transferring workers. An analysis of daily operations of firms show that such duties as highlighted for purposes of defining managerial employees can be delegated to any responsible workers who may not necessarily be managers. Further, the provision that managerial employees could not be members of non-managerial workers' committees left such employees without representation at the work place. This is so mainly because many operations are so small that there are very few people in management to warrant the formation of a workers' committee. Given that workers committees are enterprise-based, it may be impractical for managerial employees to form committees across enterprises. However, the harmonised law allowed managerial employees to form their won unions or join trade unions, and also trimmed the definition to exclude workers that make recommendations their employers.

4.4 Harmonisation of the labour laws

In the first decade of independence there was a schism in labour administration between the private and the public sectors. The Labour Relations Act and its various amendments applied to the private sector. Industrial relations in the public sector were governed by the national constitution, and from 1995 by the Public Service Act, hence the schism. The public sector was

designated an essential service and therefore public sector workers could neither engage in collective job action nor join trade unions. However, they were allowed to form associations to represent them.

Following the liberalisation of the labour market, trade unions representing private sector workers and associations in the public sector started calling for a common law of employment for all workers. The government conceded the need for such legislation, but dragged its feet on the issue. The Public Service Act became the principal law governing industrial relations in the public sector, allowing the workers' associations to negotiate with the government on working conditions and wage increments through the Joint Negotiating Council where both parties were equally represented. This is simulated-bargaining as the committee only made recommendations to the Public Service Commission, representing the employer. The commission made the final decision on wage adjustment.

Developments on the harmonisation of the laws governing the public and private sectors progressed slowly. The government was reluctant to confront a united labour movement. It also loathed losing control over workers in the public sector. It was only in 2002 that the harmonised labour law was passed and by then, the trade unions were generally weak owing to both government emasculation and economic decline. The harmonised law, called the Labour Act, has a number of limitations but these are not all discussed here. Some of them are that the government retained control over workers in the public sector, and the president had the right to declare any service essential, thus barring possibility of industrial action. It promised full collective bargaining to civil servants subject to the setting up of the requisite institutional framework. Yet from an employer's side, the new law made dismissal a credible disciplinary

tool as compulsory reinstatement was removed, even in cases of unfair dismissal. In the face of loose labour markets, being dismissed meant long periods of unemployment. Retrenchment was also made easier as employers could deal with such matters internally where the retrenchment involved less than five employees. In general, the law protected and enhanced the flexibility introduced in the 1990s.

4.5 The crisis period: 1997-2000

In order to consolidate the gains attained under ESAP, the government developed another reform policy package, the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST), covering the period from 1996 to 2000 (GoZ, 1996). It was supposed to complete the unfinished business of ESAP, consolidate on the achievements, and correct areas of slippage. Like its predecessor, it sought to achieve economic growth (6% annually), reduce interest rates (to 6.5%), reduce the budget deficit (to below 10%), and attain employment growth of 44,000 jobs annually, among other noble objectives.

The ZIMPREST period can be described as a “lost period” for a number of reasons. Apart from public pronouncements and calls for commitment to the reforms, the government did not act so. The launch of the policy was delayed by more than two years to 1998. By then the economy had undergone fundamental changes. The policy had been overtaken by events, making some objectives and targets irrelevant and unrealistic. Inflation increased, reaching 30% in 1998 and 87.5% in 2002. Inflation was worsened by the 45% crash of the dollar in 1997. Consequently, ZIMPREST was never (fully) implemented. Macroeconomic instability increased with the collapse of the United Merchant Bank in 1998. On the international scene

the decline in gold prices and the decision by the United Kingdom to offload its gold reserves negatively impacted on the mining sector. Given all these developments and the lack of government commitment to policy in the light of impending parliamentary elections in 2000, the economy slipped further into chaos.

Apparently, the economic crisis has its genesis in policies implemented from 1997 onwards. The dollar crashed by 45% on the 14th of November 1997. On the other hand, the government, facing increasing pressure and hostility from liberation war veterans, decided to award them lump sums of Z$50,000 in December 1997 and a monthly pension of Z$2,000 to each[3]. In spite of public commitment to slash public expenditure, the awards were unbudgeted for. This further worsened the budget deficit. This development did not only signal departure from policy, but constituted a bold first step towards policy reversals. The resultant budget deficit and exchange rate depreciation fuelled inflation. The high inflation maintained interest rates at high levels, averaging 45% between 1996 and 2000. It also caused exchange rate overvaluation, hence poor export performance. The foreign currency crisis was compounded by the president's unilateral commitment of the country's resources to a war in the Democratic Republic of the Congo (DRC) in 1998. At home, the land question that required international financial support but was not forthcoming compounded the crisis. Uncertainty surrounding this matter following the donor conference of 1998 seriously affected macroeconomic stability and investor confidence. Attempts to secure balance of payments support from the IMF in 1998 and 1999 failed following failures by the government to meet the set targets.

[3] The decision to award the hefty lump sums was unilaterally made by the president without going to parliament. This is one incident showing the extent to which he became the single voice determining the political and economic fate of the country. Another example was his unilateral decision to send the army to war in 1998 to prop up the beleaguered regime of the Democratic Republic of the Congo. As the economic crisis deepened, the country forthwith descended into a dictatorship.

Realising that the economy was on a free fall and that the IMF would not assist, the government developed an eighteen month economic revival programme called the Millennium Recovery Programme (MERP) in 2000 to run concurrently with that year's budget. MERP was a continuation of the ESAP and ZIMPREST, committed to the implementation of market forces and reduction of government intervention in the economy. Yet the government's loss of a referendum in 2000 and the subsequent invasion of large –scale commercial farms negatively affected the economy and directly contributed to the failure of MERP. The ruling party had mobilised its 2000 election campaign around the land issue hence tolerated the invasions and breakdown of the rule of law. For four consecutive years from 1999, the economy recorded negative GDP growth. By 2002 it was clear that the economic crisis in the country was not only political, but was also a direct result of bad governance. The beginning of farm invasions in 2000 resulted in major changes in the country's agriculture and economic outlook. Apparently the period from 2001 onwards exhibit intensification of the crisis in Zimbabwe requiring a paper on its own given its impact on employment, agriculture, industry and investment climate in the country. the disregard of the rule of law by the government during this period warrants deeper political economy analysis which is not covered by this paper.

5 Impacts of the economic reforms

5.1 Economic growth

The introduction of economic reforms was expected to foster growth. The outcome was however disappointing. While average growth was 4.7% between 1986 and 1990, it fell to

1.5% between 1991 and 1995, despite the high growth recorded in 1994. The average growth rates are shown in table 1.

<TABLE 1>

In spite of the devastating drought of 1992, the economy recorded positive growth rates in 1993 and 1994. The reform period average increases to 2.2% if 1996, which recorded phenomenal growth, is included. The period after the reforms recorded an average decline in GDP of 0.4%. This followed poor economic management by the government.

The reforms anticipated the manufacturing sector to play a 'locomotive effect' pulling the whole economy towards growth. However, it did not manage to grow as expected. It shrank as a proportion of GDP from 4.4% growth between 1986 and 1990 to -1.7% between 1991 and 1996 despite significant growth in the latter year. The sector performed particularly badly from 1997 to 2000 when it receded by 4.2%. The macroeconomic instability discussed in section 4.5 played a key role in promoting the recession.

The poor performance of the manufacturing sector during the reform period was due to a number of reasons. First, the Zimbabwean economy is agro-based, and the drought of 1992 which adversely affected agricultural production had a direct negative knock-on effect on the manufacturing sector. The exchange rate devaluation of earlier reform years increased the cost of production of some industries that relied on imported raw materials. At the same time the cost structure for many firms surged because of the simultaneously implemented financial sector reforms which, within a few years, resulted in interest rates rising significantly as the government pursued a positive real interest rate regime. This indicates that a critical point was

missed in the reform process: there was incorrect sequencing, and the failure to anticipate and/or prepare for effects arising from other sectoral changes exhibits possible partial analysis in policy formulation. Furthermore, the failure by government to stick to the reform path, continued profligacy, and it decision to go to war in the DRC and the associated foreign currency costs explain the dramatic slump in manufacturing between 1997 and 2000.

Reforms were expected to shift factors of production from the non-tradable goods sector to the tradable goods sector. In this study tradables consist of the agricultural, manufacturing and mining sectors. The rest of the sectors as per the Central Statistical Classification in national accounts are classified as non-tradable sectors. The rationale behind the implemented reforms was to promote outward-oriented economic growth. With expenditure switching, it was expected that more production would take place in the tradables sector which would also benefit from exchange rate devaluation. Tradable output was expected to expand while non-tradable output contracted as the latter released resources to the former. Yet an analysis of the growth rates of the two sectors shows poor performance by the tradables sector (table 1). Tradables growth declined from 2.1% before the reforms to 1.3% over the reform period. On the other hand, the non-tradables sector, as anticipated in theory, declined from the before reform average of 5.4% to an after-reform average of 2.5%. Yet the decline recorded by the tradables sector implies that the resources released by the non-tradables sector did not all go to that sector. The stymied resource movement may be a manifestation of inherent structural inefficiencies within the economy which inhibited expenditure switching. In fact, output composition remained in favour of non-tradables.

Overall, the before-reform averages show better performance of the two sectors than during the reform period. A possible reason for this in the case of the tradable sector is the likely failure by the sector to compete internationally because of inferior product quality and high cost of production. The negative effects of the financial sector liberalisation discussed above also adversely affected the sector. Another significant factor might have been the shallow skills base from which industry chose from. There was abundant unskilled and semi-skilled labour in the economy which could not enhance competitiveness of the tradables sector. Competitiveness is now based on technological and human capital capabilities. This is discussed in relation to employment below.

A comparison of the reform and after-reform periods shows superior performance of the former. The government was committed to implementing the reforms between 1991 and 1996, making efforts to comply with the reform conditionalities. Yet after 1997 it embarked on policies that undermined initial gains in spite of continued engagement with the IMF for balance of payments support. These developments point to a fundamental point in the economics of reforms: the commitment of the government is critical in determining the success of any reform initiatives. Where a government faces challenge to its power, as was the case in Zimbabwe with the rise of vocal civil society after 1995, economic rationality may be sacrificed for political survival. Under such circumstances, even conditionality does not work.

In spite of the above, it should be noted that the figures in table 1 need to be interpreted with caution given the impact of the 1992 and 1995 droughts. Thus the growth or lack of it and poor employment impact cannot be attributed totally to the reforms given the intervention of exogenous factors.

As highlighted above, financial sector reforms raised interest rates in the economy. The intension was to lift financial repression that had seen the economy experiencing negative real interest rates in the 1980s. The move to attain positive real interest rates had two intentions: to reduce consumptive borrowing, and to raise the level of savings in the economy to 25% of GDP. Higher savings were expected to translate into investment. However, the statistics in table 1 show that average savings declined during the reform period compared to the last five years before the reforms. Savings declined further after the reforms as the macroeconomic outlook instigated negative expectations about the prospects of the economy.

The failure by savings to respond to positive real interest rates raises questions as to the motives behind savings in a developing country like Zimbabwe. Do people save because they want to earn an interest or they hold their money in banks for safety reasons? Or they save only in excess of consumption? Given the expansion of the banking sector following liberalisation, the access to and choice of financial services increased. On the other hand, gross capital formation as a proportion of GDP increased during the reform period compared to prior years. This could have been a result of increased investments to take advantage of the liberalised economic environment. Some companies, particularly in the textiles sector, undertook capital investments as they tried to retool and position themselves competitively. Below we analyse the relationship between capital formation growth and employment growth.

5.2 Employment growth and flexibility

(a) National employment

The liberalisation of labour laws and promotion of sectoral growth were expected to yield in employment growth. Yet there was no employment policy in place until 2000. Employment was left to be derivative of sectoral policies and performance under a liberalised economic environment. Table 2 summarises employment growth over the study period. The figures show that total employment growth slowed during the reform period. The mining and agricultural sectors recorded employment growth while manufacturing employment declined. Poor manufacturing employment growth was a result of increased domestic competition from imports following trade liberalisation and retrenchments arising from restructuring by some companies given that for the first time companies could now adjust their labour force without the legal burdens imposed on them in the first decade. Some companies took the liberalisation of labour laws to realign their labour forces, thus shedding off excess employment. It is also possible that some companies found it more cost-effective to adopt capital intensive production systems given the skills-constraint in the economy.

<TABLE 2>

An analysis of the expenditure switching policies with respect to employment confirms the initial expectation of an increase in tradables employment and a decline in non-tradables employment. Tradables average employment grew from 1% before the reforms to 1.6% during the reform period. This confirms the necessary resource movement to export-producing sectors. Non-tradables average employment growth declined from 3.7% before the reforms to 1.5% during the reforms. The decline could have been due to labour reallocation to the tradables sector. Nevertheless, the discrepancy between tradables and non-tradables

employment growth shows that the labour shift did not totally occur to the tradables sector. Some of the labour discharged from the non-tradables sector was absorbed in the non-formal economy whose employment figures are not included in the national figures. Some became openly unemployed. The possibility of the non-tradables sector employment decline feeding the non-formal sector is quite plausible due to the economy's structural characteristics. The skills of the released labour may not have been the kind needed in the tradables sector. This indicates the need for reforms to have a training component to address possible structural unemployment. As mentioned earlier, failure to grow by the tradables sector could have been a result of skills shortage in the economy.

Non-tradables employment grew after the reform period while tradables employment receded. These developments show resilience of the non-tradables sector under crisis conditions compared to tradables. The rate of output decline (table 1) also supports this view. It may be further questioned whether economic growth needs to be outward-oriented or it can be achieved from within. Whatever the case, government policy and commitment are critical for sustainable growth, yet both drew blanks after 1997.

The poor employment performance increased the problem of unemployment. This loosened the labour market conditions, particularly with respect to unskilled and semi-skilled labour. Concomitantly, the associated earnings fell. Coupled with regulatory flexibility, some employers took advantage of the situation and increased the employment of fixed contract and casual labour. The casualisation of labour was particularly worrisome in large-scale commercial agriculture where the percentage of full-time permanent workers declined from 75% in 1981/82 to 47% by 1998. In the services industry, contract employment increased in

the banking and fast food industries. Banks also increased the level of automation, which reduced employment. The casualisation of labour has adverse effects on the quality of employment, particularly in high unemployment environments. Furthermore, contract and casual workers lose out possible training opportunities as employers view them as transient to their operations. The cumulative effect of this is long term reduction in national human capital formation.

Apart from the grim picture, the economic reforms resulted in positive effects on female labour employment (table 3). The proportion of women in formal employment increased during the period, from an average of 18% before the reforms to 19.3% during the reforms. It increased further to 23.5% in 2000. In spite of the increase, the rate of female participation in the formal economy remained low, implying the reforms failed to significantly open new opportunities for women in formal employment. Probably the belated introduction of employment creation initiatives like export processing zones accounts for the poor female employment growth, given that they are major employers of female labour. Notwithstanding this, expansion of horticultural production for export during the reform period increased the participation of women in formal employment. Women constitute a significant proportion of workers in the cut flower industry where some producers have export processing zone status.

<TABLE 3 >.

On the whole, the situation as at 1997 shows serious formal sector employment inequality between men and women. However, as is discussed in section 5.5, the number of women in the informal sector increased after 1991. The informal sector suffers low productivity and long working hours. According to the 1997 Inter-Censal Demographic Survey, women constituted

the majority of the self-employed and unpaid family workers. The increasing disparities between women and men in employment and in productive economic activities result in the former suffering more from income insecurity because of their inferior sources of income. This dovetails into more poverty among women and women-headed households. Poverty issues are discussed in section 5.3(c).

(b) Public sector restructuring

The reforms introduced austerity measures to rein in on excessive government expenditure. Budget deficits averaged 10% during the first decade of independence. Given the inflationary effect of fiscal deficits, the government managed to control inflation through the extensive controls on macro prices. Nevertheless, profligacy had to be reduced after liberalisation to lock in with reforms in the general economy.

The government undertook several initiatives to reduce its expenditure in line with demands of the reforms' financiers. In order to contain the deficit and to reduce the size of the public sector, the government embarked on privatisation of parastatals and freezing vacant civil service posts and retrenching excess staff. Trimming of the civil service was hoped to result in efficiency gains through enhanced productivity and better remuneration for the remaining staff. Indeed some vacant posts within ministries were frozen. Some workers were retrenched in line with the objective of reducing the civil service by 25%. The Ministry of Finance reported the results of the civil service reforms as shown in table 4.

<TABLE 4>

The figures show that 21,000 posts were eliminated in the first five years of reforms. This slightly fell short of the 25% target (23,000 posts). While posts in education and health were exempt from abolition, some other critical areas like agricultural extension services were caught up in the trimming exercise. The abolition of extension posts had serious repercussions on agricultural productivity and environmental management in communal areas. Such employment reduction was unwise for an economy that is agro-based that relied on communal and small-scale farmers for the bulk of food production.

Although there was a headcount reduction, there was neither marked efficiency improvement nor significant budget deficit reduction. Even the World Bank which supported public sector reforms lamented that in Zimbabwe budget cutting appeared to have been an end in itself, focusing on numerical targets (25 percent reduction in the number of civil service posts) without systematically assessing the structural changes needed within ministries to improve efficiency. As a result civil service reform resulted in marginal efficiency gains arising from reduced excess employment without significant improvements in service delivery. From another angle, the folly of economic reforms requiring governments to meet set quantitative targets is exposed. Governments may indeed push hard to meet quantitative targets, but without qualitative gains being recorded in the economy. As in the Zimbabwean case, the government's unwillingness to alienate high ranking officials resulted in low ranking staff being laid off. The government was not committed to implementing comprehensive changes that may have entailed high political costs.

Poor employment conditions and excessive salary compression in the public sector compared to the private sector resulted in the exodus of key personnel to the latter sector and to abroad.

The health and education sectors were hit hard by staff exodus. Following series of strikes in the early years of reform, nothing substantial was done to improve the working conditions and salaries of nurses. This resulted in many of them emigrating to neighbouring countries or further afield to Britain, the United States, and Australia. These developments show that civil service reforms were undertaken without paying sufficient attention to the economy's skills requirements and possible reactions of employees to excessive income and living standards compression. Consequently many vacant posts arose particularly in social sectors, and the remaining staff was overburdened with work for still very low earnings.

The institutional structure of the public sector was not reformed in line with changes in other sectors of the economy. The government did not attempt to explicitly state the criteria for the reform and identification of core functions of ministries. This resulted in duplications of efforts. A typical example is the continued existence of employment creation initiatives under the four Ministries of Labour, Industry and International Trade, Youth Development and Gender, and that responsible for small enterprises. There was no framework to deal with duplication of efforts. Consultation with tripartite stakeholders could have essentially assisted in reducing duplication within and between ministries. Of fundamental importance is the realisation that public sector reform should not be about reducing numbers only, but should be based on the conjecture of enhancing efficiency and effectiveness of the system. In this regard, the numbers of ministries and the hierarchies of authority could have been reduced. The government could have adopted comprehensive restructuring that reduces big government posts like deputy ministers and governors, among others. This would have had a significant impact on the budget deficit. The government did not do this for fear of undermining its political support hence lacked full commitment to reform.

After independence the government got involved in some activities that could have been best left to the private sector. These include banking, cotton and dairy marketing. Following the introduction of reforms and the drive to reduce the fiscal deficit, it initiated the privatisation of some parastatals. The parastatals involved in the activities mentioned above were successfully privatised and are now profit-making institutions. There has been some commercialisation of parastatals too, but generally the government has not been committed to privatisation of some loss-making parastatals. This means they remained a net drain on the fiscus, thus worsening the deficit problem.

Privatisation and commercialisation resulted in some workers losing their jobs. The retrenchees were paid terminal benefits, but did not receive retraining so that they could rejoin the labour market, resulting in them joining the non-formal sector. It is clear from this experience that reforms that do not put in place active labour market policies to retrain workers result in rising structural unemployment and labour wastage. From the preceding analysis, reforms did not generate the intended employment response.

(c) Employment and work process flexibility

The reforms intended to raise industrial competitiveness and open up the economy to foreign competition. It was expected that exposing domestic producers to foreign competition would force them to be efficient. Labour law reforms allowed companies flexibility in employment so that they could respond to changes in demand by shedding off excess labour. Short-time work regulations allowed employers to reduce their wage bills and operations for up to one year. Companies could also outsource or subcontract some activities as methods of cutting costs.

Some companies introduced functional flexibility, but apart from anecdotal evidence, there has been no comprehensive study of this phenomenon. It requires primary research, and is not explored in this paper. By and large, economic reforms resulted in the economy attaining employment flexibility. Given that the above analysis concluded that employment did not grow in response to implemented changes, it becomes clear that flexibility is not sufficient for employment growth. It must be complemented by human capital development initiatives and active labour market policies.

The premature opening of the economy exposed domestic manufacturing industries to serious foreign competition and they were not able to cope. Some retrenched heavily. Others, particularly in the textiles sector, closed shop permanently. Others opted for highly mechanised production processes that did not require much labour. Thus while it was hoped that reforms would result in capital shallowing, this did not occur. The growth in gross capital formation did not translate into employment growth.

While companies retrenched part of their staff, they were not under obligation to scale down their operations accordingly. As a result the remaining workers had to share the work load of the retrenched staff. This resulted in increasing work intensity which usually did not attract additional remuneration. High unemployment also worked against the bargaining power of incumbent workers for higher pay. Worse still, some companies changed the composition of their work forces from largely permanently employed staff to small core staff (permanently employed) and more fixed contract staff. Processes like multi-skilling (where an employee had to do not only one task in a company, but was supposed to function in different positions) and multi-tasking (where employees are tasked to perform some tasks for positions slightly above

and below their current positions) became common. Fixed contract employment as opposed to long-term employment allowed companies to cut their expenditure on employment benefits. This resulted in reduced quality of employment as well as quality of life after employment given the absence of a comprehensive social security system in the country. Thus any reform process seeking to improve the living standards of people should be able to protect minimum conditions of employment and ensure income security to avoid large numbers of people slipping into poverty. It takes government commitment and relevant legislation to ensure this.

5.3 Incomes

(a) Consumption and product earnings

The reforms intended to induce wage flexibility in the economy. The underlying theory asserts that institutional setting of minimum wages results in real wage unemployment. By allowing wages to be set by market forces, it was hoped that more people were to be hired. Wage flexibility and exchange rate depreciation were anticipated to improve labour allocative efficiency in the economy. Wages could rise in more productive sectors, and fall in sectors with low productivity. Declining consumption real wages could also enhance demand management policies seeking to rein in on aggregate demand. Equally, exchange rate depreciation could promote expansion of export producing sectors, and hence employment in those sectors. Table 5 (a) below shows the trend of consumption real wages in the economy between 1986 and 2000.

<TABLE 5a and b>

The table shows that real wages declined substantially during the reform period. Real wages reached a peak index of 101,1 (1990=100) in 1991 and started to decline continuously over the period. The index reached the lowest point of 67 points in 1995. It managed to recover considerably, reaching 93.4 points in 1997. The decline in real wages confirms that reforms resulted in wage flexibility. Unfortunately, wage flexibility did not generate employment growth to clear the labour market. Unemployment remained high in the economy (see section 5.2 (a)). The reality of rising unemployment contradicts the theoretical assertion that flexibility would establish the equilibrium wage rate that clears the market.

Apparently, the decline in real wages had negative welfare implications. Many workers experienced declining purchasing power and were thus relegated to poverty. Given that over 80% of industrial production in Zimbabwe is consumed domestically, declining real purchasing power had the adverse consequence of worsening the recessionary impact of demand management policies. Further declines in aggregate demand resulted in falling investment and employment. In fact declining real consumption wages increased income insecurity among workers. Such income insecurity implies negative ramifications on households' ability to reproduce and enhance their human capital. This partly explains the poor stock of human capital in the economy. Thus economic policy reforms culminated in adverse effects that were self-reinforcing in worsening the performance of the economy.

An alternative way of looking at real wages is to look at the real product wages (table 5b). Real product wages, just like consumption wages, declined steadily, reaching a minimum in 1994. The index shows a slow recovery thereafter but by 1996, real product wages were still below their 1990 level. A massive jump between 1996 and 1997 resulted in the index rising to 110.9

points. It reached a maximum of 117.6 points in 1997. From theory, a fall in real product wages should generate employment growth. The employment analysis above shows the contrary. Employment growth up to 1996 does not support theory. Interestingly, even after 1997 when real product wages increased, employment did not decline, but rather held steady.

(b) Functional distribution of income

Functional distribution of gross national income analyses the distribution of gross income between wages and salaries and profits. An analysis of the impact of economic reforms on the distribution of income in the economy is shown in table 6.

<table 6>

The table shows that the proportion of gross domestic income going to wages and salaries fell continuously from before the reforms to the lowest level of 37.4% in 1994. The proportion increased between 1995 and 1997, reaching an unprecedented peak of 52.6%. On the other hand income to capital increased progressively from before the reforms to reach a peak of 62.9% in 1994. It slowed down in the next three years to reach its lowest point of 46% in 1997. The macroeconomic crisis from 1997 onwards harmfully affected income distribution, with more national surplus increasingly going to owners of capital. This shows that under crisis conditions, labour loses more than capital. This is probably because of capital owners' higher degree of organisation and lobbying capacity compared to unions.

The figures suggest that employees lost while capital owners gained in the distribution of income for much of the reform period. The evidence is overwhelming when one considers analyses of structural adjustment programmes in other countries. Pastor (1987) analysed the impact of reforms on labour in Latin America and concluded that reforms resulted in reduced

returns to labour. This is further supported by Vreeland (2002) who stated that the burden of adjustment largely falls on workers relative to owners of capital, a situation vindicated by the Zimbabwean situation. Thus reforms may have pervasive effects that result in worsening income distribution unless this is strongly countered by expansion of labour-intensive employment, which did not occur in Zimbabwe.

(c) Poverty

The level of poverty increased during (and after) the economic reforms. This was worsened by the removal of food subsidies during the first few years of the reforms in a bid to contain public expenditure. While the formulation of the reforms included the establishment of a Social Dimensions Fund (SDF) to assist the vulnerable groups make it through the throes of adjustment, the fund was overwhelmed by the high number of people falling into poverty. The Ministry of Labour conducted a Poverty Assessment Study Survey in 1995 which confirmed the deepening poverty situation in the country. It found that 61% of Zimbabwean households lived in poverty and 45% in extreme poverty, with high prevalence of poverty among female-headed households. The major cause of poverty was found to be the failure by the government to equitably redistribute land as a productive resource and as a fallback position for workers disengaged from industry. As a result many people joined the informal sector to eke out a living. The SDF could not shield the population in the face of declining employment and incomes.

Another study by the same Ministry in 1998 found that the incidence of poverty had increased from 40.4% in 1990/91 to 63.3% by 1995/96.[1] Extreme poverty, which means households cannot meet their basic food requirements both nutritionally and quantitatively, was found to

have increased significantly too. These statistics show that Zimbabweans became worse off following the introduction of economic reforms. This was compounded by the government's decision to pursue inflationary growth and relaxed macroeconomic management. However, attribution of the causes of poverty needs to be done with caution: the reforms worsened rather than caused poverty in the country. Moreover, the impact of drought in 1991/92 and 1994/95 also seriously eroded people's livelihood resulting in many plunging into poverty. Yet declining job opportunities and falling real incomes played significant roles too.

5.4 Allocative and dynamic efficiencies: an intertemporal analysis

Economic reforms intended to promote investment and labour market efficiency in the economy. The conjecture of achieving outward-oriented growth to generate foreign currency called for the realignment of the real exchange rate in a way that shifts resources into the export-producing sector. International competitiveness was expected to arise from a devaluation of the local currency. These measures were expected to improve the availability of foreign currency for critical imports. An analysis of the reallocation of labour between tradables and non-tradables confirms improvements in allocative efficiency in the first five years (see section 5.2). While employment in the tradables sector increased continuously during the reforms, it was outstripped by non-tradable sector employment growth between 1997 and 2000. This development deviates from conjecture, thus showing the limited extent to which allocative efficiency was attained. Apparently, it was reversed during the latter period. Also, the continuing increase in unemployment over the reform period shows that allocative efficiency gains were not substantial.

Exchange rate devaluation has double-edged impact: it raises export competitiveness and also reduces capital intensity in the economy because it raises the cost of capital. Labour requirement should increase as it becomes cheaper than capital. In the case of Zimbabwe, the employment response was weak in spite of the devaluation. The results go against the assumed responses. This provides the lesson that in economic planning, labour market issues must be integrated in the core framework, particularly given the central role that the labour market plays in income redistribution (sections 5.3 (a) and (b)), raising productivity, and improving people's living standards.

Economic reforms sought to generate dynamic efficiency in the economy. It was hoped that requisite institutional infrastructure would combine with attained static efficiency to produce dynamic efficiency in the economy. For this to be effective, it must be preceded by structural transformation of the economic environment, and the institutional setup must be supportive of the establishment of capabilities necessary for sustained industrial development and economic growth. This assists in addressing the problem of structural unemployment arising from declining industries and demands by rising ones. The implication is therefore that government intervention rather than free markets is necessary to foster institutional development and capabilities acquisition, a situation which did not occur in Zimbabwe hence the failure to achieve dynamic efficiency.

The government should offer incentives to industry in order to enhance productivity and competitiveness. It should be noted that gaining static and dynamic efficiency at firm level is not costless. There are costs associated with the acquisition of technology, skills necessary for efficiency, and capabilities (Lall, 1991). Only a few large multinational firms are able to

finance the acquisition of some of these critical components for productivity and competitiveness. Even the big firms also tend to under-invest in capabilities because of uncertainty and the costly nature of acquiring the capabilities. This is particularly so in situations of high uncertainty and macroeconomic instability as was the case of Zimbabwe from 1997 onwards, thus resulting in low dynamic efficiency gains.

Dynamic efficiency arises from investment, production and linkage capabilities. These may not be all in one firm, but through strategies promoting elaborate linkages between physical and human capital investment and technological effort, can be achieved. It was ability to properly mix and manage these capabilities that countries like South Korea, Taiwan, Singapore and Hong Kong were able to develop robust economies with adequate sustainable capabilities through massive investments in tertiary education, technical training, and research and development. These coherent sectoral policy measures were not developed in Zimbabwe. The level of technical training was and still remains low. The technology used in training institutions is usually obsolete to the extent that industry has to retrain college graduates for them to be productive. Worsened by the lack of government support in the generation and mastering of capabilities, the reforms failed to deliver the required impetus for dynamic industrial development. The stock of human capital also declined because in-service training opportunities became scarce as firms fought to survive. They stopped training for fear of losing the trained employees to competitors before they could recoup their training costs. All the points discussed above show that the road to allocative and dynamic efficiency is scattered with market failures that require active government involvement to address them. The combination of these issues explains why inefficiency remains a problem in Zimbabwe.

5.5 The informal sector

The informal sector in Zimbabwe has always been operating along side the formal sector. The operations of the sector were restricted to designated areas in urban areas. It was generally seen as undesirable though it was admitted that it offered a fall-back position to those dismissed or who could not enter the formal sector. During the first decade of independence it accounted for 10% and 20% of the total labour force in 1982 and 1987 respectively. With the introduction of structural adjustment the complementary role of the informal sector was recognised and the government took steps to review all regulations that impacted on the operations of the sector. The most significant were urban council bylaws which prohibited corner sales of wares. The government also undertook to develop a policy framework for the sector. This also took several years to materialise and by the end of the period covered in this study, it had not yet been finalised.

However, the informal sector grew significantly during the reform period. Two comprehensive Gemini studies of the sector were conducted in 1993 and 1998. Employment in the sector accounted for 27% of total labour force in 1991, of which 67% were women. The studies reported significant growth in the sector following the introduction of the reforms. Female employment in the sector was found to have grown from 50% in the 1980s to 67% in 1991 before falling to 57% in 1998. Overall, the sector accounted for approximately 22% of total labour force in 1998. The activities ranged from manufacturing with fabricated equipment to trade-related activities. Given the general decline in the economy, the sector remained survivalist in nature with people entering the sector to try and prop up their living standards.

Given that poor people largely rely on their wage incomes for their livelihood, those that lost jobs due either to retrenchments or company closures were forced to enter the informal sector to eke a living. Although the informal sector has grown tremendously since 1991, the quality of employment in the sector is poor and there is non-observance of labour and health and safety regulations. At the same time the government lacks capacity and resources to monitor and enforce existing regulations on the sector.

5.6 The role of government

As highlighted above, the success and/or failure of reforms depends on the level of government commitment. From 1996 to 1996, the Zimbabwean government showed a lot of commitment in liberalising the economy. During the same period, the cost of adjustment was falling more on workers and poor people. Civil society became vocal and opposed the reforms. Losers in from all sectors of the economy were clamouring for government attention and support. Growing opposition resulted in the government softening its commitment. It responded to calls by some vocal groups to address their plight. Growing opposition to reforms threatened the foundation of government, resulting in it losing commitment to reform. Thus despite the production of the ZIMPREST and MERP policies which sought to advance reforms, they were never implemented. Civil society groups not only questioned the benefits of reforms, but also engaged government at technical and functional levels, challenging the deep-seated government's approach of making policies without consulting other stakeholders. These questions impinged on realms of governance and democracy. The government felt these developments directly challenged its position hence it decided not to pursue reforms further. To preserve its hold to power, the government became oppressive. While experiences

elsewhere have shown that reforms may be implemented in full by dictatorial governments, growing dictatorship in Zimbabwe over the period was not towards reforming the economy, but towards preserving the status quo.

Neo-liberal economic policies assert that the role of government should be to develop rules and regulations that make the conduct of business smooth. The government is also tasked with developing the requisite institutional framework for the proper operation of markets. Laws dealing with economic crimes and corruption must be developed and enforced. Where these preconditions do not exist, the reforms will not yield optimal results. Yet it is here that the government of Zimbabwe scored lowly. It condoned the spread of corruption, and this had serious social costs. There was widespread looting at the National Oil Company of Zimbabwe (NOCZIM), a parastatal with monopoly right to procure petroleum products. The War Victims Compensation Fund was also looted by senior politicians and government officials. Tenders were awarded to politically connected persons. These corruption cases came to light after 1996. Yet there are no convictions arising from these crimes to date. Apart from the lack of a clear regulatory framework dealing with corruption, there was widespread cronyism which compromised business confidence in the economy. Because the politicians were beneficiaries of the corruption, they gave a blind eye to it. They thus lacked the zeal to comprehensively reform the economy in ways that would have closed the loopholes they exploited for self-enrichment. These developments jeopardised macroeconomic stability and investment confidence.

From the foregoing, it is clear that government commitment to reform is very important. It can sacrifice rational economic policies in order to preserve its position in power. Thus reform

policies are necessary but not sufficient for economic turnaround. There is need for government commitment and development of appropriate legal and regulatory systems to foster turn around the economy.

6 Conclusion

This study has analysed the impact of structural adjustment on employment in Zimbabwe and the role of government in determining the success and/or failure of the reforms. Starting with a brief discussion of the situation before reform to set the foundation for analysis, it has analysed the changes that were implemented in 1991 and the theoretical underpinnings of the policies. It has highlighted the institutional and legal changes introduced to influence employment and wage developments in the economy. Further, the impacts of the reforms on flexibility of employment and wages, income distribution and efficiency, have been analysed. The role of government in bringing economic transformation has also been explored. From the analysis presented, it can be concluded that the economic reforms, to a large extent, failed to achieve the set objectives. More importantly, economic planning did not integrate labour market issues into policy formulation, but left such issues dependent on market outcomes. As a result the level of employment declined, unemployment increased, and the informal sector grew. Real wage income was also allowed to decline in spite of its poverty impact. More so, some policies implemented to attain expenditure reduction pushed the economy into a recession. The outcome of expenditure switching was very weak and did not result in the intended outward-orientation of the economy. Flexibility of employment and wages were realised, but had adverse effects on aggregate demand and income distribution. The anticipated gains in allocative and dynamic efficiencies were not realised either. These efficiencies could have been

gained if the government had played a major role in promoting the formation and deepening of capabilities in the economy. After the period after the reforms, government started reversing some policies. It tolerated corruption and allowed macroeconomic instability to take root. These developments thwarted attempts to reform the economy during that period, showing that government commitment is fundamental to the success of any economic reforms.

Notwithstanding the above findings, the methodology used in the analysis has some weaknesses, thus requiring a cautioned interpretation of some of the results. Use of more robust approaches can enhance the quality of the results, but may not necessarily disprove what has been found in this study.

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Table 1: Average output and investment growth rates, 1986-2002

	1986-90	1991-96	1997-2000	1997-2002
Real GDP	4.7	2.2	-0.4	-2.1
Agriculture	1.3	4.1	2.9	-1.0
Mining	0.8	1.4	-1.8	-3.1
Manufacturing	4.4	-1.7	-4.2	-8.5
Tradables	2.1	1.3	-1.0	-4.2
Non-tradables	5.4	2.5	-0.3	-0.2
GCF	7.3	5.6	1.8	-8.2
Savings/GDP*	20.2	17.2	11.1	9.9

*These figures are average proportions, not growth rates.
Source: Calculated From National Accounts 1985-1998, Central Statistical Office, January 2000.

Table 2: Average employment growth, 1986-2000

	1986-90	1991-96	1997-2000
Agriculture	1.0	3.1	-1.6
Mining	-1.0	2.7	-6.4
Manufacturing	3.1	-1.1	0.0
Tradables	1.0	1.6	-2.7
Non-tradables	3.7	1.5	2.0
Total	4.7	3.1	-0.6

Source: Calculated From National Accounts 1985-1998, Central Statistical Office, January 2000.

Table 3: Employment by gender (`000) 1980-2000

Year	Males	Females	Total	Female/ Total (%)
1980	838.5	171.4	1009.9	17.0
1981	871.9	165.9	1037.8	16.0
1982	881.8	164.1	1045.9	15.7
1983	864.5	168.9	1033.4	16.3
1984	864.4	172	1036.4	16.6
1985	863.2	189.3	1052.5	18.0
1986	890	194.1	1081.1	18.0
1987	889.5	195.5	1085	18.0
1988	929.5	201.5	1131	17.8
1989	956	209.9	1166.1	18.0
1990	977.6	214.5	1192.1	18.0
1991	1015.8	228.2	1244	18.3
1992	1012.1	224.1	1236.2	18.1
1993	997.6	242.7	1240.3	19.6
1994	1008.8	254.5	1263.3	20.1
1995	983.7	255.9	1239.6	20.6
1996	1002.7	271.1	1273.8	21.3
1997	1036.9	286.4	1323.3	21.6
1998	1052.6	295.9	1348.5	21.9
1999	1022.8	293.5	1316.3	22.3
2000	945.9	291	1326.9	23.5

Source: Central Statistical Office Quarterly Digest of Statistics, Various issues.

Table 4: Public Service reform, 1991-95

Size of service before reform	192,000
Size of the service in 1994/95	171,472
Exempted posts in the Ministry of Education	10,000
Exempted posts in the Ministry of Health	90,000
Posts subject to the 25% reduction	92,000
Target posts to be reduced	23,000
Cumulative abolished posts as at June 1995	21,547
Balance of posts to be abolished	1,453

Source: Adapted ZCTU Economics Department (2001) '*The Performance of the Zimbabwean economy, 1980 – 1990'*, Harare: ZCTU.

Table 5 (a): Annual real consumption wage index (1990=100), 1986-2000

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Agriculture	94.5	90.9	83.7	92.2	90.9	100.0	94.6	55.5	66.6	65.2	55.6	64.5	73.0	73.5	64.8	57.2
Mining	100.6	97.1	96.8	106.0	100.4	100.0	95.2	82.2	74.4	79.0	89.1	93.8	107.2	121.0	106.4	71.7
Manufacturing	82.1	81.1	81.6	90.1	93.1	100.0	98.5	80.6	71.7	72.6	67.7	66.1	76.9	76.9	67.2	61.0
Electricity & Water	86.4	85.0	86.8	98.2	91.4	100.0	116.1	79.2	59.8	89.8	116.0	161.7	211.2	346.7	291.0	233.3
Construction	72.3	71.5	71.0	81.2	86.6	100.0	103.2	86.0	73.4	66.9	63.6	70.9	88.9	89.7	63.2	66.4
Finance & Insurance	74.8	74.0	78.7	89.5	87.1	100.0	103.8	100.9	109.3	103.3	110.7	110.4	119.6	149.7	138.4	171.4
Distribution & Hotels	89.7	85.1	84.7	91.7	92.0	100.0	102.0	86.3	74.2	75.1	75.7	77.1	88.5	94.2	87.4	78.5
Transport & Comm.	77.6	78.2	76.0	82.5	86.9	100.0	91.1	72.6	67.3	66.5	59.5	58.7	65.6	67.9	59.7	65.0
Public Administration	97.4	92.4	97.6	98.1	95.2	100.0	91.2	68.1	53.7	47.6	50.4	61.5	86.1	80.1	73.8	104.8
Education	70.1	72.0	74.2	84.3	83.4	100.0	102.9	79.7	67.2	61.9	57.6	88.8	124.8	124.5	113.1	146.5
Health	71.0	75.3	73.3	79.2	83.6	100.0	101.4	77.9	65.6	64.2	64.9	78.4	124.6	124.3	109.1	169.3
Domestic Services	92.6	108.2	105.9	108.5	101.1	100.0	84.1	59.1	46.3	37.9	30.9	25.4	21.4	16.3	10.3	6.6
Other Services	79.4	77.9	76.2	85.2	87.7	100.0	104.8	92.3	84.8	84.4	80.1	90.6	113.1	116.6	107.7	119.1
TOTAL	82.7	81.8	81.9	89.7	90.2	100.0	101.1	78.7	70.6	69.2	67.0	75.4	93.4	97.6	86.7	94.2

Source: National Accounts 1985-1998, Central Statistical Office, January 2000.

Table 5 (b): Annual real product wage index (1990=100), 1986-2000

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Agriculture	102.4	100.9	97.0	97.6	92.9	100.0	89.3	58.3	73.2	70.9	67.2	74.8	86.6	88.5	71.1	62.5
Mining	108.9	107.8	112.1	112.2	102.6	100.0	89.9	86.4	81.7	86.0	107.6	108.7	127.2	145.7	116.8	78.4
Manufacturing	89.0	90.0	94.5	95.4	95.1	100.0	93.0	84.7	78.7	78.9	81.7	76.6	91.3	92.6	73.8	66.7
Electricity & Water	93.6	94.4	100.6	103.9	93.4	100.0	109.6	83.2	65.6	97.7	140.1	187.5	250.7	417.6	319.5	255.2
Construction	78.3	79.4	82.3	85.9	88.5	100.0	97.4	90.4	80.6	72.7	76.8	82.2	105.4	108.1	69.4	72.6
Finance & Insurance	81.0	82.2	91.1	94.7	89.0	100.0	98.0	106.0	119.9	112.3	133.8	128.0	141.9	180.3	152.0	187.5
Distribution & Hotels	97.2	94.5	98.1	97.0	94.0	100.0	96.3	90.7	81.4	81.7	91.4	89.4	105.1	113.5	96.0	85.9
Transport & Comm.	84.0	86.8	88.0	87.3	88.8	100.0	86.0	76.3	73.9	72.3	71.9	68.0	77.8	81.8	65.5	71.1
Public Administration	105.6	102.6	113.1	103.8	97.3	100.0	86.1	71.6	58.9	51.7	60.8	71.3	102.2	96.5	81.0	114.6
Education	75.9	79.9	85.9	89.2	85.2	100.0	97.1	83.8	73.8	67.3	69.6	102.9	148.1	150.0	124.2	160.3
Health	76.9	83.6	84.9	83.8	85.4	100.0	95.8	81.9	72.0	69.9	78.4	90.9	147.8	149.7	119.8	185.2
Domestic Services	100.3	120.1	122.7	114.8	103.3	100.0	79.4	62.1	50.8	41.2	37.3	29.5	25.4	19.6	11.3	7.2
Other Services	86.0	86.5	88.2	90.1	89.6	100.0	98.9	97.0	93.1	91.8	96.8	105.0	134.2	140.4	118.3	130.3
TOTAL	89.6	90.8	94.9	94.9	92.2	100.0	95.4	82.7	77.5	75.2	80.9	87.4	110.9	117.6	95.2	103.0

Source: National Accounts 1985-1998, Central Statistical Office, January 2000.

Table 6: Percentage distribution of gross domestic income, 1986-99

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
wages and salaries	47.7	49.1	53.7	49.0	47.2	47.0	46.2	42.7	39.9	37.4	42.7	41.9	52.0	48.6	41.8
rent	1.9	2.0	2.4	2.5	2.5	2.3	2.0	2.5	2.4	2.2	2.4	1.9	2.7	2.4	2.2
Profit	52.9	51.4	46.7	50.8	52.4	52.9	57.5	56.5	59.9	62.9	57.1	57.7	46.6	50.0	56.7

Source: National Accounts 1985-1998, Central Statistical Office, January 2000.
Note: Percentage shares do not add to 100 due to omission of imputed bank charges.

[1] The incidence of poverty is measured in terms of the number of households whose incomes cannot meet the basic requirements for living.