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Unemployment in Namibia: Measurement Problems, Causes & Policies

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LIST OF ABBREVIATIONS

NLFS	Namibia Labour Force Survey
NHIES	National Household Income and Expenditure survey
MLSW	Ministry of Labour and Social Welfare
CBS	Central Bureau of Statistics
ILO	International Labour Organization
IMF	International Monetary Fund
US\$	United States of American Dollars
N\$	Namibian Dollars
AGRIBANK	Agricultural Bank of Namibia
DBN	Development Bank of Namibia
TIPEEG	Targeted Intervention for Employment Generation

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EXECUTIVE SUMMARY

According to the 2008 Namibia Labour Force Survey, Namibia has one of the highest unemployment rates (broadly defined) in the world, currently standing at 51.2% rising from 36% in 2004. This means more than half of Namibia's economically active population is unemployed, posing major social, political and economic risks, as such high unemployment can yield devastating effects on social exclusion, crime, and economic welfare, erosion of human capital, death, misery and social instability.

Total employment declined from 433850 in 2000 to 333453, more than 100 000 workers lost their jobs, 12500 workers lost their jobs in the formal sector and close to 90 000 jobs were lost in the informal sector in Namibia. When segmenting, between formal and informal employment, data shows that informal employment in Namibia has been contracting from 43% of total employment in 1993, declining to 33% and 16% of total employment in 1997 and 2008 respectively. This is contrary to trends in other countries at similar income levels with Namibia as well as the Sub-Saharan Africa estimates where informal employment stands at between 50% – 80% of total employment.

Labour market data display some inexplicable large fluctuations, for instance employment figures in agriculture declined sharply by 49%, while fishing sector employment declined by 89% between 2004 and 2008. Unemployment policy and strategies based on current unemployment rate could fail to produce intended results, not because they are poorly designed but the policy failure could be due to poor data quality.

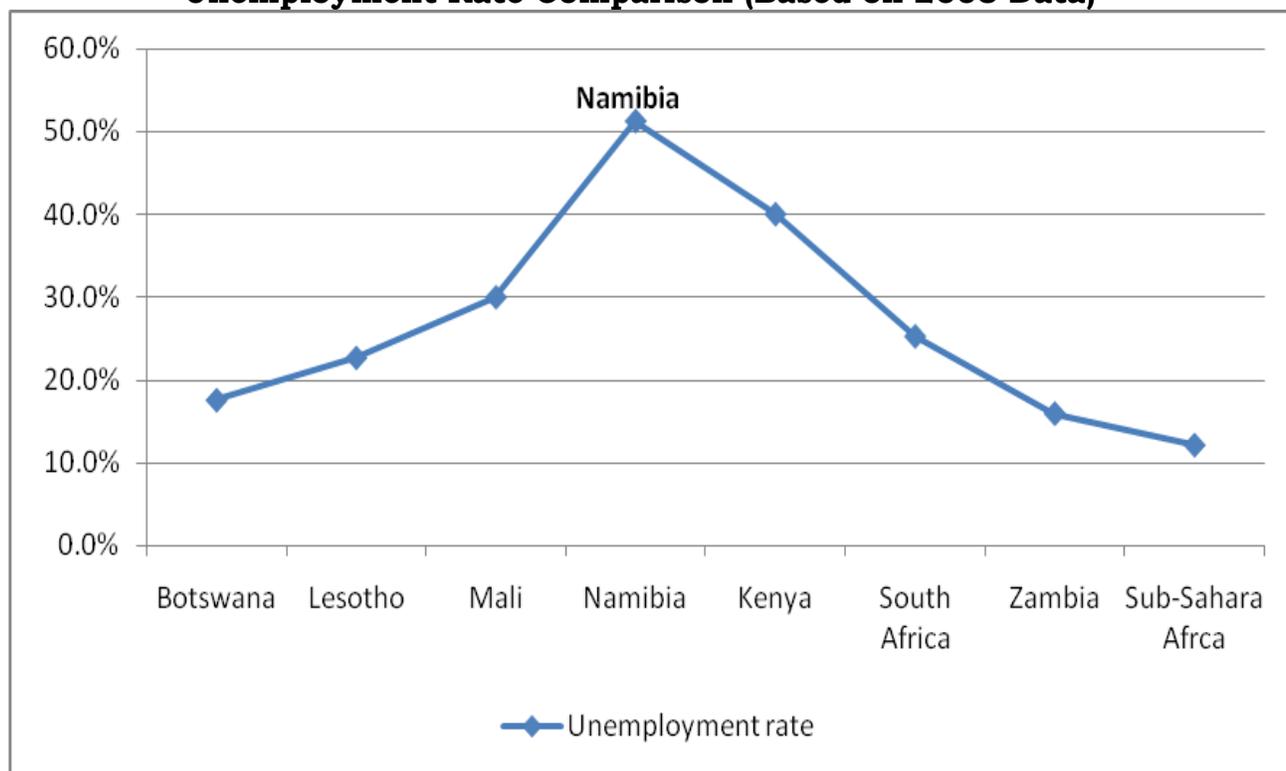
Based on the 2008 NLFS employment figure, Namibia's output per worker (labour productivity) exceeds all country blocks, such as Asia, North Africa, Sub-Sahara Africa and the World combined. The research did not find any convincing explanation to justify Namibia's ranking as the most productive country in the world and the only possible explanation for Namibia's top ranking as the most productive nation on earth could be

found in the quality of both the output (GDP) and employment data used in computing output per worker.

A review of Namibia's labour force market trends is not consistent with almost all economic and social indicators, with Namibia recording negative growth in its total labour force despite a positive growth in the country population of above 2% per year and youthful population.

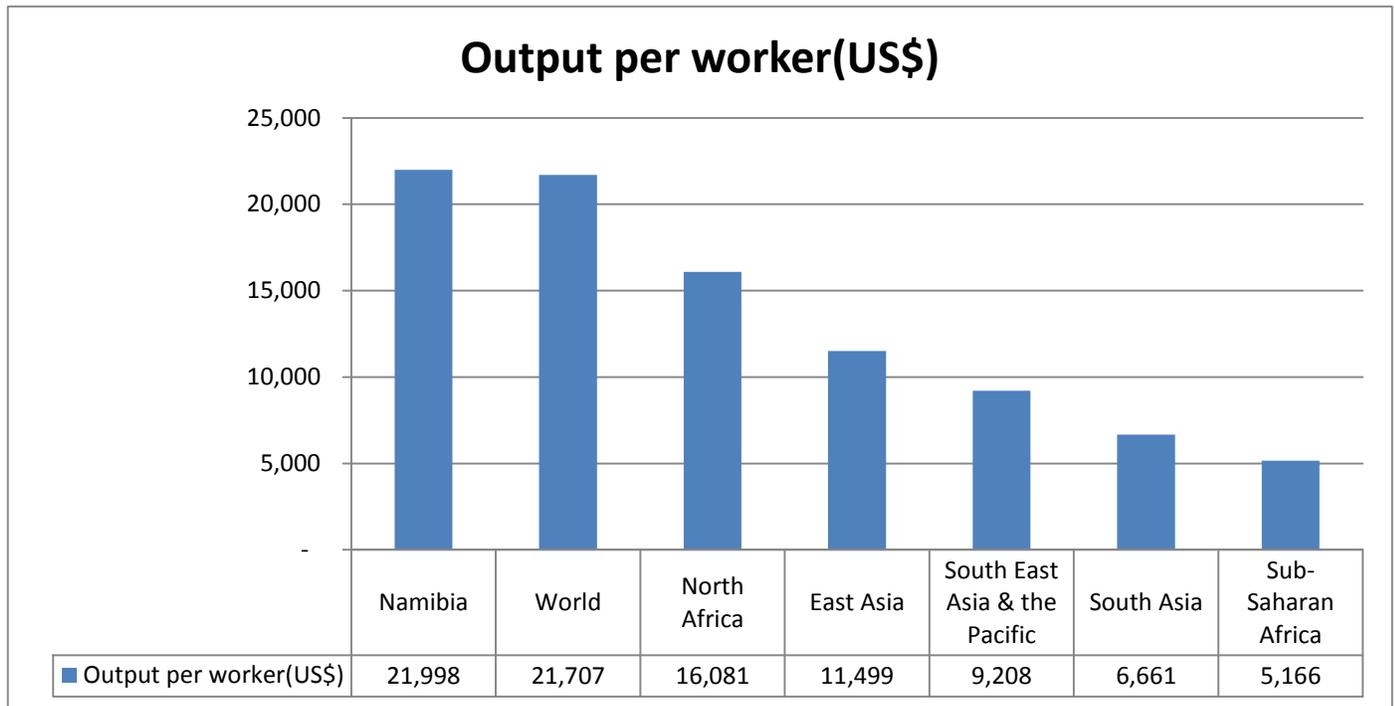
There is a negative relationship between GDP growth and employment, with the level of employment declining with positive growth of the economy. Despite a high average economic growth of more than 4% over the periods under review, no new jobs were created, and the NLFS shows more people get retrenched when the economy registers health positive growth.

Unemployment Rate Comparison (Based on 2008 Data)



Source: NLFS 1997/2000, 2004, 2004; & ILO 2008

Country Comparison: Output per Worker (Labour Productivity)



Source: NLFS (MLSW), NHIES (CBS), National Accounts (CBS), ILO

Employment Intensity/Elasticity by Region



Source: NHIES 93/94, NLFS 97-2008, National Accounts, ILO 1997-2008

CHAPTER 1

INTRODUCTION

In the last two decades (1990 -2010), Namibia has been confronted with many challenges and crisis such as HIV/AIDS, floods, various endemic diseases, income inequality, famine and widespread poverty. Underlying all these is the phenomenon of unemployment and underemployment which has become central features of the Namibian economy. Employment creation provides a direct channel for distributing the benefits of economic growth broadly throughout the population and evidence from around the world suggests that the greater the employment focus, the more effective economic growth becomes in fighting poverty (Khan 2001, Islam 2004). According to the 2008 Namibia Labour Force Survey (NLFS), Namibia has one of the highest unemployment rates (broadly defined) in the world, currently standing at 51.2% rising from 36% in 2004. This means half of Namibia's economically active population is unemployed, posing major social, political and economic risks, as such high unemployment can yield devastating effects on social exclusion, crime, and economic welfare, erosion of human capital, death, misery and social instability. A country's prosperity depends on how many of its people are in work (employed) and how productive they are, which in turn rests on the skills they have and how effectively those skills are used (ILO, 2010). Although the precise path to poverty reduction differs from country to country, most developing countries that have dramatically reduced their poverty levels have done so by improving employment opportunities for their population. In this paper, I hope to provide a balanced and more realistic picture of the unemployment problem facing the Namibian economy at present.

1.1. Aims and Objectives of the Study

Unemployment represents waste of resources, a cost to the economy in terms of lost income, and without jobs most people are excluded from taking advantages of opportunities created by the economy. Namibia faces an unemployment crisis, with unemployment rate at 51.2 percent in 2008, rising from 34% in 2000. Not only is the

country failing to create new jobs, but existing jobs are being reduced. The author of this study has been motivated to conduct this study by the increasing army of able bodied men and women without employment and annually adding to the pool of unemployed people in Namibia. The aim was to explore the structure, trends and causes of unemployment in Namibia. Firstly, the study reviews the Namibian labour statistics in terms of internationally accepted compilation methodology, coverage and reliability. Poor quality labour statistics makes international comparison difficult, misinforms policy makers, and makes it difficult to evaluate effectiveness of policies toward achievements of targeted goals. Secondly, the study presents the unemployment situation in Namibia and provides a detailed analysis of changing employment patterns and the structure of unemployment in Namibia. By focusing attention on the structure and causes of unemployment, the study also attempts to assist in the search for appropriate policy alternatives for the expansion of productive employment.

1.2. Research Methodology

The paper based its analysis on literature review and secondary data and a qualitative research approach was adopted in this study. The paper draws on Namibia's Labour Force Surveys (LFS for 1997, 2000, 2004 and 2008) and data from the 1993/94 & 2003/04 National Housing Income & Expenditure Surveys (NHIES). The first NLFS was conducted in 1997, the second in 2000 and since then labour surveys in Namibia are conducted in four year intervals. The target population of the NLFS contains all working-age residents of Namibia aged 15 and above in the reference week. While Namibia follows concepts and definitions of employment and unemployment, as used in all countries, in line with ILO labour compilation methodology, there remain a number of minor methodological differences in generating data on some labour market variables, such as subsistence farming. In the absence of more complete and reliable time-series data on employment and unemployment, the methodological design in this study is particularly useful in expanding our understanding and knowledge of the structure and causes of unemployment in Namibia.

1.3. Outline of the Report

The paper is organized as follows. Chapter 2 discusses statistical definitions and measurement concepts of the labour force market. Chapter 3 discusses the theoretical framework for Namibia's labour market, while Chapter 4 discusses Namibia Labour Market Data Quality Assessment. The labour force and unemployment situation analysis is presented in Chapter 5. Specifically, the chapter addresses the size and composition of the labour force, trends in employment and unemployment and the changing sector allocation of employment, employment intensity of economic (GDP) growth, causes and consequences of unemployment. This is followed by the discussion of employment intensity, labour productivity and poverty in chapter 6, while chapter 7 discusses the causes of unemployment in Namibia. In Chapter 8, Response to Employment Creation is discussed. Chapter 9 presents a Revision and Restatement of Employment & Unemployment, and this is followed by chapter 10 which discusses Policy Recommendations.

CHAPTER 2

CONCEPTS AND DEFINATIONS

2.1. The economically active population

Economically active population comprises all persons of either sex who furnish the supply of labour for the production of economic goods and services as defined by the United Nations systems of national accounts and balances during a specified time-reference period. According to the UN systems, the production of economic goods and services includes all production and processing of primary products whether for the market, for barter or for own consumption, the production of all other goods and services for the market and, in the case of households which produce such goods and services for the market, the corresponding production for own consumption. Two useful measures of the economically active population are the usually active population measured in relation to a long reference period such as a year and the currently active population equivalently the "labour force" measured in relation to a short reference period such as one week or one day. The implication of the above definition for Namibia, with significant rural based population is to ensure that those deriving their income or survival from subsistence farming are classified as employed. Subsistence farming is second largest source of income in Namibia after wages and salaries (2003/4 NHIES & 2008 NLFS), and based on the income approach and International Labour Organization (ILO) definition of employment, subsistence farming should be the second largest employer in Namibia.

2.2. The labour force (the currently active population)

The labour force or "currently active population" comprises all persons who fulfill the requirements for inclusion among the employed or the unemployed as defined above in 2.1.

2.2.1. Employment: The "**employed**" comprise all persons above a specified age who during a specified brief period, either one week or one day, were in the following categories:

- **Paid Employment:** these are persons who during the reference period performed some work for wage or salary, in cash or in kind;
- **Self-Employment:** these are persons who during the reference period performed some work for profit or family gain, in cash or in kind. This category will include subsistence farming, unpaid family workers, and persons with an enterprise. Persons engaged in the production of economic goods and services for own and household consumption should be considered as in self-employment if such production comprises, an, important contribution to the total consumption of the household.

2.2.2. Unemployment: The unemployed comprise all persons above a specified age, who during the reference period were (i) without work, i.e. were not in paid employment or self-employment as defined above, were (ii) currently available for work, i.e. were available for paid employment or self-employment during the reference period; and (iii) seeking work, i.e. had taken specific steps in a specified recent period to seek paid employment or self-employment. The specific steps may include application to employers; checking at work sites, farms, factory, placing or answering newspaper advertisements: seeking assistance of friends or relatives: looking for land, building, machinery or equipment to establish own enterprise; arranging for financial resources; applying for permits and licenses, etc.

2.3. The population not currently active

The "population not currently active", or, equivalently, persons not in the labour force, comprises all persons who were not employed or unemployed during the brief reference period and hence not currently active because of (a) attendance at educational institutions, (b) engagement in household duties, (c) retirement or old age, or (d) other reasons such as infirmity or disablement. According to ILO, a student is part of the labour force (Economically active) if he or she is involved in any activities looking for work.

2.4. Types of Unemployment

A distinction is often made between the various types and states of unemployment and this paper considers the relevant issues of frictional, structural and cyclical issues of unemployment. It is important for policy makers to know at all times as to which type and state of unemployment are predominant in the country in order to devise appropriate policy packages.

2.4.1. Structural unemployment

Structural unemployment is long-lived and is not sensitive to changes in aggregate demand. It refers to the overall inability or inflexibility of the economy to provide or create employment due to structural imbalances in the economy. Structural unemployment is generally believed to be caused by structural factors such as the nature of the educational system and its interface with the needs of the labor market (i.e., the skills mismatch problem), technical change and the use of capital-intensive techniques of production, permanent shifts in the demand for goods and services especially in export markets, the skill mix of the labor force and available job opportunities. As we demonstrate in the paper, it appears that the unemployment experienced in Namibia is largely structural in nature. Even during periods of high economic growth, employment opportunities do not increase faster, that is the employment intensity in Namibia is very low (no positive relationship between economic growth and employment growth).

2.4.2. Frictional unemployment

Frictional unemployment may be regarded as a subset of structural unemployment, mainly reflecting temporary unemployment spells as a result of job search and matching difficulties in connection with quits, new entries to the labor market. At any given time, there are workers changing jobs while others are leaving or entering the labour force. Since the flow of labour market information is imperfect, employers and workers are not matched instantaneously; it takes time to locate available jobs. Ordinarily, this kind of unemployment does not usually pose much threat to individual's welfare, as it is temporary in nature.

2.4.3. Cyclical unemployment

Cyclical unemployment is associated with cycles and is associated with cyclical factors such as the fluctuations in aggregate domestic and foreign demand for goods and services. It surfaces during the periods of economic depressions and disappears at the times of troughs and booms. Cyclical unemployment differs from structural and frictional unemployment by basically being tied to short – term economic fluctuations.

2.4.4. Seasonal unemployment

Seasonal unemployment arises from seasonal variations, for example due to changes in climatic conditions. As an example, farmers may be fully employed during cultivation, planting, weeding and harvesting times, but unemployed at other periods. This type of unemployment is very common in Namibia due to effects of climatic and weather conditions on the agriculture and fishing sectors.

2.4.5. Disguised unemployment

Disguised unemployment arises when the work given to a workforce is insufficient to keep it fully employed, that is, work is divided among workers with each worker less than fully employed. This implies that some members of the workforce may be withdrawn without loss in output. The employed persons can be divided into two groups: those that are **fully employed** and those that are **underemployed**. **Underemployment** means employment at less than desired or normal working hours (for example less than 40hrs a week). In this case, an individual desires more hours to improve their standard of living but there is not enough work. Underemployment maybe due to industrial dispute, lack of finance, lack of raw materials, breakdown of equipment and inadequate output demand. The visibly underemployed population consists of all persons in paid or self-employment involuntarily working for less than the desired/normal hours of work determined for that activity. Invisible underemployment means that workers are fully employed in activities where their productivity is abnormally low (potential underemployment) or are employed but their earnings are not commensurate with specified norms, training, and work experience.

CHAPTER 3

THEORETICAL FRAMEWORK FOR NAMIBIA'S LABOUR MARKET

The dominant feature of a labor surplus country like Namibia is a continuing flow of labour out of the informal into the formal sector. Workers migrate to the formal sector, benefiting from higher income/wage earnings and in the absence of unemployment benefits, unemployment insurance or other form of social security to cushion their job loss, workers who lose their jobs in the formal sector retreat into the informal sector. The theoretical underpinning for Namibia's labor market is the so-called classical labor surplus model, where the labor market is split into two distinct segments, the formal ('modern') and informal ('traditional') sectors, with interactions between the two being crucial for adjustment to external shocks. According to Lewis (1954), excess supply of labor that exists in the informal (mainly rural agricultural sector) in developing countries constitutes the main source of their economic dynamism. This excess supply of labor would be captured by the formal or modern sector as the industrialization process proceeds, allowing industrial wage rates to remain low so long as the informal sector exists. As the labor surplus of the traditional sector is absorbed by the modern informal sector through the course of development, Lewis foresees that the average wage rate would gradually start to increase, and differences between the two sectors would erode; or in other words, the informal or traditional sector would be eliminated through the process of development. Erdal A, et al(2007), established that, while the elimination of the informal/traditional rural agricultural sector in the course of development can be said to have taken place to a limited degree, what most developing economies have experienced instead was the emergence of a new economic dualism: The coexistence of a low-productivity, poor working conditions, low-income informal production sector side by side and in interaction with a high-productivity, relatively better working conditions, high-income production in the formal sector.

An ILO Report (1972) on Kenya introduces the first definition of "informal" sector production which entails subsistence level economic activities carried out by rural-to-urban migrants who have been unable to access entry into the modern urban labor

markets. The ILO report characterizes the informal sector as follows: Unregulated and competitive markets where workers can enter easily; it relies on indigenous resources; family ownership of enterprises, small scale of operation with labor intensive and adapted technology; and labour skills acquired outside the formal school system. The Fifteenth International Conference of Labour Statisticians which was held in 1993 characterized the informal sector as the part of the economy consisting of the categories of family enterprises with unpaid family and self-employed workers, small scale enterprises (number of workers below some level) and the enterprises which do not have a legal status or which employ unregistered workers.

Despite its diversity, the informal economy can be usefully categorized by employment status into two broad groups: the self-employed who run small unregistered enterprises; and wage workers who work in insecure and unprotected jobs (although some informal workers, notably homeworkers, do not fit neatly into either of these categories) (Chen, 2004). Most of those who work in the informal economy share one thing in common: the lack of legal recognition, regulation, and protection.

In order to explore whether there is a segmented labour market structure in Namibia, this section in the spirit of the Lewis Labour- Surplus Model attempts to explore the current nature of labor market segmentation in Namibia into formal and informal sectors, and also traces its transformation from 1997 to 2008. We make use of NLFS data for the period 1997 – 2008. Based on this data, we explore the transformation in the formal versus informal sector shares of total employment. The labor market in Namibia has been characterized by increasing segmentation into formal and informal sectors, and Namibia's persistent high unemployment is often attributed to an underperforming formal sector and to the inability of the unemployed to enter informal labor markets. Without a detailed examination of the linkages between Namibia's formal and informal employment and how developments in the structure and size of the formal employment influence informal sector employment, policy makers are likely to implement policies that are incompatible with conditions in either the formal or informal sector and over the time making the policy ineffective.

A formal versus informal breakdown of the employment structure is central to understanding Namibia's employment structure, and to designing sustainable employment creation and poverty reduction strategies. Gustav Ranis (2004), argues that labor surplus economies are closely associated with the concept of economic dualism, and the basic premise is that there exist some sectors or sub-sectors in which, in the presence of a large endowment of unskilled labor and the absence of sufficient land or capital, with a given technology and a wage level bounded from below, labor markets cannot clear. Consequently, a labor surplus exists in the sense that a substantial portion of the labor force contributes less to output than it requires, i.e., its marginal product falls below its remuneration, set by bargaining. The "labor surplus" designation then arises from the fact that if such workers were reallocated to other, competitive, or neoclassical functioning sectors, such reallocation would eliminate the aforementioned inefficiency and thus materially enhance the total output of the system.

The dualistic nature of Namibia's labor market means that in the event of negative economic shocks that leads to retrenchments, relatively few workers actually become unemployed in labor markets like Namibia, but instead, the great bulk of the retrenched workers simply take refuge in lower-paying, more insecure jobs in the informal sector. Consequently, the main labor market outcome of continued slow economic growth in Namibia is not likely to be significantly higher unemployment, but a continuing shift towards low quality, low paid jobs in the informal sector.

Table 1 below shows that total employment declined from 433850 in 2000 to 333453, more than 100 000 workers lost their jobs, 12500 workers lost their jobs in the formal sector, and according to the labour – surplus model, the 12 500 workers who lost their jobs in the formal sector should have taken shelter in the informal sector and informal employment should have increased substantially between 2000 and 2008. Contrary to this expectation, close to 90 000 jobs were lost in the informal sector in Namibia.

Table 1: Informal Vs Formal Labour Market Segments for Namibia

Namibia Labour Market Segments: Informal Vs Formal Market				
	1997	2000	2004	2008
Total Employment	403137	433850	387333	333453
Formal Employment (FE)	269882	291053	293376	280428
Informal Employment (IE)	133255	142797	93957	53025
% of FE to Total Employment	66.9%	67.1%	75.7%	84.1%
% of IE to Total Employment	33.1%	32.9%	24.3%	15.9%
Total Labour Force	611561	652,482	606,404	676,962
% of FE to Total Labour Force	44.1%	44.6%	48.4%	41.4%
% of IF to Total Labour Force	21.8%	21.9%	15.5%	7.8%
Unemployed Rate	34%	34%	36%	51%

Source: NLFS 1997, 2000, 2004, 2008

The bulk of new employment generated in recent years in developing countries has been in the informal economy and women's share of informal sector employment is high, typically estimated at 50% to 80%. Empirical evidence shows that informal employment accounts for over half of employment in many countries such as Latin America, Africa, and Asia. For example more than 20% of employment in both South Africa and Botswana comes from informal employment, while the figure rises to more than 50% in other Sub-Sahara African countries. Understanding the informal sector, in particular, informal employment is therefore crucial for the success of job creation policies and poverty reduction strategies. Its persistence and expansion over time and across countries show that the informal sector is not a transitory phenomenon in the development process, soon to be absorbed by the formal sector, but rather, it is now fairly well recognized that formal and informal sectors will cohabit, and are very much interlinked in subtle and complicated ways, and policy makers need to be aware of this phenomena.

CHAPTER 4

NAMIBIA LABOUR MARKET DATA QUALITY ASSESSMENT

Reliability and accuracy of data depends on the method of data collection, definitions and classifications used and because the populations are very large, it is extremely costly, time consuming and impractical to capture each member of the population. In collecting and compiling labour force statistics, the Ministry of Labour and Social Welfare in Namibia take a sample from the population, collect data about labour market of individuals in these samples and use the sample statistics “to draw inferences about the parameters of the population. The NLFS was developed and introduced in 1997 to satisfy a need for reliable and timely data and covers the civilian, non-institutionalized population 15 years of age and above. It is conducted nationwide, in all the 13 regions of Namibia. The main objective of the NLFS is to divide the working-age population into three mutually exclusive classifications, employed, unemployed, and not in the labour force and provides employment estimates by industry, occupation, public and private sector, hours worked and much more, all cross-classifiable by a variety of demographic characteristics.

4.1. Data accuracy, Consistency and Reliability

Since the NLFS is a sample survey, all NLFS estimates are subject to both sampling error and non-sampling errors. Non-sampling errors can arise at any stage of the collection and processing of the survey data. These include coverage errors, non-response errors, response errors, interviewer errors, coding errors and other types of processing errors. A number of data gaps or questions regarding data reliability/quality, inconsistencies, were identified in this study, where data were either non-existent, inconsistent over time, or of questionable quality. Both the 2004 and 2008 NLFS understates the economically active population and overstates economically inactive population by excluding categories of subsistence farmers and family farm workers contrary to internationally accepted definitions and standard practice. There are concerns that the sampling process used to collect labour data may, especially in rural areas (where subsistence farming is predominant) have been under-recorded. The main evidence for this is the much faster decline in number of people recorded as employed in

agriculture sector, due to under-recording of subsistence farming. There are also large inter-period fluctuations that indicate data problems, for example table 2 below shows that number of people employed in agriculture and fishing declined by 49% and 89% respectively in 2008. We have highlighted the data swings and volatility in red colour in table 2. Such swings and fluctuations are commonly observed in countries at war or in conflicts that displaces the population. On the contrary Namibia has never experienced any situation of war or major conflict to explain these swings in the labour force statistics. The negative growth in Namibia's labour force in 2004 is explained by classifying a large segment of the rural sector (subsistence farmers) as economically inactive. In the 2008 labour force survey, the ministry (MLSW) seems to have realized this mistake and decided to correct it by bringing back subsistence farmers into the economically active population resulting in the labour force growing by 11%. All those that were brought back into the labour market were classified as unemployed.

Table 2: Employment by sector							
<i>Number Employed Per Sector</i>							
	1997	2000	Growth rate	2004	Growth rate	2008	Growth rate
Agriculture	146899	126459	-13.9%	102636	-18.8%	52788	-48.6%
Fishing	6771	7800	15.2%	12720	63.1%	1318	-89.6%
Mining & Quarrying	6592	3868	-41.3%	7563	95.5%	8894	17.6%
Manufacturing	25983	22922	-11.8%	23755	3.6%	20961	-11.8%
Electricity, Gas & Water supply	4576	4193	-8.4%	6151	46.7%	5384	-12.5%
Construction	19801	21788	10.0%	19605	-10.0%	23316	18.9%
Wholesale & Retail Trade	33815	38902	15.0%	53895	38.5%	50163	-6.9%
Hotels & Restaurants	2988	7677	156.9%	13132	71.1%	11317	-13.8%
Transport storage & Communication	13480	14308	6.1%	15861	10.9%	15598	-1.7%
Financial Intermediation	7817	4933	-36.9%	7582	53.7%	8838	16.6%
Real Estate, Renting & Business Activities	20244	39318	94.2%	9374	-76.2%	14751	57.4%
Public Administration & Defence	22029	24419	10.8%	30685	25.7%	27714	-9.7%
Education	24023	30538	27.1%	31168	2.1%	28512	-8.5%
Health & Social work	10922	13135	20.3%	14010	6.7%	13940	-0.5%
Community, Social & Personal services	24518	46289	88.8%	12632	-72.7%	11396	-9.8%
Private Households (employed persons)	28547	22209	-22.2%	24081	8.4%	35971	49.4%
Etra-Territorial Organisations/ Bodies	229	327	42.8%	72	-78.0%	73	1.4%
Not Reported	1906	2765	45.1%	407	-85.3%	511	25.6%
Total Labour Force	611,561	652,482	6.7%	606,404	-7.1%	676,962	11.6%

Source: NLFS 1997, 2000, 2004, 2008

Based on results from the 2008 NLFS, subsistence farming income is the second biggest source of income in Namibia after salaries and wages. The Namibia Household Income and Expenditure Survey (NHIES) of 2003/2004 also shows that salaries/wages is reported by 46.4 per cent of Namibian households as the main source of income, followed by subsistence farming at 28.9% and pensions (9.2%). At the regional level salaries/wages is the main source of income in Khomas, Erongo, Karas, Otjozondjupa, Hardap and Omaheke (regions with lowest unemployment rate), while subsistence farming is the main source of income in Omusati and Oshana (two regions with highest unemployment). Using income as the measurement of economic activity status, the second biggest employer in Namibia after full time employment (wages and salaries) should be subsistence farming, contrary to results in the 2008 NLFS. In the predominantly rural regions such as Caprivi, Kavango, Omusati, Oshana where employment opportunities are limited largely to communal and subsistence farming, unemployment has been increasing significantly due to poor sampling and under-recording of subsistence farming activities contrary to international definitions. The labour data is puzzling because one would have expected the total labour force to have grown in line with population growth, but the 2004 labour survey shows a negative growth of -7.1% in Namibia's total labour force, an unusual pattern for a developing country with high population growth. The data gaps, high fluctuations and inconsistencies in labour data due to under-recording resulted in high unemployment figure of 51.2% in 2008.

Table 3 below shows a breakdown of different components of subsistence farming, which according to international definition of employment should be included in total employment. Since 1997 total employment in subsistence farming has been declining from 146 000 to around 10 000 in 2008, despite a substantial increase in rural labour force. The table further shows the trend in workers employed in the formal sector (private and government sectors), and is puzzling to see that total employment in government (including SOEs) increased from 80 297 in 1997 to 99 166 in 2000, but declined to 86 161 in 2004, a decrease of 13.1% representing job losses of more than 13 000. The author of this paper is not aware of any major retrenchment of workers (13 000 government and SOEs employees) that occurred between 1997 to 2008, and to the contrary new employees were taken in by both government and SOEs. Both the decrease in subsistence farming,

government and SOEs employees explains the high unemployment in both 2004 and 2008. According to ILO, the labour force framework must form basis for the joint measurement of employment and unemployment according to the international guidelines. It explains the inclusion of employed under the informal sectors called Non-market production activities. These are activities which include among others subsistence farming, hunting, fishing etc., which are carried out solely for the consumption/use of the household. To cover market production completely, it is necessary to include some non-market production as well. The international standards mention, however, that these persons should be considered employed when production comprises an important contribution to the total consumption of the household a case that is based on the income approach and seemed to have never been followed in Namibian labour force survey.

Table 3: Number employed by employment status

	Employment Status						
	1997	2000		2004		2008	
Subsistence farmer (with paid employees)	6288	12875	104.8%	8987	-30.2%	4541	-49.5%
Subsistence farmer (without paid employees)	49583	65122	31.3%	26963	-58.6%	6824	-74.7%
Other employer(with paid employees)	13678	22450	64.1%	12699	-43.4%	10965	-13.7%
Employee(private)	175907	169437	-3.7%	194516	14.8%		
Employee(government & parastatal)	80297	99166	23.5%	86161	-13.1%		
Total Employees	256204	268603	4.8%	280677	4.5%	269463	-4.0%
Unpaid family & Subsistence workers	38125	9892	-74.1%	14816	49.8%	3211	-78.3%
Other unpaid family worker	8982	4450	-50.5%	2052	-53.9%	346	-83.1%
Others	1086	1253	15.4%	1195	-4.6%	820	-31.4%
Not reported	5335	7223	35.4%	501	-93.1%	732	46.1%

Source: NLFS 97, 2000, 2004, 2008

4.2. Timing of Labour Surveys and Seasonal Adjustments

The Namibian economy is prone to climatic and weather conditions and it is critical that any data time series are adjusted for seasonal variations to ensure comparability of data in different periods. Estimates associated with the labour market are subject to seasonal variation, that is, annually, recurring fluctuations attributable to climate and regular institutional events such as vacations, and holiday seasons. Seasonal adjustment is

used to remove seasonal variations from almost all series, in order to facilitate analysis of short-term change for major indicators such as employment and unemployment by age and sex, employment by industry, and class of worker (employee or self-employed). In Namibia the main sectors that are prone to seasonal variations are the agriculture sector, especially crop and horticulture farming, fishing and tourism sectors.

Due to seasonal crop farming in Namibia, figures of the employed and unemployed may differ much depending on the time schedule of the survey. Timing of the survey is imperative if the data is not collected monthly or quarterly. For any annual surveys, different seasons can influence the outcome of the results and even cause substantial fluctuations that can make the outcomes of the survey incomparable to other surveys. The MLSW has not been consistent in the timing of survey periods not taking into consideration that some sectors or industries are mostly influenced by climatic conditions of various seasons. The 1997 survey was conducted in June, while 2000 and 2008 were carried in September, and 2004 in August. Such inconsistencies in periods of the survey can make the outcomes of the survey to have variations. In the case of crop farming, September sees farming activities idle since the harvesting are almost done by June and planting/cultivations only starts in November/ December. The 50% decline in number of people employed in the agriculture is largely explained by timing of surveys as the 2008 survey was conducted in September a period in which most farmers in communal areas who depend on rain fed agriculture are not active.

4.3. Share of Agriculture Sector in Employment

Another indicator that can shed light on poor labour data in Namibia is share of agriculture in total employment. Table 4 below compares Namibia with Sub-Saharan Africa in terms of share of agriculture in total employment. While Sub-Saharan Africa shows that agriculture (subsistence farming) is the largest employer, Namibia's agricultural share of employment has been declining due to poor coverage and under-recording of subsistence farming.

Table 4: Share of Agriculture Sector in Employment (%)

	1997	2000	2004	2008
Sub-Saharan Africa	67.60%	65.40%	64.40%	61.70%
World	40.80%	38.70%	37.50%	33.50%
Namibia	36.4%	29.1%	26.5%	15.8%

Source: NLFS 1997, 2000, 2004, 2004; & ILO 2008

4.4. Labour Participation Rate

One way of presenting the labour data is the labour market participation rate which assesses demand for jobs in the country and measures the proportion of people of working age 15 and above who are either employed or unemployed. In other words it measures the number of economically active people as a proportion of the working age population. Wrong estimation of the participation rate could result in over and under-estimation of the size of the labour force as we have seen above in table 2 that Namibia's labour force recorded negative growth in 2004. Table 5 below compares Namibia with other countries and establishes that Namibia has one of the lowest labour participation rate in the world and this explains why Namibia's labour force has remained low and not growing in line with population growth.

Table 5: Labour Participation Rate comparisons

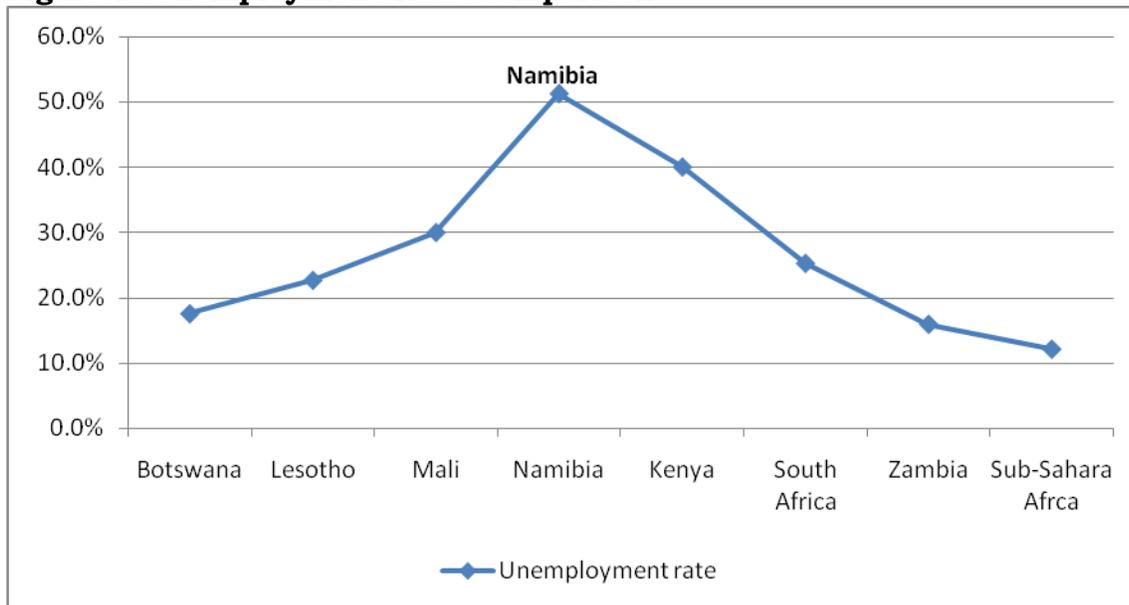
Labour Participation Rate (Comparison)				
	1999	2000	2004	2008
East Asia	76.9	76.5	74.6	73.1
Sub-Sahara Africa	70.7	70.9	71.2	71.7
World	65.5	65.3	64.8	64.7
EU	60.8	60.8	60.3	60.9
Namibia	53.5	54	55.5	55.4

Source: NLFS 1997, 2000, 2004, 2004; & ILO 2008

4.5. Unemployment Comparison

Figure 1 below compares Namibia's unemployment with other countries and finds that Namibia is an outlier, not because it has a dysfunctional economy causing unemployment rate of 51.2%, but the large segment of the population and workers who supposed to be included in employment figure were not covered. The author believes that the high unemployment rate of 51% in 2008 is significantly attributed to poor data quality and that is why the country's very high levels of unemployment have not led to greater social instability, with exceptions of rising crime, suicide and social ills which are slowly emerging in Namibia.

Figure 1: Unemployment Rate Comparison



Source: NLFS 1997, 2001, 2004, 2008; & ILO 2008

CHAPTER 5

NAMIBIA LABOUR FORCE & UNEMPLOYMENT ANALYSIS

5.1. Characteristics of the Labor Force

Namibia's labor supply is closely linked with the country's population growth, which has grown by 2.3% since 1995. The 2003/2004 Namibia Household Income and Expenditure Survey (NHIES) estimated Namibia's total population at 1 830 028 with 1 195 706 (65.3%) of the population residing in rural areas, and 634 322 (34.7%) residing in urban areas. Namibia has a young population with 40 per cent aged under 15 years and 51.2 per cent of the population aged below 19 years and only 2.4 per cent is aged over 75 years (2003/2004 NHIES). The sex ratio (defined as number of males per 100 females) indicates that the Namibian population is composed of more females than males at every age. In addition more Namibians live in rural than in urban areas that is, the distribution is 65.3 and 34.7 percent respectively. Given the high population growth and the young population, one would have expected to see a far much higher growth in Namibia's labour force. Based on the 1997 to 2008 NLFS, the labor force in Namibia has been growing at about 1% per year since 1997 (1997 -2008) far below the average population growth of more than 2.5% per year recorded which is also non comparable in other countries with similar population growth rates. The youth (15-29 age groups) comprised 44.8% of the labor force in 2008 from 40.9 per cent in 1997.

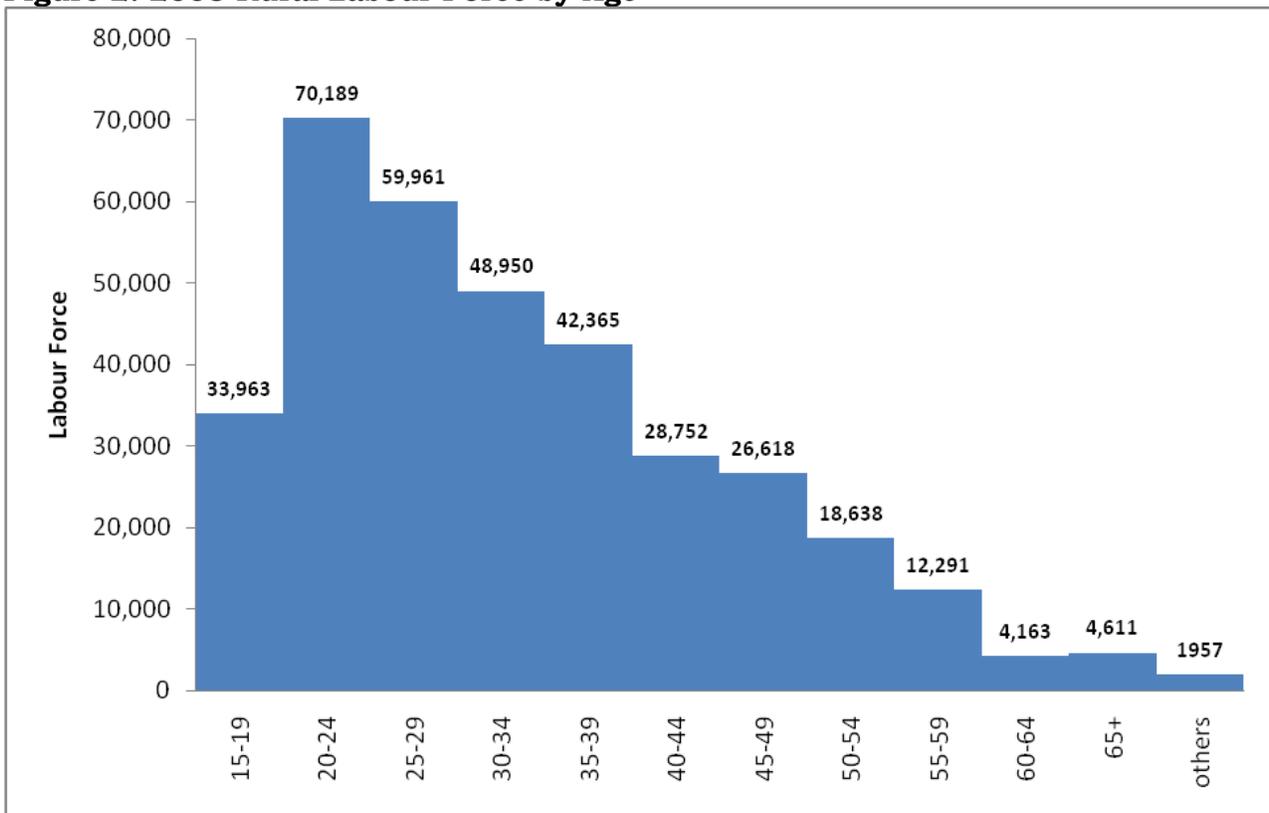
Table 6: Labour force by age

Labour Force by Age (Broad Definition)							
	1997	2000	% Change	2004	% Change	2008	% Change
15-19	39,288	38,389	-2.3%	40,349	5.1%	52,926	31.2%
20-24	101,052	109,625	8.5%	111,649	1.8%	126,695	13.5%
25-29	110,315	119,257	8.1%	109,715	-8.0%	123,351	12.4%
30-34	87,797	94,002	7.1%	95,910	2.0%	100,201	4.5%
35-39	74,511	77,000	3.3%	77,264	0.3%	91,639	18.6%
40-44	54,440	61,884	13.7%	60,481	-2.3%	62,151	2.8%
45-49	45,100	47,809	6.0%	42,728	-10.6%	49,778	16.5%
50-54	29,506	35,014	18.7%	31,400	-10.3%	34,360	9.4%
55-59	24,872	23,409	-5.9%	20,728	-11.5%	22,188	7.0%
60-64	16,659	15,478	-7.1%	9,518	-38.5%	6,845	-28.1%
65+	28,021	30,615	9.3%	6,662	-78.2%	6,828	2.5%
Total Labour Force	611,561	652,482	6.7%	606,404	-7.1%	676,962	11.6%

Source: NLFS 97, 2000, 2004, 2008

Namibia’s rural labour force is relatively young with 72% of the total labour force concentrated in the age group of 15 – 39 years, and a peak observed in the age group 20-24 years (Figure 2). The high concentration of the labour force in the age group of 20-24 reflects the entry of new labour force after finishing high school. Most of those entering the labour force in the 15-19 age groups are grade 10 failures who are not allowed to repeat their studies.

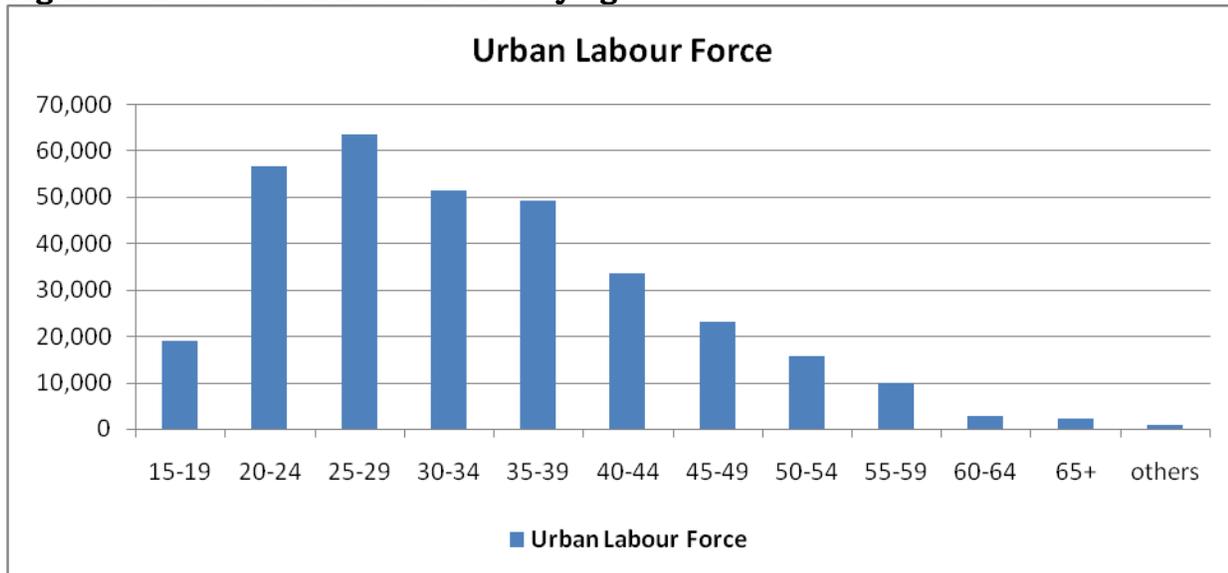
Figure 2: 2008 Rural Labour Force by Age



Source: NLFS 2008

According to figure 3 below the labour force in urban areas is much composed of the ages 20 to 39 years. This shows that the non-old age groups are in urban areas supplying their labour skills to the market and some in search of opportunities for employment.

Figure 3: 2008 Urban Labour force by age

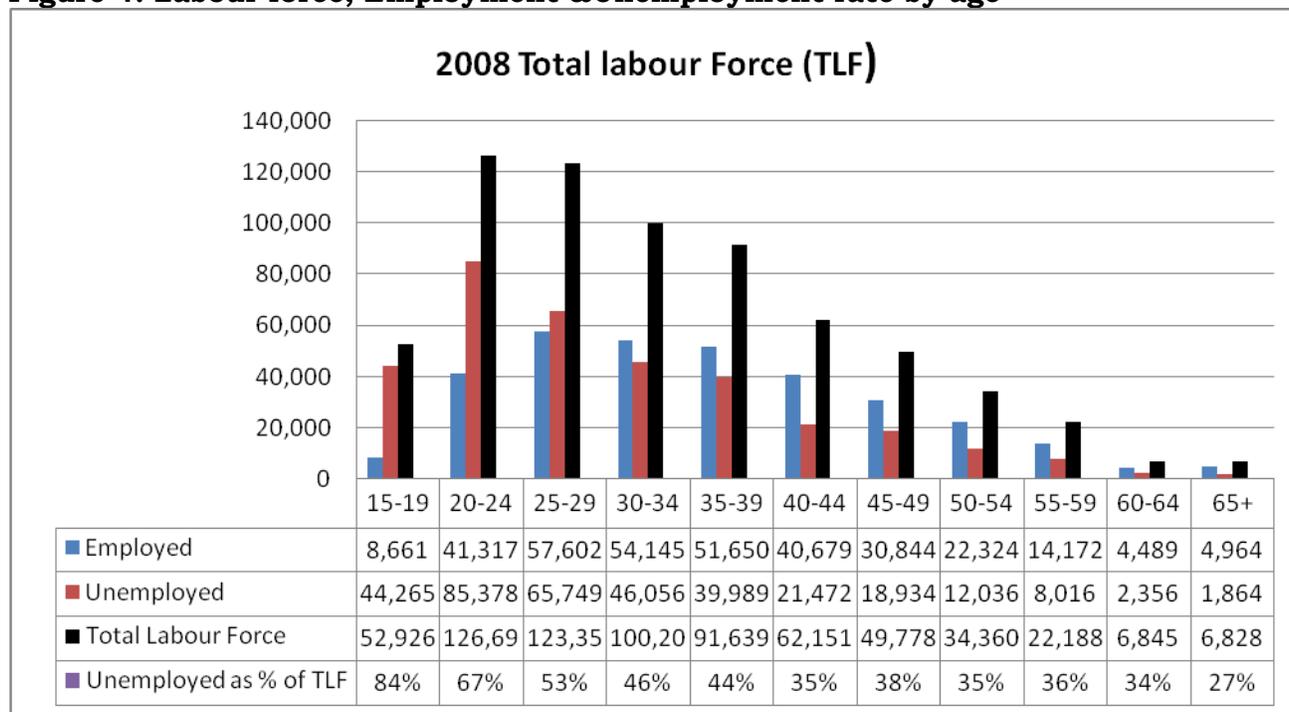


Source: NLFS 2008

5.2. Unemployment Distribution in Namibia

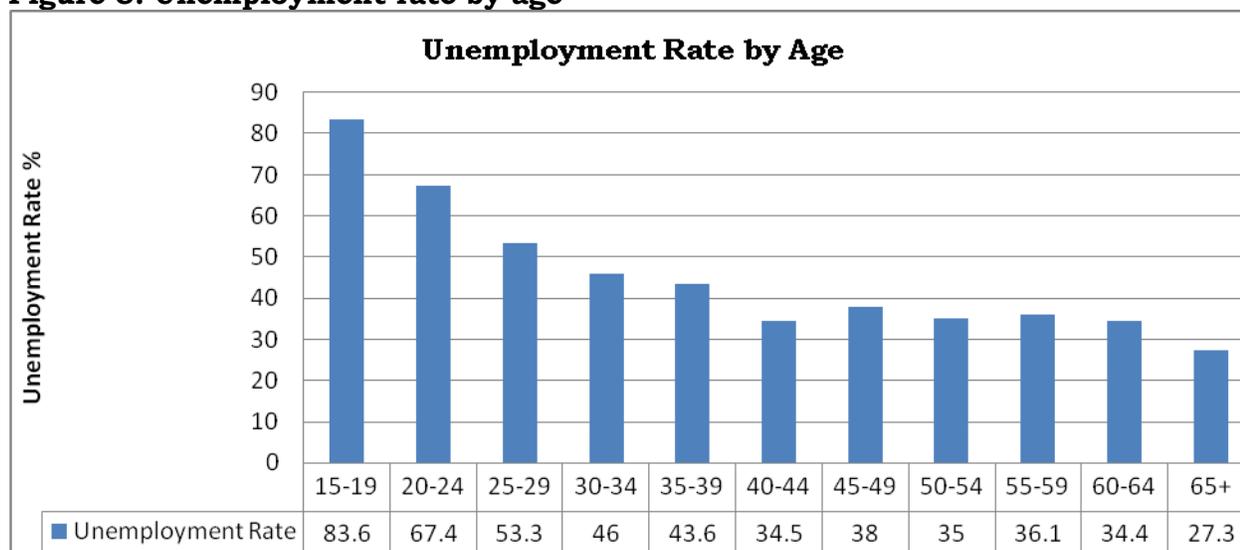
A look at figure 4 and 5 below provides an insight into the distribution of unemployment in Namibia and shows that the unemployment incidence affects the job seekers within the ages of 15 – 24 and 25 – 39 years, while there is less incidence of unemployment within the ages of 40 – 60 years and above. In 2008, the overall unemployment rate among ages 15-19 years was 83.6 per cent; 67.4 per cent among ages 20-24 years, 53.3 per cent among those aged 25-29 and 46 per cent among those aged 30-34 years (NLFS, 2008). Figure 5 below shows that the highest unemployment rate is recorded in the age categories of between 15 – 40 years, and unemployment falls from the age of 40 years and above. Overall youth unemployment increased from 60% in 2004 to 72% in 2008. The age distribution of unemployment signals a great threat to the Namibian economy and the future political and stability of the country because many energetic youths with dynamic resources wonder around without gainful engagements.

Figure 4: Labour force, Employment & Unemployment rate by age



Source: NLFS 2008

Figure 5: Unemployment rate by age



Source: NLFS 2008

5.2.1. Unemployment by gender

In this section we focus on the continued disadvantaged position of women in labour markets. The disaggregation of unemployment rates by gender reveals that in both 1997 and 2008, unemployment rate for females was higher than that of males. Between 1997 and 2008, the unemployment rate for women increased by 18.4 percentage points from 40.4% in 1997 to 58.4% and for men unemployment increased by 14.9 percentage points, from 28.6% in 1997 to 43.5% in 2008. This means that the gap in unemployment rates by sex increased to 15 percentage points in 2008, which is slightly higher than the gap recorded in 1997. The growth of unemployment among women is partly related to the growth in their participation rate over the period.

5.2.2. Unemployment by Education Attainment

The labour data indicate that unemployment is a problem among persons without secondary level education and without academic certification or training. Unemployment by education attainment is particularly severe and concentrated among those without formal education and those with primary and junior education. Table 7 below shows that unemployment for those with no education was 7.7% in 2000, and by 2008 the rate of unemployment in this category increased to 53%, while unemployment for primary and junior school leavers increased from 38.4% and 35.5% in 1997 to 60% and 57.3% respectively in 2008. Unemployment has traditionally been very low for persons with grade 12 and post grade 12 qualifications, the 2008 unemployment data however show that this broad class is not immune to rising unemployment and economic stagnation with the unemployment rate in this category reaching 15% by 2008. Unemployment among university post graduates is very low and reflects the low level of unemployment in the professional, managerial and technical occupation categories.

Table 7: Unemployment rate by education attainment (%)

	1997	2000	2004	2008
No Education	12.5	7.7	33.2	53
Primary School	44.2	38.4	41.4	59.9
Junior Sec School	30.1	35.5	43.2	57.3
Senior Sec School	11.8	16.5	31	41.5
Education after Std 10	0.4	0.5	7.3	15.8
University 1st Degree	0.2	0.1	4.1	14.3
Post graduate Degree	0.1	0.1	2.7	4.4
Teachers Training	0.1	0	0.9	5

Source: NLFS 97, 2000, 2004, 2008

5.2.3. Regional distribution of unemployment

Table 8 below shows that there is a substantial variation in unemployment rates across regions. There is also noticeable movement in ranking among regions over the periods covered. High unemployment rates are observed in northern part of Namibia, with Omusati, Ohangwena and Kavango recording the highest unemployment rate.

Table 8: Unemployment by Region (%)

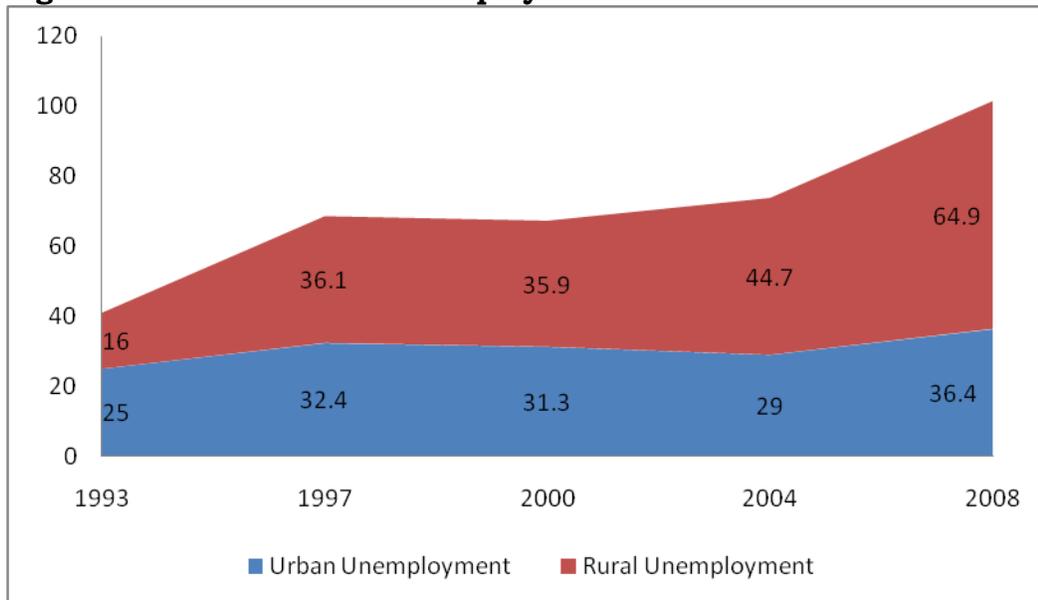
Unemployment by Region (Broad Definition)				
	1997	2000	2004	2008
Erongo	29.1	32.6	34.3	32.6
Khomas	30	27.6	24.2	33.5
Karas	29	27.9	26.8	36.4
Hardap	37.2	29.8	28	38.6
Otjozondjupa	28.7	30.8	28.8	43.8
Omaheke	29.3	25.6	18.9	48.2
Oshana	38.9	35.4	31.2	48.8
Kunene	32.6	36.6	40.1	50.4
Caprivi	51.3	24.3	51.1	65.6
Oshokoto	24.6	40.7	35	68.6
Kavango	40.4	22.8	44.4	70
Ohangwena	35.4	58.2	64.2	76.4
Omusati	49.4	39.7	64.6	78.6

Source: NLFS 97, 2000, 2004, 2008

5.2.4 Urban Versus Rural Unemployment

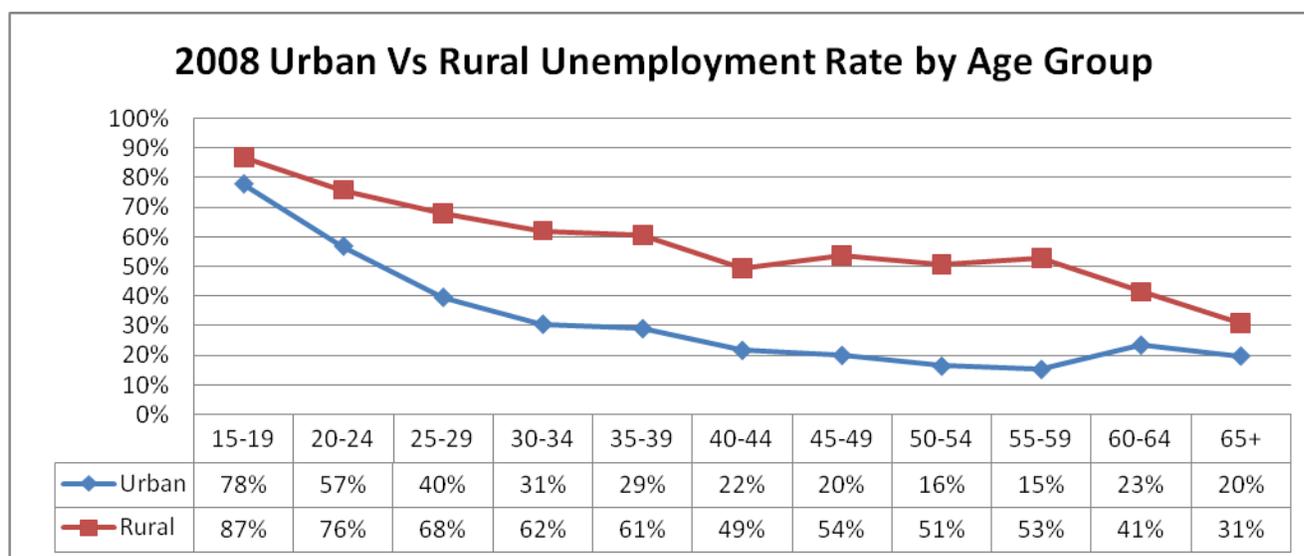
Rural unemployment has assumed an alarming dimension and proportion with thousands of able-bodied persons who are willing to accept jobs at the prevailing wage rates are unable to find placements. Figure 6 below shows that, while rural unemployment was only 16% in 1993 compared to urban unemployment at 25%, rural unemployment increased substantially to 64.9% in 2008, while urban unemployment stands at 36.4 per cent in the same period. Thus rural unemployment has become the most challenging economic problems facing the Namibia.

Figure 6: Urban Vs Rural Unemployment



Source: NLFS 97, 2000, 2004, 2008

Figure 7: Urban/ Rural Unemployment by age



Source: NLFS 2008

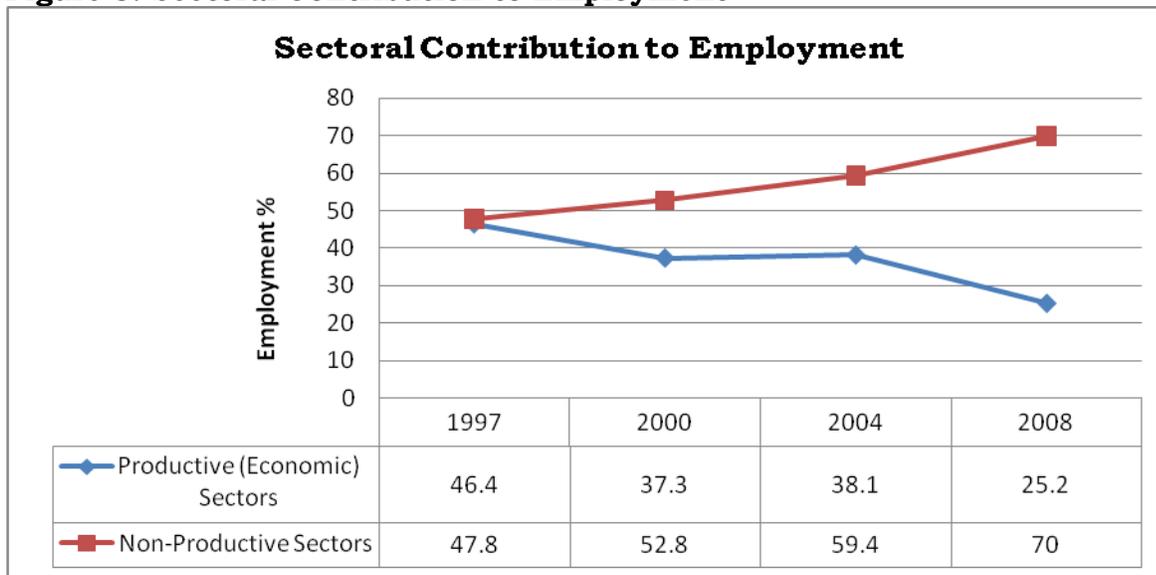
5.3. Sectoral Contributions to Employment

The contributions of each sector to employment growth over the period 1997-2008 are shown in figure 8, 9, and 10 below. For purposes of analysis, in this paper we have classified all sectors into two categories, namely, productive (economic) sectors and non-productive economic sectors. Productive economic sectors include agriculture, mining, fishing and agriculture and the remaining sectors are all included in the non-productive sectors. Figure 8 below shows that the productive sector employed 46% of the total labour force in 1997, but the sector only employed 25% of the total labour force by 2008. The non-productive sector employed around 75% of the total labour force by 2008 from 47% in 1997. While the agriculture sector employed 36% of the total labour force in 1997, the sector employed only 15% of the total labour force by 2008. Figure 9 also shows a disturbing trend, with employment in manufacturing remaining constant and the fishing sector continued to retrench workers around the covered period with only 0.4% of the total labour force employed in the sector in 2008 compared to 3.3% of the total labour force employed in 2004.

In the decade 1997-2008, the Namibian economy created more jobs in government, service and other non-productive sectors (figure 10). Within the nonproductive sector,

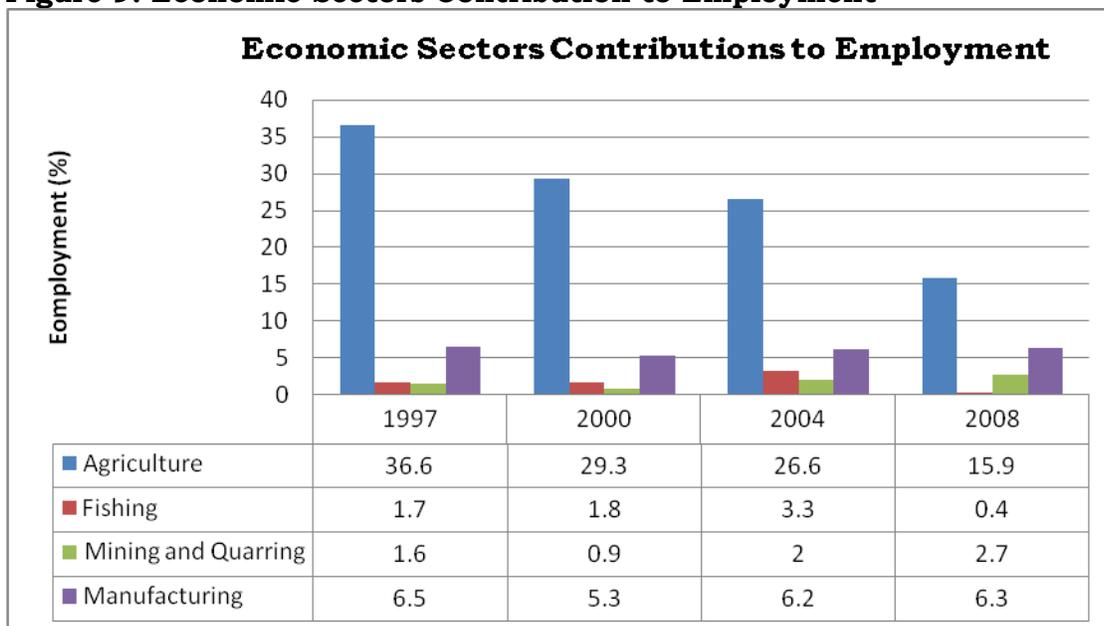
the service sector, public service, education and health, private households accounted for virtually all of the increase in employment.

Figure 8: Sectoral Contribution to Employment



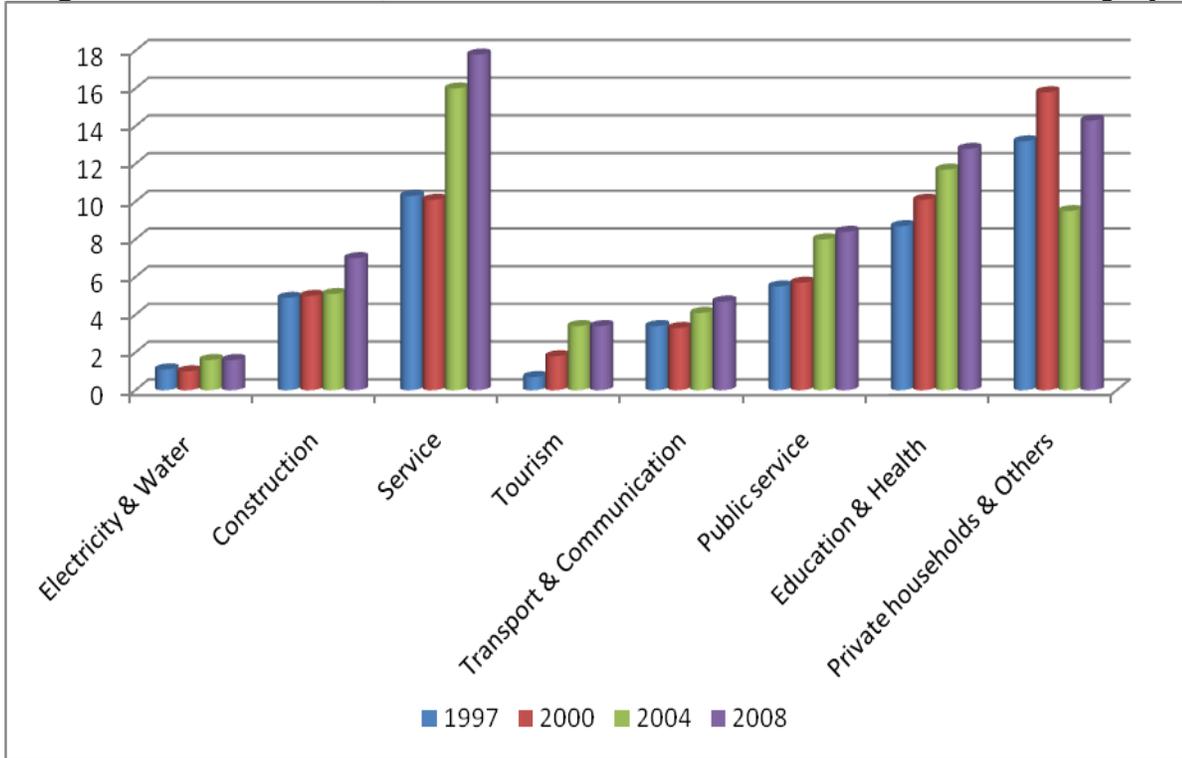
Source: NLFS 97, 2000, 2004, 2008

Figure 9: Economic Sectors Contribution to Employment



Source: NLFS 97, 2000, 2004, 2008

Figure 10: Government, Services & Other Sectors Contributions to Employment



Source: NLFS 97, 2000, 2004, 2008

Table 9 below shows that total employment of the total labour force was at 65.5% in 1997 meaning that the economy was able to provide employment to almost three quarter of the total labour force. However in 2008 the economy was only providing employment to 48.8 % of the total labour force representing a decline of 25.4% in employment capacity between 1997 and 2008.

Table 9: Employment by Sectors of Economic Activity, Namibia 1997-2008						
	Total employment			Employment rate %		
	1997	2008	% change	1997	2008	% change
Agriculture	146,899	52,788	-64.07	23.98	7.78	-67.56
Fishing	6,771	1,318	-80.53	1.11	0.19	-82.43
Mining & Quarrying	6,592	8,894	34.92	1.08	1.31	21.79
Manufacturing	25,983	20,961	-19.33	4.24	3.09	-27.18
Electricity, Water & Gas supply	4,576	5,384	17.66	0.75	0.79	6.20
Construction	19,801	23,316	17.75	3.23	3.44	6.29
Wholesale & retail trade	33,815	50,163	48.35	5.52	7.39	33.91
Hotels & restaurant	2,988	11,317	278.75	0.49	1.67	241.88
Transport storage & Communication	13,480	15,598	15.71	2.20	2.30	4.45
Financial Intermediation	7,817	8,838	13.06	1.28	1.30	2.06
Real estate, renting & Business Activities	20,244	14,751	-27.13	3.30	2.17	-34.23
Government services	56,974	70,166	23.15	9.30	10.34	11.17
Total	401,202	331,444	-17.39	65.49	48.84	-25.43

Source: NLFS 97, 2008

CHAPTER 6

EMPLOYMENT INTENSITY, LABOUR PRODUCTIVITY & POVERTY

Employment creation and quality of the labour force have a significant impact on productivity, poverty and one of the central convictions in discussions of economic policy is that an increase in unemployment implies a more unequal distribution of incomes and a higher incidence of poverty. Building on the insights of the Shapley decomposition method, a tool used to understand the pattern of growth and its employment and productivity Intensity, this chapter presents an analytical framework to help us analyze how employment generation and productivity growth help determine the effectiveness of growth in reducing poverty. The natural set of questions to be answered is: i) how is economic growth reflected in employment generation and in changes in output per worker, ii) how is growth reflected in the pattern of growth and employment generation iii) What are the sources of changes in output per worker. By answering these questions, the decomposition tool will help us understand whether the pattern or profile of economic growth observed is conducive to poverty reduction. The aim of applying the decomposition methodology is to understand how economic growth is linked to changes in employment, output per worker and population structure.

6.1. Aggregate Employment and Productivity Profile of Growth

Table 10a below covers the period 1997 to 2008 and presents an analysis of the aggregate decomposition: GDP, employment and populations, as well as employment shares, output per worker, and share of population of working age. Employment data comes from the labour force surveys conducted between 1997 and 2008, GDP data from the National accounts and population data from the Household and Income Expenditure surveys. The output of this analysis shows that Namibian economy registered a growth rate of 33.1% in GDP per capital between 1997 and 2008, while output per worker (a measure of labour productivity) increased by 98.5% over the same period. Unfortunately, the exceptionally high GDP and GDP per capita growth was accompanied by decreases in employment rate (-25.4%). The proportion of the working age of Namibia

to the total national population remains very low declining from 37% in 1997 to 33% in 2008.

Table 10a: Employment, Output, Productivity and Population. Namibia 1997-2008			
	1997	2008	% change
GDP (value added) (in 1000000's)	31,128	51,037	64.0
Total population	1,648,408	2,030,229	23.2
Total population of working age	612,619	678,681	10.8
Total number of employed	401,202	331,444	-17.4
GDP (value added) per capita	18,884	25,139	33.12
Output per worker (Labour Productivity)	77,587	153,984	98.47
Employment rate	65.49	48.84	-25.43
Share of population of working age	37.16	33.43	-3.74

Source: NLFS (MLSW), NHIES (CBS), National Accounts (CBS)

Table 10 (b) presents the same data covered in table 10 (a), but covers a short and recent periods 2004 to 2008. We observe in table 10 (b) that despite GDP increasing by 19% and population growing by 5%, employment rate grew by negative 22% between 2004 and 2008. From both tables 10(a) and 10 (b) we see that the main contributing factors to rise in unemployment was the reduction in number of employed people due to either closure of companies, downsizing and retrenchments of workers. Labour productivity as measured by output per worker rose significantly and this is mainly explained by high growth in GDP that was not accompanied by rise in number of people employed.

Table 10b: Employment, Output, Productivity and Population. Namibia 2004-2008			
	2004	2008	% change
GDP (value added) (in 1000000's)	42,678	51,037	19.6
Total population	1,928,001	2,030,229	5.3
Total population of working age	608,610	678,681	11.5
Total number of employed	385,329	331,444	-14.0
GDP (value added) per capita	22,136	25,139	13.56
Output per worker	110,757	153,984	39.03
Employment rate	63.31	48.84	-22.86
Share of population of working age	31.57	33.43	1.86

Source: NLFS (MLSW), NHIES (CBS), National Accounts (CBS)

6.2. Trends in output per worker (labour productivity)

Both tables 10a & b above shows that Namibia's labour force is very productive, with output per worker increasing by 98 percent between 1997 and 2008. Workforce productivity is the amount of goods and services that a worker produces in a given time period. It is one of several types of productivity measures used by economists and policy makers. The country's gross domestic product (GDP) or output may be viewed as the product of employment of workers and output per worker. Output per worker is determined by two factors: first, the productivity of labor; second, the quantity and quality of the other resources cooperating with labor and an increase in output per worker is evidence of economic progress. Output per worker rises when the workers are more skilled and work with greater intensity, and it rises also when they are given better equipment, more efficient plant-layouts, and better materials.

An analysis of the employment and output per worker by sectors shows that the sectors that recorded most declines in the employment number had also recorded high output per worker on such periods as a result of the increased sectoral outputs recorded in the national accounts. Such sectors includes the fishing sector which recorded much higher output at an expense of more than 80 percent job losses in this sector between 2004 and 2008. The fishing and agriculture sectors recorded much higher growth of productivity of 519 and 81 percent respectively during 2004 and 2008. However the real estate, renting & business activities sector and the Mining &v quarrying sector recorded declines of 21 and 6 percent declines in the productivity rates.

Table 11a: Changes in Output per Worker by Sectors. Namibia 1997-2008

	1997	2008	% change
Agriculture	11,402	39,801	249.06
Fishing	173,682	761,002	338.16
Mining & Quarrying	364,988	517,877	41.89
Manufacturing	150,291	311,865	107.51
Electricity, Water & Gas supply	173,733	236,627	36.20
Construction	41,513	90,496	117.99
Wholesale & retail trade	92,326	121,045	31.11
Hotels & restaurant	187,751	84,916	-54.77
Transport storage & Communication	104,822	207,911	98.35
Financial Intermediation	122,425	281,512	129.95
Real estate, renting & Business Activities	144,882	330,418	128.06
Government services	0	141,864	
Total output per worker	77,587	153,984	98.47

Source: NLFS (MLSW), NHIES (CBS), National Accounts (CBS)

Table 11b: Changes in Output per Worker by Sectors. Namibia 2004-2008

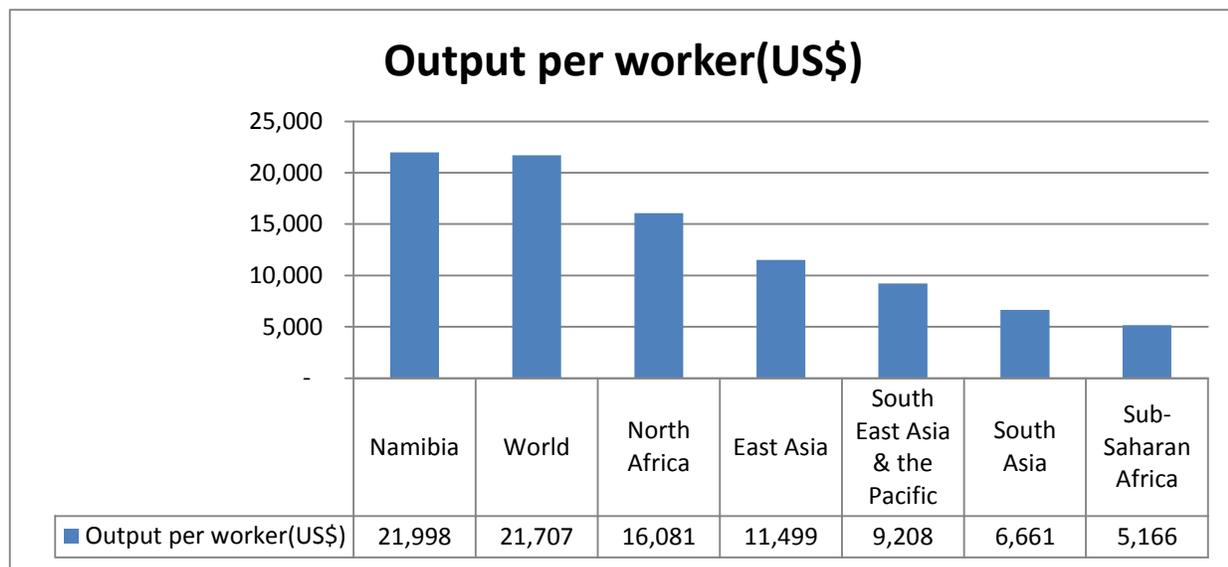
	2004	2008	% change
Agriculture	21,942	39,801	81.39
Fishing	122,956	761,002	518.92
Mining & Quarrying	548,327	517,877	-5.55
Manufacturing	224,753	311,865	38.76
Electricity, Water & Gas supply	146,318	236,627	61.72
Construction	58,046	90,496	55.90
Wholesale & retail trade	86,056	121,045	40.66
Hotels & restaurant	58,635	84,916	44.82
Transport storage & Communication	151,504	207,911	37.23
Financial Intermediation	222,369	281,512	26.60
Real estate, renting & Business Activities	418,285	330,418	-21.01
Government services	118,556	141,864	19.66
Others	132,448	121,251	-8.45
Total output per worker	110,757	153,984	39.03

Source: NLFS (MLSW), NHIES (CBS), National Accounts (CBS)

Figure 11 below shows annual real output per worker for 2008 comparing Namibia to different country blocks. To make comparison easy, Namibia's output per worker for 2008 was converted in US dollars at an exchange rate of US\$ = N\$7.0. Namibia's output per worker (labour productivity) exceeds all country blocks, including the world

which covers all countries in the world including all developed countries. There is no convincing explanation to justify Namibia’s ranking as the most productive country in the world beating all African, Asian and some developed countries. The only possible explanation for Namibia’s top ranking as the most productive nation on earth could be found in the quality of both the output (GDP) and employment data used in computing output per worker. Output per worker is likely to be more sensitive to errors of measurement because opposite errors in the indexes of quantity and employment are compounded: an overstatement of output and an understatement of employment will lead to an overstatement of output per worker. The high output per worker in Namibia could mainly be due to an understatement of employment, where the 2008 labour force survey shows that Namibia total employment declined by more than 100 000, and unemployment increased from 33% in 2004 to 51% in 2008. Namibia has been very conservative in compilation of its GDP, and therefore we do not see the high output per worker as an overstatement of GDP but the error to have occurred in the compilation of employment figure, which underestimates employment levels and overstating unemployment.

Figure 11: Country Comparison of Output per Worker (Labour Productivity)



Source: NLFS (MLSW), NHIES (CBS), National Accounts (CBS), ILO

CHAPTER 7

CAUSES OF UNEMPLOYMENT IN NAMIBIA

A detailed analysis of the unemployment data below reveals that jobless growth appears to be the norm in Namibia with unemployment rising even in periods of high economic growth as measured by the gross domestic product (GDP). This shows that the major part of unemployment in Namibia does not react to cyclical changes in the level of economic activities, supporting the argument that the major part of Namibia's unemployment is of structural and permanent nature. The causes of unemployment are usually categorized into demand side and supply side explanations. There are a number of key factors that have exacerbated unemployment in Namibia, namely:

7.1. Population Growth & Changing Demographics

Namibia has a youthful population and growing at a faster rate, resulting in high levels of unemployment, especially youth unemployment, with unemployment in this category standing at 72%, from 60% in 2004. In 2008, the youth comprised 51% of the total population and has been growing at a faster rate, due to improved health conditions and slowdown in mortality and fertility rates. A combination of these factors led to the increase in the number of young people entering the labour force and with few opportunities, most of these young people find themselves unemployed. There are significant costs to society as well as individuals if decent jobs are not generated to absorb youth into the economy, including wasted human resources, rising youth unemployment, increased informality in the economy and, potentially, social and political instability. Namibia's rural labour force is relatively young with 72% of the total labour force concentrated in the age group of 15 – 39 years, and a peak observed in the age group 20-24 years (Figure 2). The high concentration of the labour force in the age group of 20-24 reflects the entry of new labour force after finishing high school. Most of those entering the labour force in the 15-19 age groups are grade 10 failures who are not allowed to repeat their studies

7.2. Rise in Female Labour Force Participation

Over the past two decades, Namibia experienced an increase in the labour force participation of women. Participation of women in Namibia's labour force increased by 13% between 2004 and 2008, compared to an increase of 2% growth in labour force for men. This development reflects a major change in society and is caused by number of factors including women high level of education attainment, women independence, affirmative action laws, etc. As more and more women enter the labour market, and finding no job opportunities many of them enters the army of unemployed Namibians.

7.3. Fast growing young unskilled labour force

Unemployment is particularly severe and concentrated among those without formal education, primary and secondary education. Many school leavers enter the labour market unprepared and with expectations that are very different from the realities of the labour market. Thus many young women and men experience longer spells of unemployment when they look for their first job. Unsuccessful attempts to seek work in the formal economy often leads to discouraged youth who eventually end up in the informal sector, where quality, productivity and security are low.

7.4. Low employment intensity of economic (GDP) growth

The Namibian government has since independence identified private sector as the engine of economic growth, created investor friendly environment to support growth of private sector and started slowly withdrawing from ownership of the economy by targeted commercialization and privatization of government departments and functions. Most sectors of the formal economy experienced major contraction and stagnation which has depressed overall demand for labour and employment creation capacity of the economy. According to the 2008 NLFS there are no new jobs coming up in the formal economy, but rather more jobs were lost. Jobless economic growth appears particularly acute in Namibia, with economic sectors that generated economic growth over the years failing to generate jobs as reflected in low and declining low employment intensity of GDP growth.

7.5. Insufficient Effective Demand

Rising unemployment could be due to insufficient effective demand for goods and services in the economy, which in turn implies that there is insufficient demand by firms to hire workers at the going market wage. Insufficient effective demand for goods and services is usually seen to be a cyclical phenomenon, linked to a downturn in economic activity and not due to long-term structural factors. If unemployment is taken to be caused by insufficient effective demand for goods and services, the solution is seen to be an increase in aggregate demand induced by appropriate fiscal and monetary policies, such as an increase in government expenditures or a decrease in interest rates brought about by an expansionary monetary policy.

7.6. Supply-driven training

Supply driven training, in the absence of demand for these newly trained people leads to skills mismatch has caused market saturation in such areas as teachers, technicians, electricians, welding, carpentry, mechanics, bricklaying, etc and this is contributing to high unemployment. Education and training institutions training and producing a labour force not in line with skill needs of employers;

CHAPTER 8

RESPONSE TO EMPLOYMENT CREATION

This section focuses on some of the various interventions and programs that have been initiated by government over the past 20 years to address the unemployment and poverty problems. The Namibian government identified from the outset that the two main factors driving high unemployment in the country is the poor and low economic growth and the poor state of the education and training system in the country and to this end government implemented policies and programs aimed at addressing unemployment. In all the national development plans (NDP, 1, 2 &3), Namibia's planning strategy placed reliance primarily on the expectations of a rapid industrial development, diversification of the economy, high economic growth, and control of population as means of solving the unemployment and poverty situation. In these NDPs, the generation of employment was viewed as part of the process of development and not as a goal in conflict with, or to be pursued independently of economic development. The employment goals were aligned with the goals specified in national development plans, as government believed achievement of goals and targets in these plans will result in creation of substantial jobs. In addition to efforts intended to stimulate the economy, government implemented successive plans, strategies, policies and programs designed to bring about a special focus on employment generation, reduce poverty and income inequality. We will not discuss details of these interventions in this paper, but we highlight below some of the interventions and programmes undertaken since 1990, which has both direct and indirect bearing on unemployment:

- Affirmative Action Policy whose aim was to include the previously disadvantaged groups (blacks and women) into the formal labour market and address inequities in the labour market;
- Reform of the Namibian educational and training system, including vocational training;
- Expanded government capital expenditure (infrastructure spending), public works and the recently introduced targeted (TIPEEG) Programs;

- Private Sector Support: In order to expand the size of the economy and create jobs, government introduced various tax incentives and tax breaks targeting private sector, especially manufacturing sector;
- Enterprise development through government tender procurement system biased towards previously disadvantaged Namibians and rural based entrepreneurs;
- Creation of the Development Bank of Namibia (DBN) to close the financing gap by providing financing to SMEs and finance large projects that cannot be undertaken by commercial banks.
- Communal farming support: Government has since 1990 introduced various interventions such as affirmative action agriculture loan schemes administered by Agriculture Bank of Namibia (AGRIBANK) targeting communal farmers;
- Youth employment schemes such as youth credit support, national youth service,
- Community based employment creation programs such as creation of conservancies, and other community projects;
- Promotion of SME and entrepreneurship support through provision of finance, skills and other support to emerging entrepreneurs administered by various ministries and agencies;
- Subsidies and employment creation through self-employment;
- Black Economic Empowerment: The aim was to build a new class of black entrepreneurs and as part and parcel of overall economic restructuring and employment promotion;
- Rural development initiatives: Increases in budgetary allocations to transform the relationship between formal and non-formal sectors, rural farm and non-farm activities,

Although the above interventions were well intended there is enough evidence on the ground showing that they did not yield positive results as the rate of unemployment, poverty and income inequality remains stubbornly high. The lesson from some of the failed interventions policy packages is to ensure that before billions of dollars are spent on tackling unemployment or poverty, problems underlying and causing unemployment be identified and appropriate policy and intervention package be matched with the identified problem.

CHAPTER 9

REVISION & RESTATEMENT OF EMPLOYMENT AND UNEMPLOYMENT

In this paper, we show that due to misclassification errors in the labor force status, the official Namibian unemployment rates are significantly overestimated. This view is supported by findings in a Government Data Quality Review report, May 2011 released by the Millennium Challenge Account (MCA), whose findings also revealed the lack of data quality in the Namibian labour force statistics. They found that the NHIES was fit for use than the Namibia Labour Force Survey from which the unemployment rate is derived. The data quality review findings indicate that most of the large subsistence agriculture sector was excluded from the labour force. As such this was a major weakness which significantly resulted in overstating the percentage unemployed. The definitions used in the field seem not to conform to either regional or international standards and are, therefore, thought to be very misleading.

According to the findings of this research, our estimates suggest that unemployment might be much more sensitive to seasonal, climatic and business cycles than previously thought. Labour market trends (unemployment, employment) must compare and be in line with general economic performance (Gross Domestic Product (GDP)), national income and be compatible with other indicators such as population growth and output trends in different sectors of the economy. A review of Namibia's labour force market trends is not consistent with almost all economic and social indicators, with Namibia recording negative growth in its total labour force despite a positive growth in the country population of above 2% per year and youthful population. As we show below, despite a high average economic growth of more than 4% over the periods under review, no new jobs were created, and the NLFS shows more people get retrenched when the economy register health positive growth. Below we present four methodological approaches to revise/restate the realistic unemployment and employment rates consistent with other macro-economic accounts. Adjustments were also made to reflect

seasonal variability especially the agriculture and fishing sector that are prone to weather and climatic conditions.

9.1. Methods used for unemployment and employment adjustments

Methodology 1: General adjustments approach

One aspect of increasing data quality is the correction of data values. We used some administrative records as source documents to correct for underestimation and overestimation of data in the labour surveys. In applying the author's methodological approach, most industries were found as understated on their capacity of employment. The agriculture sector was adjusted in line with the income approach. In the 2003/2004 NHIES which indicates that about 28 % of the population relies on subsistence farming as a source of income. This was generalized to the subsistence farming dominant sector of Agriculture. The author adjusted the employment capacity in the agriculture sector using the income approach where the downswing of 49 percent decline for 2008 was reversed to an increase of 11 percent growth for the same period a case that leaves the agriculture sector having a capacity of 149 309 employees rather than 52788 recorded in the 2008 NLFS.

The fishing sector was also recorded with a record swing of a 90 percent employment decline in 2008. The data provided by the 2008 NLFS informs that around 10 000 persons lost their jobs in this sector between 2004 and 2008. In fact the fishing sector administrative documents and records show a different picture to what was reflected in the NLFS. This sector was then adjusted to a decline of 75 %, and the size of employment was normalized to 3180 employees within the sector in 2008. The Real estate & Business activities industry was also wrongly stated with unemployment growing by 94 percent in 2000 and then a decline of 76 percent followed by another increase of 57 percent. The adjustments on this sector were 45 percent increase, 35 percent decline and a 25 percent increase for years 2000, 2004, and 2008 consecutively.

Another misleading decline noted in the 2008 NLFS was the public service sector that recorded a decline with 5700 jobs. This is not the case as to author's knowledge

government continues to employ more and more individuals instead of retrenching. The government sector employment market is not subjected to any seasonal variations. The decline of 5700 jobs clearly points to under reporting related to either poor sampling method. Under this correction, figures were adjusted in the Public Administration & Defense, education, and Health sectors to growth rates of 15 %, 5% and 4% respectively. These sectors were estimated by the 2008NLFS to declines of 9.7 %(for Administration & Defense), a decline of 8.5% (for Education) and a 0.5% decline (for Health & Social services).

Although Namibia's total labour force has been rising since 1993, rising from 612 619 in 1997 to 652 483 in 2000 (increase of 6.5%), the 2004 labour force survey shows that Namibia's total labour force declined to 608 610 in 2004 from 652 483 in 2000. Over this period total labour force growth decelerated by 6.7% (negative growth in total labour force of 6.7%) before rising by 11.5% from 2004 to 2008 to 678681. Negative growth is often observed in countries at war or civil conflict with massive migration of the population and also in countries dominated by older populations. Both these factors are not applicable to Namibia as the country has a youthful population, and over the periods under review Namibia has experienced more inflows of labour from countries such as Zambia, Zimbabwe, Angola and other countries. In addition substantial number of school leavers entered the labour market explaining why youth unemployment is very high.

Table 12: General Sectoral Employment adjustments

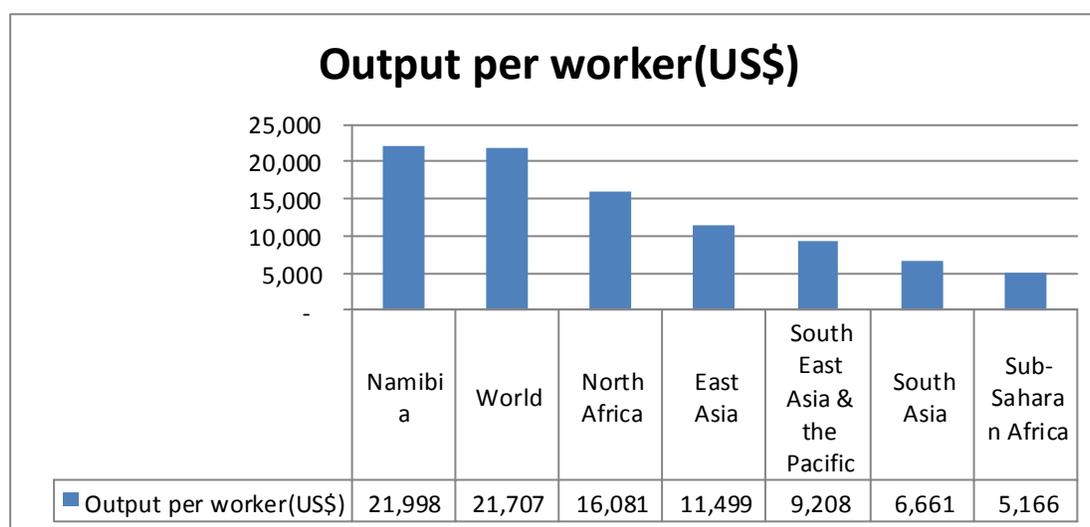
Total Employment by Sectors							
	1997	2000	% Change	2004	% Change	2008	% Change
Agriculture	146899	126459	-13.9%	102636	-18.8%	52788	-48.6%
Agriculture Adjusted	146899	134302	-8.6%	133893	-0.3%	149309	11.5%
Fishing	6771	7800	15.2%	12720	63.1%	1318	-89.6%
Fishing Adjusted	6771	7800	15.2%	12720	63.1%	3180	-75.0%
Mining & Quarrying	6592	3868	-41.3%	7563	95.5%	8894	17.6%
Mining & Quarrying Adjusted	6592	5933	-10.0%	7563	27.5%	8894	17.6%
Manufacturing	25983	22922	-11.8%	23755	3.6%	20961	-11.8%
Electricity, Gas & Water supply	4576	4193	-8.4%	6151	46.7%	5384	-12.5%
Construction	19801	21788	10.0%	19605	-10.0%	23316	18.9%
Wholesale & Retail Trade	33815	38902	15.0%	53895	38.5%	50163	-6.9%
Hotels & Restaurants	2988	7677	156.9%	13132	71.1%	11317	-13.8%
Transport storage & Communication	13480	14308	6.1%	15861	10.9%	15598	-1.7%
Financial Intermediation	7817	4933	-36.9%	7582	53.7%	8838	16.6%
Real Estate, Renting & Business Activities	20244	39318	94.2%	9374	-76.2%	14751	57.4%
Real Estate, Renting & Business Activities	20244	29353.8	45.0%	19080	-35.0%	23850	25.0%
Public Administration & Defence	22029	24419	10.8%	30685	25.7%	27714	-9.7%
Public Administration & Defence (Adjusted)	22029	24419	10.8%	30685	25.7%	35288	15.0%
Education	24023	30538	27.1%	31168	2.1%	28512	-8.5%
Education (Adjusted)	24023	30538	27.1%	31168	2.1%	32882	5.5%
Health & Social work	10922	13135	20.3%	14010	6.7%	13940	-0.5%
Health & Social work (Adjusted)	10922	13135	20.3%	14010	6.7%	14640	4.5%
Other Community, Social & Personal services	24518	46289	88.8%	12632	-72.7%	11396	-9.8%
Other Community, Social & Personal services	24518	46289	88.8%	32402	-30.0%	30944	-4.5%
Private Households with employed persons	28547	22209	-22.2%	24081	8.4%	35971	49.4%
Private Households with employed persons	28547	29974	5.0%	31473	5.0%	39341	25.0%
Etra-Territorial Organisations/ Bodies	229	327	42.8%	72	-78.0%	73	1.4%
Not Reported	1906	2765	45.1%	407	-85.3%	511	25.6%
Total Employment (Adjusted)	401140	463558	15.6%	480265	3.6%	490925	2.2%
Total Employment (Original)	401202	431850	7.6%	385329	-10.8%	331444	-14.0%
					0		
Labour Force (Original)	612618	652484		608609		678680	
New Labour Force (Adjusted)	612618	673580	60962	740609	67029	795390	54781
Adjustment factor (Annual Growth)	2.4%	2.4%		2.4%		1.8%	
Employees	2562.04	268603		280677		269463	
Additional Employment Growth		31708		94936		159481	
Unemployment (Original)	211416	220634		223280		347236	
Unemployment (Adjusted)	211416	225888	0	168562	0	226101	
Unemployment Rate (Old)	34.5%	33.8%		36.7%		51.2%	
New Unemployment Rate (Adjusted)	34.5%	33.5%		22.8%		28.4%	

Source: NLFS (MLSW), First capital research

Methodology 2: Output per worker (Labour Productivity) Approach

Figure 12 below shows that Namibia is the most productive country in the world as measured by output per worker (a measure of labour productivity). There is no convincing explanation to justify Namibia's ranking as the most productive country in the world in comparison to Africa, Asian and some developed countries. The only possible explanation for Namibia's top ranking as the most productive nation on earth could be found in the quality of both the output (GDP) and employment data used in computing output per worker. Output per worker is likely to be more sensitive to errors of measurement because opposite errors in the indexes of quantity and employment are compounded: an overstatement of output/GDP and an understatement of employment will lead to an overstatement of output per worker. The high output per worker in Namibia could mainly be due to an understatement of employment, where the 2008 labour force survey shows that Namibia total employment declined by more than 100 000, and unemployment increased from 33% in 2004 to 51% in 2008. Namibia has been very conservative in compilation of its GDP, and therefore we do not see the high output per worker as an overstatement of GDP but the error to have occurred in the compilation of employment figure, which underestimates employment levels and overstating unemployment.

Figure 12: Country Comparison of Output per Worker (Labour Productivity)

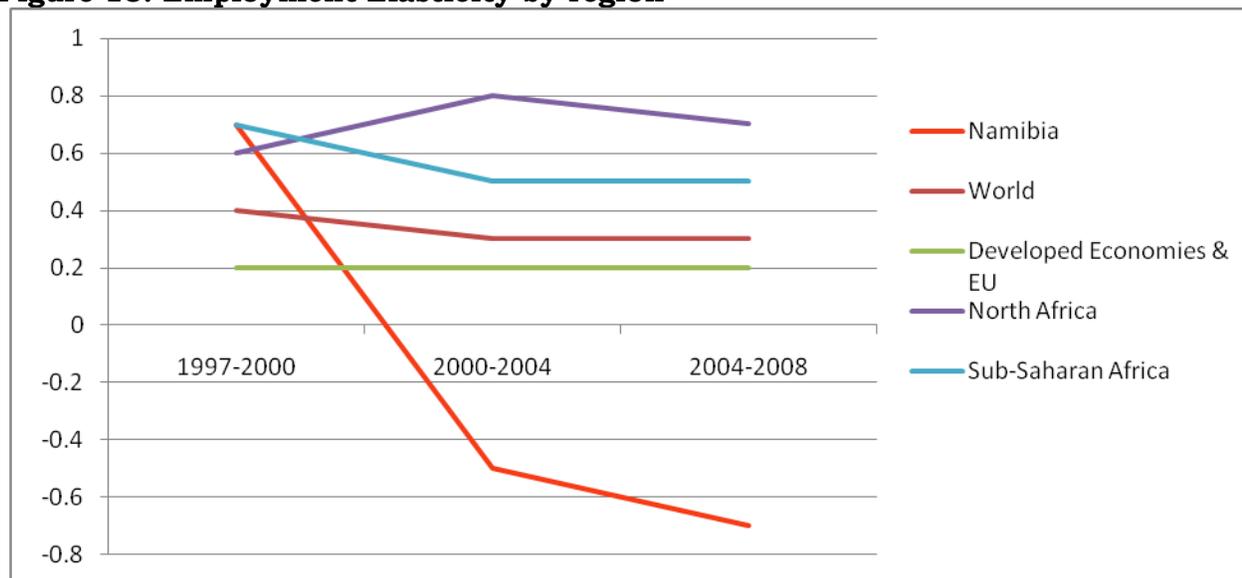


Source: NLFS (MLSW), NHIES (CBS), National Accounts (CBS), ILO

Methodology 3: Employment Intensity Approach

Elasticity of employment can serve as a useful way to examine how growth in economic output and growth in employment evolve together over time. Figure 13 below shows the wide variation in employment elasticity among various countries or regional blocks with comparison to Namibia. Namibia is the only country recording negative employment elasticity, while countries in Sub-Sahara Africa maintained employment elasticity of 0.5 per cent. Many developed economies had maintained their employment elasticity 0.2. The negative elasticity, in the Namibian economy is contrary to logic and can only be explained by quality of data, caused by reduction in employment levels despite the increase in output/GDP.

Figure 13: Employment Elasticity by region



Source: NHIES 93/94, NLFS 97-2008, National Accounts, ILO 1997-2008

Methodology 4: Formal and Informal Employment Approach

In our theoretical labour market analysis for Namibia, we segmented employment in Namibia into formal and informal employment. This segmentation enabled us to determine as to which segment contributed to rising unemployment in Namibia. In developing countries, the informal sector accounts for 50 to 80 per cent of employment and 20 to 40 per cent of output (ILO and WTO, 2009). This is contrary to what the

Namibian labour force survey portrays, with informal employment declining substantially. According to the available statistics of the labour force survey, informal employment seems to have been understated over the years. Both informal and the formal employment shows some declines in the year 2008. In table 12 below, we show that informal employment accounted for 33% of total employment and 22% of the total labour force in 1997, declining to 16% of total employment and 8% of total labour force in 2008. As a result of understating the employment in the informal sector, the major junk of employment in all the years was accounted in formal jobs. According to Table 12 during 2004 to 2008, unemployment increased by 124 438, broken down as follows: the formal sector lost only 12 948 jobs, the informal sector recorded a loss in employment of 40 932 jobs, and new entrant to the labour market of 70 558.

Table 13: Informal and Formal employment of the labour market

Namibia Labour Market Segments: InformalVs Formal Market							
	1997	2000	Change	2004	change	2008	Change
Total Employment	403137	433850		387333		333453	
Formal Employment	269882	291053	21171	293376	2323	280428	-12948
Informal Employment	133255	142797	9542	93957	-48840	53025	-40932
% of Formal employment to Total Employment	66.9%	67.1%		75.7%		84.1%	
% of Informal employment to Total Employment	33.1%	32.9%		24.3%		15.9%	
Total Labour Force	611561	652,482	40,921	606,404	-46,078	676,962	70,558
% of Formal employment to Total Labour Force	44.1%	44.6%		48.4%		41.4%	
% of Informal employment to Total Labour Force	21.8%	21.9%		15.5%		7.8%	
Unemployed	208424	218,632	10,208	219,071	439	343,509	124,438
Economically Inactive	81513	78085		101783		103008	
Unemployment rate	34%	34%		36%		51%	

Source: NLFS (MLSW)

We could not find convincing reasons as to why informal employment declined with such magnitude, as empirical evidence shows that during times of contracting formal sector employment, those who lost their jobs in formal sector tend to find shelter in the informal sector. We have adjusted share of informal employment to have increased from 34% in 2004 to 42% in 2008, and as a share of total labour force to have increased from

25% in 2004 to 30% in 2008. These adjustments resulted in unemployment declining to 28%.

Table 14: Adjustments in Informal and Formal employment

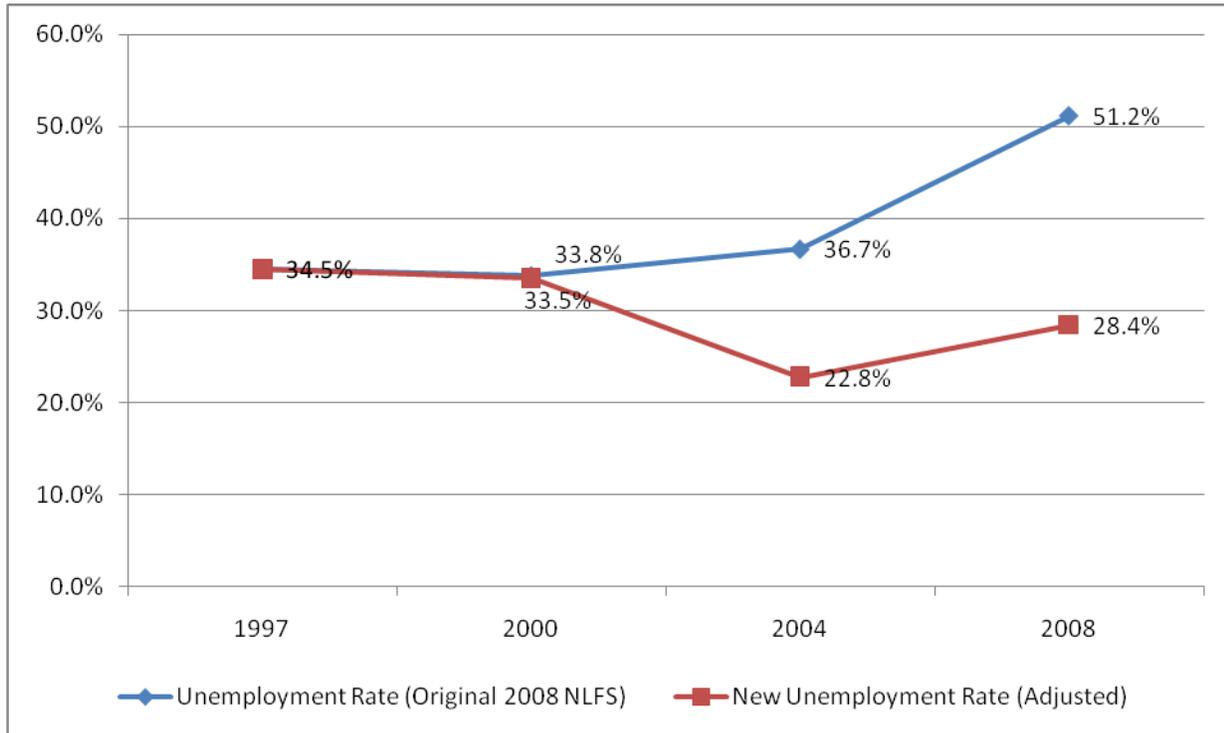
	1997	2000	2004	2008
Total Employment	403137	433850	444977	483517
Formal Employment	269882	291053	293376	280428
Informal Employment	133255	142797	151601	203089
% of Formal Employment to Total Employment	66.9%	67.1%	65.9%	58.0%
% of Informal Employment to Total Employment	33.1%	32.9%	34.1%	42.0%
Total Labour Force	611561	652,482	606,404	676,962
% of Formal Employment to Total Labour Force	44.1%	44.6%	48.4%	41.4%
% of Informal Employment to Total Labour Force	22%	22%	25%	30%
Unemployed	208424	218,632	161,427	193,445
Unemployment rate	34.1%	33.5%	26.6%	28.6%

Source: First Capital Research

The four methodological approaches discussed above reveals discrepancies and understatement of the level of employment in Namibia and the author argues in this report that unemployment in Namibia at 51.2% is overstated for the following reasons. First, the NLFS in 2008 classified a substantial percent of the labour force in subsistence agriculture as unemployed and economically inactive, despite subsistence income being the second largest source of income after salaries and wages in Namibia. Second, sampling and data errors are observed in all labour surveys conducted in Namibia. Third, there is no consistence between Namibia's economic growth, population growth and trend in unemployment. Fourth, Namibia seem an outlier in Africa and the world when one looks at indicators such as employment growth intensity, output per worker, labour participation rate, and other domestic economic indicators in Namibia.

The author estimate a more realistic rate of unemployment of 22.8% in 2004 and 28.4% in 2008 (see figure 14 below).

Figure 14: Restated Unemployment Rate (Namibia)



CHAPTER 10

POLICY RECOMMENDATIONS

Unemployment policy interventions aimed at reducing unemployment and promoting employment growth, if undertaken in the absence of other complementary, economy-wide measures may prove to be unsustainable. Although the goal of growing new jobs over the coming years is achievable, it cannot be achieved with only a single policy instrument or by spending billions of dollars on projects. There is a need to design a package of interventions that addresses a range of challenges and problems in the economy and address the constraints to job creation. Unlike other countries in sub-Saharan Africa, Namibia has a well-functioning and well maintained infrastructure, a regulatory framework friendly to private sector investment and the country therefore need to build on the strengths and successes of past policy interventions, and recognize the weaknesses and gaps and address these. To this end the following measures are proposed:

10.1. Data Quality: The unemployment and employment statistics based on the 2008 NLFS is inadequate for providing insight to the important challenges and problems in Namibia's labour market. Data Quality Assurance is one of the cornerstones of good statistical data system, and institutions mandated with the responsibility of collecting labour statistics in Namibia must ensure that the data passes the test before being released to the public and other users of this data. In future labour force surveys, we recommend that great efforts be made during the conduct of labour surveys to minimize the under-coverage/over-coverage and non-response that may affect quality of labour survey estimates. It is recommended that all future labour force surveys contain measure of data reliability such as sampling or standard error, confidence intervals and coefficients of variation. Based on Statistics Canada (Catalogue no. 71-543-G), institutions responsible for labour surveys and data collection can use the coefficient of variation (CV) as guidelines of data reliability before data is released to the public and we recommend the adoption of these tests to all Namibian labour statistics.

Category 1: If the calculated coefficient of variation (CV) is less than or equal to 16.5%, then, there should be no release restrictions as the data are of sufficient accuracy and reliable, no special warnings to the public or users or other restrictions in the usage of the data are required.

Category 2: If the calculated coefficient of variation (CV) is greater than 16.5% and less than or equal to 33.3% data must be released with caveats: data are potentially useful for some purposes but should be accompanied by a warning to users regarding their accuracy.

Category 3: If the calculated coefficient of variation (CV) is greater than 33.3%, data should not be released to the users or public, as this data contains a level of error that makes them so potentially misleading to both the policy makers, the public and all users of this data.

10.2 Introduction of Informal Employment Surveys: The current Namibia Labour Force Survey (LFS) was designed to measure an economy in which formal and full-time work was the norm. Current employment rates based on existing surveys underestimates employment in the informal sector of the economy. In a labour market with high rates of unemployment and large number of people working in informal sector, a new method of collecting activities and employment in the informal sector of the economy is needed. A *Survey on Informal Employment* must be introduced to run alongside the labour force surveys biased towards capturing formal employment in public sector, and large companies.

10.3 Revisit & Change Macro-Economic Policy Setting

Namibia's macroeconomic policy has since independence focused on stabilization and on maintaining internal and external balance. There is enough evidence to prove that the current macroeconomic setting encourages high propensity to import and consume, and hampers the structural transformation of the Namibian economy. Macroeconomic stabilization might have been achieved at the expense of high unemployment and rising incidence of poverty, and we recommend that Namibia move beyond narrow stabilization measures and undertake a total review of macroeconomic policy (monetary, fiscal, external and exchange rate policies) settings and design new macroeconomic policy

settings that can be used to boost employment creation in Namibia. A detailed study be undertaken to review the compatibility of current macroeconomic policy settings and the goal of job creation, economic growth, industrialization and economic diversification.

10.4. Microeconomic Reform Strategy

Although Namibia have achieved and enjoyed macroeconomic stability over the past twenty two years, the next step is to undertake and implement economic reform that must focus on removing those things or constraint that impede economic growth. The micro-economic reform must identify the points of blockage one by one, and find ways of removing the obstacles to faster economic growth.

10.5. Strategic Plan on Employment Creation

The primary responsibility for job creation lies with government, and there is therefore a need for an explicit, comprehensive road map in the form of a strategic plan to guide, coordinate, and direct efforts needed across different government institutions, different stakeholders such as international organizations, private sector, workers unions, civil society etc. Once a strategic plan on job creation is adopted, an employment creation action plan be developed as a useful mechanism and delivering vehicle on the job creation strategic plan;

10.6. Establishment of Effective Institutional Structures

To address labour market issues in a coordinated manner, there is a need to coordinate institutional settings to avoid duplication of efforts and competition among several ministries and institutions that have some employment or labour functions. A single ministry or government agency must be designated with overall responsibility for employment creation and harmonization of labour market policies with overall government policies. This calls for the strengthening the Ministry of Labour and Social Welfare. The MLSW should be capacitated and empowered so that it is able to commence performing its role in coordinating employment-related activities, improving social dialogue among different stakeholders. Instead of having different ministries coordinating employment efforts and labour-related issues, the MLSW need to improve its coordination with other Ministries and private sector partners and donors in its

planning efforts;

10.7. Develop a comprehensive national employment policy strategy

Although Namibia introduced an employment policy in 1997, it contains very little policy measures and strategies in addressing job creation. The 1997 Employment Policy should be revised and become a policy framework within which to situate all employment and unemployment program interventions. The lack of explicit, updated and comprehensive employment policy and strategies, in turn, has meant that various institutions concerned with unemployment and labour market issues had no proper policy guidance, and very often operated in ad hoc and uncoordinated manner.

10.8. Revisit the Rural Development Policy

There is a dire need to resuscitate Namibia's rural economy and advance the cause of rural areas as potential engines of economic growth in Namibia. A strategy to achieve rural economic growth must be founded on an understanding of the sources of growth linkages in Namibia's rural economy and put in place deliberate intervention measures to support the underlying sources of growth in rural areas. The high rural unemployment (above 60%) and the pervasiveness of poverty in Namibia's rural areas continue to constrain the country's development efforts. The Namibian Government has over the past years injected billions of Namibian dollars in rural areas intended to build quality infrastructure and create jobs, but the failure of many rural development projects during the last two decades in creating rural employment calls for a re-think of the whole rural development strategy. Many developing countries are now discovering that rural communities, if appropriately empowered, can often manage their own local development efforts, and sometimes considerably better than any government/donor imposed project can do. A properly worked through system of participation and decentralization holds the promise to provide mechanisms for empowering communities appropriately. The following need to be undertaken to resuscitate the rural economy in Namibia:

- An effective **Integrated Rural Development Strategy** geared to job creation, wealth creation and poverty reduction on a large scale must be implemented as a matter of

urgency. Rural Namibia needs a better approach to economic development, and by most economic benchmarks, rural areas are lagging behind in the economic race, and in many cases the gap between rural and urban areas is widening. Rural areas need to shift their approach away from a concentration on subsistence farming and dependence on government investment to increased private investments, which have the potential to create jobs and alleviate poverty. Rural economic transformation will only take place through consistent, focused and coordinated short- and long-term investments by private, public, and philanthropic organizations. Successful rural economic transformation strategy must be focused on the importance of building communities from the “inside out” by building from the base of a community’s resources and asset base, that is it should start with an understanding of the rural economy’s economic potential and resource endowment.

- **Transformation of the Village Economy:** The village economy in Namibia is centered upon agriculture and it is distressing to note that in majority of the villages, agriculture is mainly subsistence oriented and dependent upon rain fed and intensive use of primitive and traditional technology. Experience in other countries, shows that a **village development strategy** based on each village specializing in the production or manufacturing of one or two products in a coordinated fashion will unleash the potential for hidden entrepreneurship in rural areas and stimulate economic growth. The village transformation strategy is based on the premise that the rural population, who lives in small scattered villages have physical assets, such as communal land, cattle, which are often owned informally (no property rights), and thus cannot be used as collateral to generate income. The strategy is to help entrepreneurs with good business ideas, convert their unproductive village assets (land, water and cattle) into financial assets that can be used as collateral.
- Create a **National Micro Rural Venture Capital Fund:** Although access to credit or finance is not a magic bullet capable of lifting poor people automatically out of poverty, there is world-wide consensus that better access to credit and finance can play a potentially key role in inclusive economic growth and development and will make it possible for low-income households to not only make use of economic opportunities but also improve their health, education, and other social indicators thus significantly improving their socioeconomic well-being. The financing needs of

rural based entrepreneurs and population are different and there is a need to expand and diversity financial products and institutions that fill the financial needs of the rural poor. Government through its annual budgetary allocations should allocate funds to set up this Fund. In addition, donors and other international organizations that want to support and finance projects in Namibia could channel some of their funding through this Fund.

10.9. Mergers and Acquisition (M&A) Policy Package

Introduce an M&A for Namibian state-owned enterprise (SOE) with strong balance sheets to buy equity/shares in home grown enterprises, enter into strategic partnership, and merge and acquire home grown businesses with potential to make profit and create jobs. Many Namibian SOEs sits with excess cash reserves packed in money market funds for many years and these idle cash could be channeled to productive use by investing in local enterprises. The M&A package will not only inject the required capital in the business but will also help with technical and management support;

10.10. Namibia's Trade Policy & the Changing Global Economic Context

The global economic crisis in 2008 means that Namibia must re-think historical trade patterns and the way it conducts business internationally. The country must spend considerable resources and efforts in ensuring that new markets and opportunities are identified and exploited. The consumption pattern of Namibians encourages the export of jobs to other countries at the expense of the domestic economy and inhibits the growth of the domestic firms, which would have created employment opportunities. Namibia's trade policy should therefore become more focused, identifying opportunities for exports in external markets and using trade agreements and facilitation to achieve these.

10.11. Industrial Policy based on New Approach

Industrial policy refers to government measures that are aimed at improving the competitiveness and capabilities of local/domestic companies and promoting structural transformation. In the new economic order that Namibia finds itself, the country needs

an industrial policy that will be based on a new approach and make support by the government to the industrial sector conditional on good performance. It must be based on effective state-business relations and must incorporate a monitoring and evaluation mechanism that identifies lessons learnt from current policy to feed into the next policy-making stage. Based on 2011 UNCTAD/UNIDO recommendation, a successful industrial policy should rest on the following:

- **Supporting and challenging entrepreneurs:** The idea is that any support that businesses receive from the government should be made conditional on the achievement of certain overall policy goals, such as increased investment or exports.
- **Encouraging experimentation, search and learning by both governments and the private sector:** This means that industrial policy should be viewed as a social learning or search process in which the government interacts with the private sector to identify the key constraints facing domestic firms and how to overcome them.
- **Focusing on lifting binding constraints:** This requires identifying the key binding constraints facing domestic firms as well as possible measures that could be put in place to lift or relax them.
- The use of **monitoring, evaluation and performance criteria** to ensure that support is linked to performance, which errors are quickly identified and that quick and appropriate action is taken to correct such errors.
- **Recognizing country heterogeneity:** This refers to an understanding that industrial policy should be tailored to the needs and challenges facing each sector and a one-size-fits-all approach will be counterproductive and unlikely to achieve desirable outcomes.

10.12. Remove Barriers faced by Local Entrepreneurs

Given the high level of unemployment in Namibia, the development of entrepreneurial skills and initiatives should be of paramount importance and intervention programs must be put in place to support entrepreneurial initiatives. Micro - Small and medium-

sized enterprises (SMEs) form the backbone of the economy in Namibia, providing the bulk of jobs in both the formal and informal sectors of the economy. However, many potential entrepreneurs in Namibia face many challenges and barriers. The main barriers are the following:

- **Legal and Regulatory Framework** Many enterprises in Namibia are informal because the administrative procedures for business registration are too cumbersome, long-winded or costly. The regulatory, legal and administrative barriers to setting up and operating new businesses are particularly high for people who often have to rely on intermediaries because they lack information and experience.
- **Access to Finance** another major stumbling block for entrepreneurs is the lack of access to credit and seed funding, since many Namibians lack the collateral that banks require for a loan, they end up having to borrow money via informal networks, i.e. family and friends. This system of borrowing immediately limits the size of activity and the magnitude of growth prospects for a young entrepreneur. Micro-finance activities go hand in hand with entrepreneurship, enabling people to borrow for productive purposes, and to save and build their assets.

10.13. Implement a Business Development Program (BDP)

To assist private sector diversify and set up subsidiaries in Namibia's remote regions countrywide, a targeted support program be introduced. The BDP program may be designed to provide support to local businesses undertaking expansion or setting up new subsidiaries in other regions in Namibia that will result in substantial private investment and the creation of a large number of jobs. Support may be used by businesses for business activities, including financing the purchase of land or buildings, building construction or renovation, and certain types of machinery and equipment.

10.14. Agriculture Sector Transformation

Agriculture is the dominant sector of the Namibian economy in terms of employment, and source of income, providing the largest source of income in the country after salaries and wages (2008 NLFS). While about 70 percent of the total population is

engaged in agricultural production, the contribution of agriculture to the GDP seems to be very low at about 10 percent in 2010. There is therefore no doubt that, Namibia's agriculture sector is facing the challenge to reinvent itself to withstand competition and at the same time continue to provide food and employment opportunities for the vast majority of the population. To revitalize and transform the sector, a new vision and strategy is needed to make agriculture more competitive through incentive compatible policies and measures with the view to transforming the sector. To this end the following measures are proposed:

- **Establishment of the Namibian Agriculture Commodity Exchange:** To boost agricultural production and increase the income levels, the government in partnership with private sector must establish a commodity exchange that will provide marketing infrastructure for agricultural products in Namibia. Improving agricultural marketing systems is increasingly being seen as important in ensuring successful implementation of various agricultural development initiatives which have been launched to raise agricultural output and productivity in Africa. Agricultural commodity exchanges, though by no means a panacea for all the weaknesses in the agricultural sectors, is seen as having the potential to improve the functioning of agricultural markets by improving price formation, market transparency and regional trade, thereby raising farm output and rural incomes as well as enhancing food security. Government currently owns silos which must be leased or donated to the new commodity exchange to use as delivery locations.

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