



QUARTERLY LABOUR AND EMPLOYMENT REVIEW

JUNE 2019 EDITION

EXECUTIVE SUMMARY

Relative to other upper-middle income economies, over the years Botswana's labour and employment market has been growing at a fairly modest pace. That notwithstanding, the market has not been without challenges: prohibitive unemployment continues to persist particularly among the vulnerable groups of society i.e. youth, women, disabled; gender disparities in terms of the distribution of wages between women and men still persists.

The past 10 years has seen industrial relations between the public sector trade unions and the employer (government) reach an all-time low. The 2011 industrial strike by civil servants was a testament of the failure of the government to bargain in good faith with trade unions. Subsequent to this, the Government engaged in efforts to both nullify the bargaining council and ultimately derecognize trade unions. This had adverse effect on the wages of civil servants. This resulted in the government unilaterally adjusting public salaries. However, the ushering of the new administration on 1st April, 2019, saw more harmonious and cordial salary negotiations between the government and trade unions, which culminated in a 6 and 10 per cent salary adjustment for the C/D and A/B bands, respectively, for the current fiscal year and 2020/21 FY¹.

The salary increments are expected to cushion the purchasing power of workers' income against inflation which stood at 3.3 per cent as of February 2019. Moreover, the increase is anticipated to stimulate aggregate demand through household consumption, with the expected impact anticipated to manifest after the first quarter of 2019 as the salary adjustments will be effected from 01 April 2019. Downside risks to the surge in household consumption exists. Bank of Botswana expects inflation to increase moderately, but remain within the objective range of 3-6 per cent and household debt is on the rise.

Turning to the review, the country's labour market is still confronted by many challenges. The highly anticipated Botswana Multi-Topic Household Survey places the country's unemployment rate at 17.6 per cent with the youth, women, and disabled mostly afflicted by the unemployment scourge. Income inequality is also on the rise and it is stoked by the gender pay gaps that persists in the local labour market. Although we appreciate the localization policy of the government, yet, the pay gaps that exists between citizen and non-citizens is alarming. On average, non-citizens earn as much as three times more than citizen employees. On a positive note, for the quarter ending September 2018, formal sector employment increased by 1 per cent translating

¹ FY refers to Fiscal year

into 3,976 formal jobs being added into the economy. However, more efforts are needed to create more meaningful and sustainable employment opportunities. Manufacturing and wholesale & retail trade sectors are the most labour-intensive industries, thus have the greatest employment potential.

Executive Director

Shandukani Hlabano

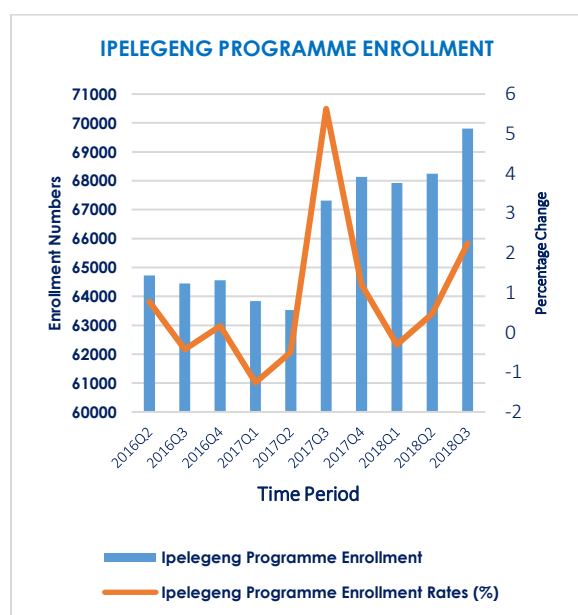
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Institute for Labour and Employment Studies (ILES)

1.0: FORMAL SECTOR EMPLOYMENT TRENDS

Between June and September 2018, formal sector employment rose by a modest 1 per cent. This translated into an additional 3,976 jobs being injected into the formal labour market thereby total formal employment increasing from 413,186 workers in June to 417,162 workers in September 2018. The local government assumed the lion share of the employment growth for the third quarter with a 1.8 percentage increase. This was attributable to the Ipelegeng Programme which saw enrollment increase from 68, 239 participants in June 2018 to 69,805 participants as at September 2018, reflecting a 2.3 percentage change (see Figure 1a). The upsurge in the enrollment rates is a worrisome outturn as it implies that droves of Batswana, especially women, are enrolling into the Programme instead of graduating into meaningful, sustainable and productive jobs that offer better wages and employment conditions.

Figure 1a



Source: ILES computations using Statistics Botswana (Formal Sector Employment Survey September 2018)

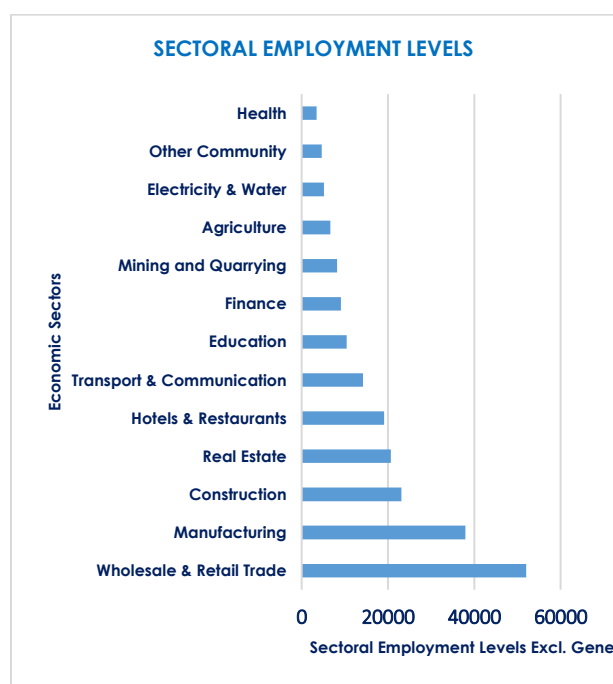
Central government and parastatals were the second contributors to employment growth in September 2018, registering 1.4 and 1.1 percentage increases, respectively. Disquietingly, it appears that the government's policy of a structural shift in terms of job creation moving away from the public sector to the private sector is bearing minimal effects, as the private sector contributed a meagre 0.3 per cent to employment growth in September 2018

Sectoral allocation of the 3, 976 jobs created in September 2018 indicates that: The local government (Ipelegeng) contributed 1,566 jobs; central government 1,491 jobs. As regards the private and parastatals sector, the three foremost activities/sectors that contributed most jobs in September 2018 were: wholesale and retail trade with 212 jobs; real estate added 206 jobs, and hotels and restaurants contributed 178 jobs. All the other economic sectors combined produced 371 jobs. Notwithstanding the employment growth in September 2018, there were job losses. Both construction and electricity & water sectors shed off a combined 130 jobs. It is worthy to note that employment creation is as imperative as ensuring that existing jobs are secure and stable.

In the private sector, it has emerged that wholesale and retail trade, manufacturing and construction are the most labour-intensive sectors. Combined, these sectors account for 52.6 percent of total private sector formal employment. Health, mining and quarrying and agriculture do not employ a lot of labour because

their production is technologically-oriented thus they utilize more equipment and machinery (capital) in lieu of manpower. Therefore, policy-makers and planners should allocate more resources to the wholesale and retail, manufacturing, and construction sectors due to their high labour-absorptive capacities and employment creation potential (see Figure 1b).

Figure 1b

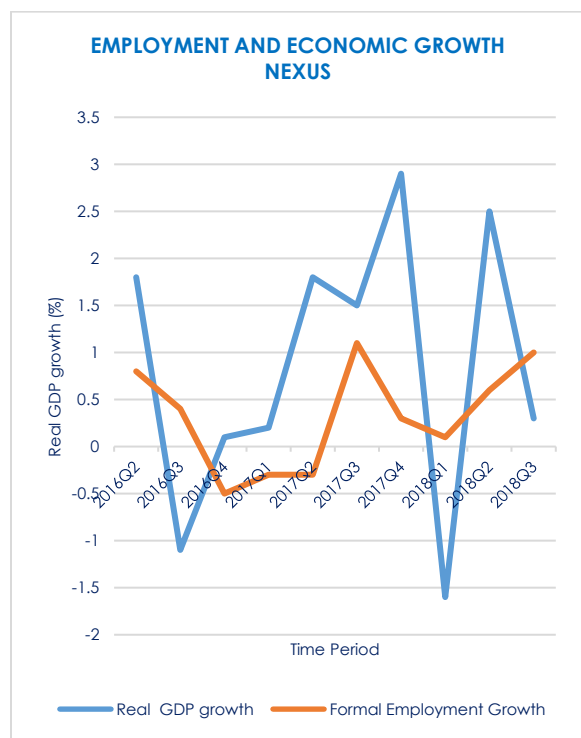


Source: ILES computations using Statistics Botswana (Formal Sector Employment Survey September 2018)

A brief peek into the gender dispersion across the formal employment sector reflects that there were 207,163 male workers compared to 210,001 female workers. This reflects an increase in the labour force participation rate of women. In spite of this noble out-turn, what is rather disturbing is the distribution of the women workforce across sectors. Majority of women are concentrated in the Ipelegeng Programme which attracts non-skilled labour and offers a negligible wage of

BWP567 per month. As of end September 2018, the Programme had absorbed a total of 47,940 females. Moreover, since participants work for a half day, it implies the programme is characterized by underemployment. This, therefore, indicates that a significant share of females in the formal labour market in Botswana are trapped in employment that is tied with adverse outcomes. In contrast, males have better employment outcomes as the majority of them are spread across the wholesale & retail trade and construction sectors.

It is important to note that over time, the labour and employment sector in Botswana has undergone a structural transformation in terms of employment shifting away from the primary to the industrial and services sectors. It can be deduced from Figure 1.0 that 62 per cent of the jobs in the formal labour market are concentrated in the services sector, 38 per cent are distributed across the industrial sector and last, the primary sector accounts for 7 per cent of the jobs. Gender dispersion across sectors indicates that 72 per cent of females are employed in the services sector compared to 55 per cent of males. The industrial sector has employed 36 per cent of males relative to 24 per cent of females. Lastly, 9 per cent of males are employed in the primary sector compared to 5 per cent of females. Therefore, it is evident that there has been a structural shift across gender. Many female workers are employed in the services sector. Traditionally, it has been the case that female workers are mainly employed in the primary sector and non-market activities e.g. subsistence agriculture and domestic services.



Source: ILES computations using Statistics Botswana (Formal Sector Employment Survey September 2018)

2.0 UNEMPLOYMENT

The unemployment scourge is not only a problem unique to Botswana, but cuts across both the region and the African continent. A great limitation which is hampering the development of evidence-based policies and strategies targeted at tackling unemployment relates to the frequency of releasing data on unemployment that can be accessed timeously by policy-makers, planners, researchers and other stakeholders to inform policy and strategies. Presently, unemployment data are gleaned through household surveys conducted by Statistics Botswana. The surveys have a five-year interval in between thus hindering the timeous dissemination of unemployment data. The 2015/16 Botswana Multi-Topic Household survey (BMTHS) estimated the national unemployment rate at 17.6 per cent,

down by a marginal 0.3 per cent from the 17.9 per cent recorded in 2009/10 by the Botswana Core Welfare Indicators Survey (BCWIS).

The incidence of unemployment is prevalent among vulnerable groups of society i.e. women, people living with a disability and youth. Results from both surveys reflect that women and the youth account for the largest share of the unemployment pool. For example, according to the BMTHS female unemployment rate is at 18.9 per cent compared to 16.3 per cent for males. The 2009/10 BCWIS estimated female unemployment rate at 21.4 per cent down from 26.3 per cent recorded in the 2002/03 Household Income and Expenditure Survey (HIES). As pertains to the youth, BMTHS revealed that the unemployment rate was highest for age groups between 15-19 and 20-24 which recorded 40.2 and 37.3 percent, respectively. Worryingly, the age groups 15-19 and 20-24 form part of the working-age populations and therefore must be economically active. However, this is not the case in Botswana. This outturn implies that the economy is losing out on the demographic dividend resulting from having a significant share of the working-age population working in productive and meaningful jobs.

Understanding the nature of the type of unemployment prevailing in Botswana is of paramount importance for especially policy-makers, researchers, and planners. Economic theory posits that there are four types of unemployment: frictional unemployment; seasonal unemployment; structural unemployment; and cyclical unemployment. Botswana is not exempt from all the types of the types of unemployment highlighted above, but

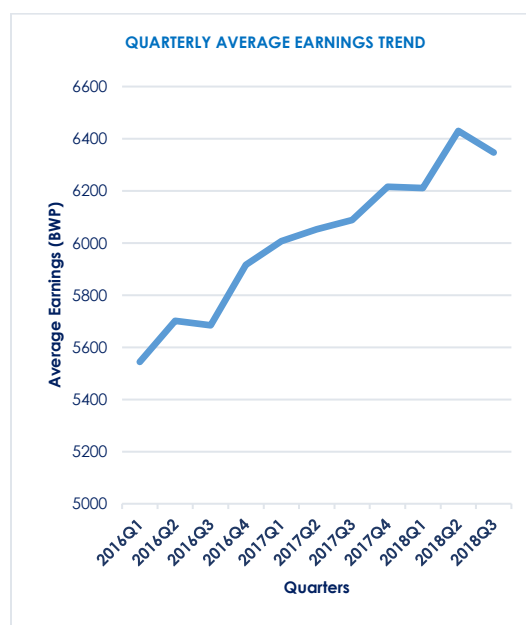
structural unemployment is one that is most prevalent. And this is the type of unemployment that causes most concern for governments. It arises when the number of persons looking for work do not fit the jobs available due to the skills mismatch between labour supply and demand.

However, there is another dynamic that explains the unchecked unemployment rate in the country. In the past, the government of Botswana moved to liberalize higher/tertiary education sector by opening it to the private tertiary education service providers. As a result, the total number of graduates (degree holders) churned out by both the existing public and new private tertiary education institutions surged rapidly. The increase in the number of graduates (labour supply) was not concomitantly met with an equivalent increase in the number of available jobs (labour demand). As a result, graduates labour absorption rates subdued. Consequently, as a policy intervention to this unfavourable outturn, the government introduced the National Internship Programme. The purpose of the Programme is to offer on-the-job training to graduates with the hope that they will be competitive (experienced) and consequently be absorbed into sustainable and stable jobs. A critical tenet of determining if a policy is successful is to have constant and regular review of the said policy. However, as regards the National Internship Programme, it has never been reviewed to determine if it has had an impact on the labour absorption rates of graduates and the unemployment among graduates.

3.0 SECTORAL WAGE EARNING DISTRIBUTION

For the quarter ending September 2018, the total average wage earnings had reached P6, 347. Compared to the previous quarter, the growth in the average earnings decelerated by 1.3 percentage points. However, on a year-on-year basis, monthly average earnings increased by 4.08 per cent, which was marginally higher than the 4 per cent salary adjustment awarded to civil servants in the FY2018/19. The year-on-year increase of the average monthly earnings were attributed in part to both the 4 and 4.76 per cent adjustment of civil servants and Ipelegeng Programme participants' wages, respectively. The overall trend in the quarterly average earnings has been on an upward trajectory as can be inferred from Figure 3a.

Figure 3a

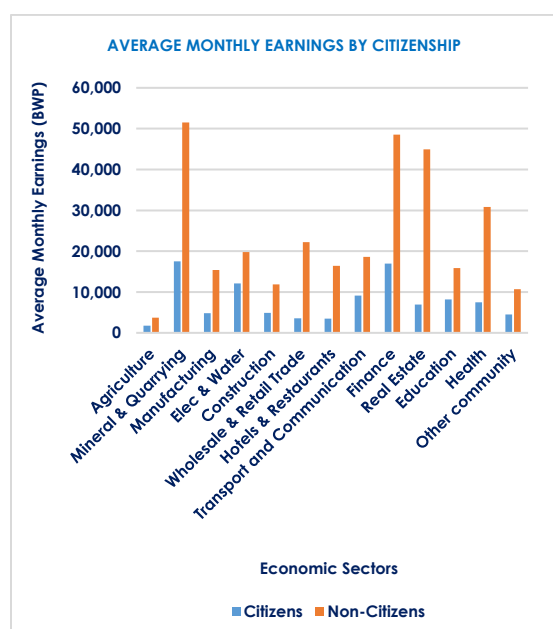


Source: ILES computations using Statistics Botswana (Formal Sector Employment Survey September 2018)

The average monthly earnings of non-citizens stood at P18, 265. Despite the earnings plunging by 1.79 per cent from the previous quarter, on average, non-

citizens earn almost three-times higher than citizens (see Figure 3b). This outturn may be attributable to their high technical skills in sectors such as-health, mining, and finance-and small number. For example, by the end of September 2018, there were 10, 554 (2.5 per cent) non-citizen workers compared to 406, 608 citizen employees.

Figure 3b

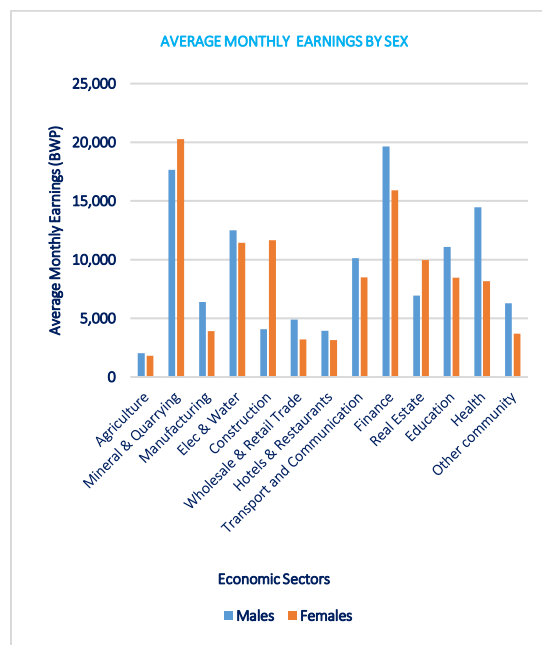


Source: ILES computations using data from Statistics Botswana (Formal Sector Employment Survey September 2018)

A sectoral breakdown of the distribution of the average wage earnings reflect that mining & quarrying, finance, and electricity & water are the most paying industries in Botswana. Moreover, it is apparent across all sectors that non-citizen employees earn more than citizen employees. A glance into the gender earnings distribution across sectors indicates that there exists a gender pay gap across all the sectors with the exception of mining & quarrying, construction, and finance. The distribution of wages

places women at the lowest echelons of the pay structure.

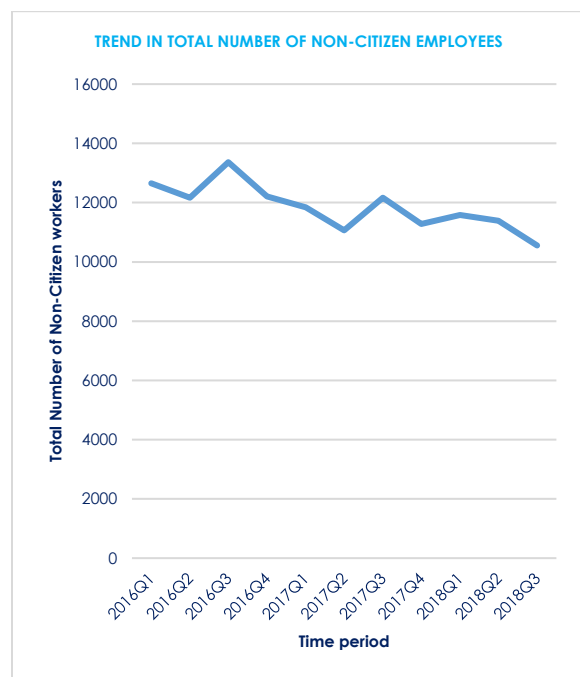
Figure 3c



Source: ILES computations using Statistics Botswana (Formal Sector Employment Survey September 2018)

4.0 MIGRANT LABOUR

As at the end of September 2018 there were 10,554 (2.5 per cent) non-citizen employees in Botswana. This reflected a 7.9 per cent decline compared to the previous quarter in which there were 11,392 non-citizen employees. The distribution of non-citizen employees by activities shows that manufacturing industry assumed a larger share of 19.3 per cent, followed by construction and education at 18.3 per cent and 17.6 per cent, respectively. Male employees constitute the majority of non-citizen employees with 7,653 males workers compared to 2,901 employees.

Figure 4a


Source: ILES computations using Statistics Botswana (Formal Sector Employment Survey September 2018)

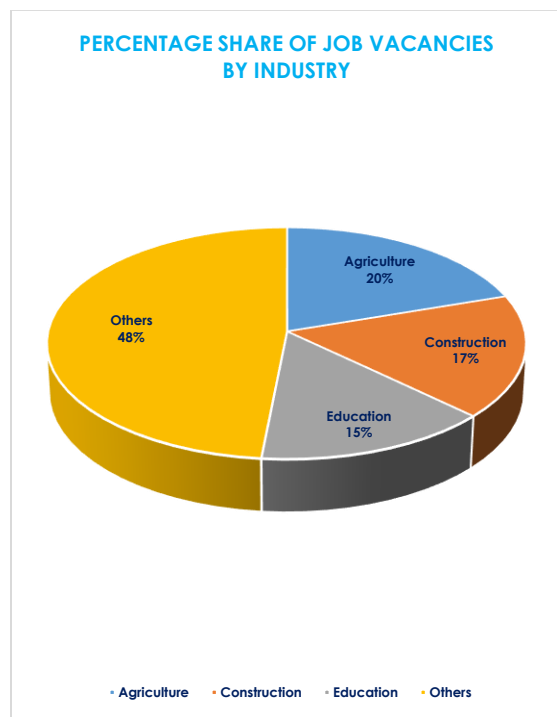
Figure 4a shows that the trend in the number of non-citizen employees has been heading downwards with the September 2018 figure being the lowest since 2017. However, in the medium to long-term, it is anticipated that the trend will take an upward trajectory following the government's recent intentions to liberalize and relax the country's stringent visa requirements. Liberalization of the immigration controls is expected to spike an increase in the issuance of workers' permits.

As of the end of September 2018 there were 5,422 valid work-permit holders reflecting a 2.5 percent decline in the number of work permit holders as compared to the previous quarter. Most of the permit holders are concentrated in the agricultural sector which accounted for 31.2 per cent, followed by the education sector with 19.9

percent. Overall, males account for 74.8 per cent of the permits whereas females account for 25.2 per cent. This outcome confirms males have a higher likelihood of migrating in pursuit of employment opportunities as compared to women. Due to both the political and economic instability currently besieging Zimbabwe, 51.8 per cent of permit holders are from Zimbabwe, followed by South Africa with 13.6 per cent, and the Indian Sun-Continent with 7.2 per cent. In terms of occupation: elementary occupations, professionals, and managers/administrators are the leading occupations with the regards to the total number of valid work permits (Statistics Botswana, 2018).

5.0 TRENDS IN JOB ADVERTISEMENTS

The following section captures the trends in job vacancies advertisements posted in newspapers. A total of 1365 jobs were advertised in various newspapers as compared to 1488 job vacancies advertised in the second quarter. A percentage share of job vacancies advertised by industry shows that agriculture accounted for the most advertisements with 20 per cent, followed by construction at 17 per cent and education with 15 per cent (see Figure 5a). The high percentage of job vacancies posted by the agricultural sector was occasioned by the fact that the sector usually hires non-skilled workers who are mostly farm labourers. All the other sectors combined contributed 48 per cent of total job vacancies advertisements in September 2018, with fishing industry posting no job vacancies (Human Resource Development Council, 2018).

Figure 5a


Source: ILES computations using Statistics Botswana (Formal Sector Employment Survey September 2018)

In terms of vacancies by occupation legislators, administrators, and managers were the most-sought-after occupations with 366 job vacancy adverts in September 2018. Professionals were also in demand posting 353 job adverts. The data on job vacancies ought to be treated with caution as it relates to the vacancies posted only in newspapers. In an age of rapid technological advancement, there are other online platforms set up to disseminate existing job vacancies.

6.0 REGIONAL OVERVIEW OF LABOUR AND EMPLOYMENT TRENDS

SOUTH AFRICA

South Africa has moved with the implementation of the National Minimum Wage. Authorities have

set the minimum wage at an initial level of R3, 500 per month or R20 per hour. Bearing in mind the potential effects of the minimum wage on employment, small businesses, and vulnerable sectors such as agriculture, domestic work and care work, the authorities opined that R3, 500 is the best minimum wage level that simultaneously minimizes the risk of job losses and maximizes the potential to pull-out people from abject poverty. The national minimum wage is seen as a policy tool that can reduce income inequality and subsequently reduce poverty. It has the potential to effect a meaningful difference to the multitudes of the working-poor who are living in abject poverty (Department of National Treasury, 2016).

ZIMBABWE

The economic slowdown that has been characterized by excessive inflation rates has renewed risks of job losses. According to Zimbabwe Statistics (ZimStat), as at end of February 2019 inflation rate had reached 59.39 per cent. As a result, the purchasing power of workers' incomes (wages) has been severely depleted following the increase in the cost of living. On 29 March 2019, Old Mutual Zimbabwe announced plans to lay off 10 per cent of its staff amid a bleak macroeconomic outlook. Moreover, there are looming prospects of massive job losses in the public sector as the government looks to streamline its civil service headcount of more than 300, 000 as a means of containing the high recurrent expenditures. Labour demands have also escalated the economic calamity. To cushion the employees from the dire effects of hyperinflation and the rapidly increasing cost of living, the government announced an upward

salary adjustment of between 25 and 29 per cent for public servants.

across the board increment for other sectors of the economy.

NAMIBIA

Namibia has also not been spared from job losses. Owing to high production costs and less favourable fluctuations in international commodity prices, exchange rates and inflation, Navachab Gold mine intends to trim its staff complement by 400 workers. If the retrenchment plan is to go ahead, it is expected to have negative spillovers. The economy of the town of Karibib is heavily reliant on the mine and over 750 of the mine's employees reside in the town. Moreover, the mine owns close to 240 houses in Karibib essentially making it a significant revenue contributor to the town. The decision to trim staff has irked the Mineworkers Union of Namibia. They cited lack of enhanced consultations between them as representatives of mineworkers and Navachab Gold Mine. There were more retrenchments, albeit minimal, in the fishing industry. The three-year ban on local pilchard catches has resulted in Etosha Fishing Corporation selling off three of its purse seine and subsequently laying off 19 employees in a bid to contain costs.

LESOTHO

After sustained pressure characterized by marches and demonstrations, the government of Lesotho finally yielded to the workers' demands for an increment of the minimum wage of US\$138 for factory workers. The garment and textiles industry employs 35, 000 workers, 80 per cent of whom are women. The industry is the second largest employer after government thus making it a significant contributor in the economy. The unions in Lesotho are pushing for a 15 per cent

