

**ECONOMIC IMPACT OF INTERNATIONAL LABOUR MIGRATION ON LESOTHO'S  
DEVELOPMENT, 1986 – 1998: TOWARDS AN INTERNATIONAL LABOUR  
MIGRATION POLICY FOR THE SOUTHERN AFRICAN REGION.**

THESIS

Submitted in fulfilment of the requirements for the Degree of  
MASTER OF ARTS  
of Rhodes University

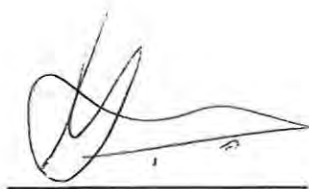
By

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April 2001

## DECLARATION

Except for references specifically indicated in the text, and such help as I have acknowledged, this thesis is wholly my own work and has not been submitted for degree purposes at any other university.

A handwritten signature in black ink, appearing to read 'MG MARO', written over a horizontal line.

(MG MARO)

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## ABSTRACT

The aim of the thesis is to identify the pressures that contributed to the rise in international labour migration in Lesotho, and to investigate how these pressures are impacting upon the modernization process in the country, particularly at a time when employment opportunities are scarce in the southern African region.

International labour migration has been used as a development tool throughout history, but especially in the 20<sup>th</sup> century by developing countries with dual labour markets. Newly independent developing countries with dual labour markets adapted the strategy of import substitution industrialization (ISI), with an emphasis on protecting infant industries and promoting pro-labour policies. In the post-colonial period the international demand for low-skilled workers rose, particularly in the North (developed countries), and in mineral rich countries including the oil exporters and South Africa, and the newly industrialising countries in East Asia. International labour migration to these countries was adapted as an integral development tool by the governments of the ISI countries. Most migrants were low-skilled and temporary workers in the destination countries. Although no multilateral institutional framework existed, usually both the sending and receiving countries adapted unilateral and bilateral migration policies to guarantee the gains from migration. Workers were thus “protected” to varying degrees under such agreements.

From the 1970s, the North experienced a slowdown in the growth in demand for unskilled workers. In the 1980s, many ISI countries experienced devastating economic crises that forced them to abandon the ISI policy and adapt the export-led industrialisation (EOI) policy with an emphasis on trade liberalization. The switch from ISI to EOI in developing countries with dual labour markets led to the downsizing of public sector employment, the removal of marketing boards formally used by small-scale agricultural farmers, and the expansion of export processing zones (EPZs). These outcomes resulted in a rise in push internal migration, and international migration from these countries especially to other developing countries. At the same time, since the late 1980s, capital has acquired greatly enhanced mobility at the global level. The adaptation of EOI and the full mobility of capital at the global level altered the institutional structure within which labour migration was governed both nationally, and internationally. At the national level stricter unilateral policies were reinforced by receiving countries for low-skilled labour, while less strict policies applied for skilled labour. These remain in operation in conjunction with the earlier

bilateral agreements. At the international level, there remains a lack of policy to regulate international labour migration. Under the current enhanced mobility of capital, international migrants are thus left vulnerable.

Lesotho fits this pattern. Faced with a dual economy and an abundance of semi-skilled labour, Lesotho has been a principal supplier of labour to the South Africa's mining industry since its independence. Lesotho's industrial diversification thus mirrors South Africa's industrial diversification. In the ISI phase (1968 – 1987), international labour migration became the most important tool of economic welfare generation in Lesotho. Bilateral agreements were signed in the early 1970s between Lesotho and South Africa to guarantee the gains from migration. Since the late 1980s, the mining industry in South Africa began to downsize production and employment. Fewer novice miners from Lesotho were recruited to work in South Africa. The adaptation of the EOI policy in Lesotho in 1987 introduced EPZ industrialization and trade liberalization. Nevertheless, the retrenchment of mineworkers from South Africa is occurring at a time when Lesotho is experiencing an employment crisis. The political independence of South Africa in 1994 was accompanied by stricter international migration policies by the new democratic government of South Africa. Most migrant workers in South Africa are thus now faced with a two-door policy (of the earlier bilateral agreements and the amendments to the Aliens Control Act). This system has left migrant workers vulnerable to exploitation by both employers and the law (police) in South Africa. Nevertheless, international migration from Lesotho to South Africa continues to expand, particularly of the new type of migration - semi-skilled female workers in the services sector. At the same time, South Africa is also experiencing an employment crisis.

The most important policy implications are, firstly, that migration is subject to the same "casualisation" as other work, with the effects made worse by the "statelessness" of migrants, who are most vulnerable to exploitation. Secondly, multilateralism is needed (e.g., SADC) and holistic, multilateral policies are required. It is clear that under the new global division of labour *ad hoc* policy towards international labour migration is ineffective.

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Any errors contained in this thesis are solely my responsibility.

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## CHAPTER ONE

### INTRODUCTION

#### **1. 1. Subject of the thesis**

In order to understand the current situation of international labour migration in southern Africa, it is necessary to briefly review the history of labour migration in the region.<sup>1</sup> This thesis proposes that in southern Africa, international labour migration is best understood from a regional perspective. Here, it is taken that the southern African region has developed a regional labour system in which both a world (capitalism) system of production and individual operative actions influence the cross-border movement of labour, which in turn reinforces the existing regional labour market.

#### **1. 2. Context**

Historical analysis of the process of industrialization in southern Africa (e.g., Wellings, 1985; Cobbe, 1982; Matlosa, 1995; Head, 1995) indicate that the growth of the gold mining industry in South Africa, in the late nineteenth century, formed the heart of the regional labour market. The rapid expansion of the mining industry, accompanied by a swift unification of vast mining houses in South Africa witnessed the creation of the migrant labour system in southern Africa (Santho and Sejanamane, 1991; Sachikonye, 1998). The swift expansion of the mining industry also stimulated the growth of secondary industry and agriculture, each of which themselves required substantial labour forces. Thus a massive demand for labour to work in mining, agriculture and secondary industries arose in South Africa. These developments took place within the political context of colonial and apartheid rule in southern Africa. The creation of a regional

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<sup>1</sup> The focus of the thesis however is not to give an in-depth study of the historical accounting regarding international migration in southern Africa. The point of briefing into the history of international migration in southern Africa is so that we can get a holistic understanding of the processes and institutions that shaped the current migration process in the region. The focus of the thesis thus concentrates on the current migration process in the southern Africa and its impact on economic development in the region. Lesotho is chosen as the principle country study as it represents a classic case of migration in the region.

labour force and control of regional labour migration were central to the existing political structure within the region whose main objective was to extract resources. The South African mining system differed markedly from the experiences of other southern African mining systems, such as the copper belt area mining system of the former Rhodesian empire (Austen, 1987; Sachikonye, 1998). The deposits were high grade and allowed payment of higher wages to the indigenous labour force. Most of this labour force was also relocated to urban areas, which reduced transportation fees to the mines for the mining employers (Austen, 1987). In contrast, South African gold mines were low grade and only viable if wages were kept low. These mines were able to meet their production and labour demand by recruiting and maintaining their labour force in a rural setting. The migrant labour system provided for political and economic setting within which the recruitment of mine labour was to take place (Austen, 1987; Sachikonye, 1998; Head, 2000). Thus in this regard, the classical migrant labour system provided for the partial separation of the producer from the land, which aided the objective of the existing regional political structure. Men were taken from the peasantry into wage labour and later sent back to the land when their contracts expired. In this manner the mining industry was thus able to pay their workers less than they would have had to pay a settled, urban labour force (Austen, 1987; Sachikonye, 1998). This happened mainly by restricting the movement of the remaining family members of the migrant labourers, particularly women and the elderly, to rural household responsibilities, such as reproduction (Sachikonye, 1998). Consequently a rural smallholder production system developed at the same time as the take-off of the regional industrial development (Wilson and Ramphela, 1989; Weyl, 1991; Matlosa, 1995).

Although a traditional rural peasantry production had originally existed prior to the inception of the migrant labour system, the process of industrialization altered this production mode by mainly having the partial incorporation of the peasant workers into the capitalist production. Wages in the mining and industrial sectors assumed that the reproduction costs (child, elderly, disabled and sick care facilities and youth education support) were financed through the rural smallholder production system. Such costs became pushed on to the peasantry in the region (Austen, 1987). Thus by not facilitating

the reproduction costs of the peasant workers, the mining industry was able to maintain a rural labour force and a weaker mode of peasantry reproduction (Chapter 2). The extent of peasantry reproduction went beyond national borders of South Africa into Lesotho, Mozambique, Swaziland, Botswana, Malawi, Namibia, Zimbabwe Zambia, and Tanzania. Labour wages could therefore be kept so low in the southern Africa region that they did not perform the normal functions of expenditure. Consequently, rural underdevelopment became a permanent feature accompanying the process of industrialization in southern Africa, and a major factor maintaining its progress.

Another advantage of the migrant labour system to mine owners, commercial farmers, industrialists and the colonial states in southern Africa (including South Africa's apartheid regime) was the fact that it allowed labour to be drawn into production during expansive phases of the economy and expelled from it during recessions. The migrant labour system thus fuelled the creation of a reserve labour force, located not in urban areas but in the rural settings of southern Africa. Most of the regional labour sending countries such as Lesotho, Mozambique, Swaziland and Malawi, and the former homelands of South Africa became identified as core labour reserves locations, principally for the mining industry and commercial (White farms) situated in South Africa. Thus, unemployment and its related social consequences were either exported to the regional labour sending countries or contained through the repressive apartheid regime in the core rural labour reserves (Wilson and Ramphela, 1989; Philip, 1991; Coetzee, 1992; Head, 1995; Matlosa, 1995; Sachikonye, 1998).

The creation of labour reserves, in the core labour supplying rural settings in the former Bantustans, Lesotho, Mozambique, Swaziland, Malawi, and in the other labour sending countries in the southern African region, served a triple purpose. Firstly, through the process of commandeering, land, usually the most fertile land close to water, was made available for colonial settlers (Sechaba Consultants, 1995; Head, 2000). Secondly, by depriving African farmers of adequate land and hence the means to secure their livelihood, a growing and permanent dependence on wage labour was formed. Thirdly, bolstered by a series of laws throughout the region that prevented the permanent

settlement of rural people (mostly a Black majority population) in towns and industrial areas, the process of urbanization was delayed in the southern African region. Thus, massive and costly investment in public works (sanitation, water supply, road building, housing and education) associated with the growth of cities was also delayed in southern Africa. Consequently, many social problems related to the process of industrialization, were, in the case of the southern African region, banished to the rural areas. As population increased, particularly in the mid- to late-twentieth century, accompanied by increased pressure on the available land, the labour reserves areas became increasingly unable to support workers' families (Wilson and Ramphele, 1989). Overcrowding, soil degradation and land shortage, meant that gradually, peasant producers became increasingly less able to sustain production without access to cash wages. Over time unemployment, poverty, malnutrition and ill health increased. The still-prevailing late-twentieth century phenomenon of underdevelopment of the reserve areas is thus a direct result of these historical processes. The classical labour migration system was thus largely administered by the economics of dependency.

Lesotho's current underdevelopment is a culmination of socio-economic consequences of the classical migrant labour system and its socio-political setting that created a dependency of Lesotho's mainly rural economy on South Africa's urban industry. Up to about 48 to 65 percent of Lesotho's active labour force was employed as contract flexible labour in the development of mining production in South Africa between the late 1970s and the early 1980s (Sechaba Consultants, 1995: 170). South African employers preferred foreign labour to local labour because, among other reasons, it was more readily available, less expensive, more skilled and less militant (Wilson and Ramphele, 1989; Weyl, 1991; Matlosa, 1995). This created a mode of production organization between Lesotho and South Africa whereby the labour from Lesotho formed part of a periphery to a core of producers in South Africa (Matlosa, 1995). Institutions were set up in South Africa to deal with the annual recruitment of Basotho migrant mineworkers (Wilson and Ramphele, 1989; Sechaba Consultants, 1997). None of the migrant workers were invited to apply for permanent residency at any point in their careers in South Africa, until as recently as in 1996 (Foulo, 1996; Sechaba Consultants, 1997; Matlosa,

1998). Due to the long absent periods of husbands in South Africa, rising dual families and a deepening dependency (of Lesotho on South Africa) emerged as the new social organization between Lesotho and South Africa (Sechaba Consultants, 1995; Matlosa, 1995; Sachikonye, 1998). In this social order, wives, children and relatives of the migrant mineworkers were not permitted to reside permanently with the migrant mineworkers in the destination's urban areas where the mines are located (Sechaba Consultants, 1995). Women, who were left in the margins of the migrant labour system, principally remain unable, under Basotho law, to obtain ownership of land (Matlosa, 1995; Matlosa and Pule, 2000). The household structure has thus become permanently altered in Lesotho. With the absence of the males in the mines, women have become the *de facto* heads and managers of the household organization (Matlosa and Pule, 2000). However, their inability to claim ownership to land restricts their economic empowerment in the country. Thus, Lesotho's reluctance to modernize, witnessed for example through the lack of constitutional recognition of women's leadership role in society, is currently confounding its development process (Sachikonye, 1998; Matlosa and Pule, 2000). However, the classical migrant labour system is presently in decline.

One clear indication of the decline of the classical migrant labour system is seen through the change in the demand for labour in the region since the mid 1980s. From the mid-1980s, the mining houses adopted the strategies of internalisation, mechanization and stabilization as a response to evolving political trends towards democratisation in South Africa, and the declining world price of gold (Sechaba Consultants, 1997). Internalisation and mechanization has resulted in increased labour turnover (i.e., longer term contracts of older mineworkers) and reduced number of workers in the mines, following new developments in technology and the fall in world price of gold. Stabilization has resulted in increased preference of South African workers over foreign workers (The Gold Crisis Team, 2000). The implementation of these strategies has resulted in large numbers of migrant mineworkers being laid-off and returned to their countries of origin. In 1993, for example, only 23 percent of previous Basotho miners were employed in the mines (Sechaba Consultants, 1995: 67). The sudden release of a mass of retrenched migrant workers in the domestic economies of SADC countries has resulted in sudden increases

in the rates of unemployment in the labour sending economies in the southern African region. For example, the high unemployment rate in Lesotho, estimated at being between 35 and 40 percent, has been worsened by the sudden return of retrenched migrant mineworkers from South Africa and the unfavourable terms of trade for primary exports (Monyau, 2000; Matlosa and Pule, 2000).

Another indication of the decline of the migrant labour system in southern Africa is the development of large informal sectors in the former labour sending areas. By the mid-1990s, for example, the informal sector in Lesotho had witnessed an unanticipated expansion (Sechaba Consultants, 1995: 161; Ministry of Labour and Employment, 1998: 28). It is also reported that traditional informal sector economic activities in the southern Africa region, included among other things, rural micro-enterprises, particularly the taxi business and rural beer brewing, which relied on the migrant labour system for their livelihood. However, with increased retrenchment of migrant mineworkers such informal sector economic activities are on the verge of collapse. At the same time, new forms of informal sector economic activities are developing in the region, mainly in the form of cross-border trade of mostly low-quality, illegal and sometimes immoral activities, such as drug trafficking, prostitution and the selling of child labour (Sachikonye, 1998). These activities are developing at a faster rate than the “traditional” informal sector activities, and are absorbing most of the population that was formerly employed in the traditional informal activities (Sachikonye, 1998). This clearly indicates a survival strategy by the rural underemployed and unemployed population. Thus, the decline of the migrant labour system, seen by the increased retrenchment of migrant mineworkers has adversely affected the livelihood of other workers reliant on the migrant labour system and remittances for employment.

The persistence of “illegal” migration in southern Africa is yet another indication of the decline of the migrant labour system and the changing pattern of labour migration in the southern African region (Carim, 1995). Foreign migrants and immigrants in South Africa more and more make up an increasing proportion of temporary work in agriculture, construction, service and tourism sectors (Crush, 1997; Gaidzanwa, 1998). Much of this

temporary work by non-South Africans however, takes place outside the formal regulatory framework of the declining migrant labour system. Such jobs are also primarily at the bottom of the job standard of these sectors, with no skill or education background requirements, such as menial work in agriculture as well as basic construction in mining and construction (Sechaba Consultants, 1997; Ministry of Labour and Employment, 1998c). Temporary employment of a daily, weekly, or seasonal kind is individualized and has minimum apparent monitoring or regulating by government, employers, organizations or unions (Crush, 1997). This is primarily because many temporary workers in South Africa are undocumented (due to the nature of the jobs they perform) and are thus considered as illegal within the official regulatory framework. Thus, with the exception of the classical mining system, South Africa's migration policy framework does not constitute "temporary employment" or "guest worker" schemes characteristic of migration policy frameworks of other parts of the world, such as the German guest worker scheme of post World War II (see Straubhaar, 1988 for further reading on the Germany case). The unregulated character of foreign worker involvement in temporary employment poses a particular challenge for regional governments, organized labour, and non-government organizations seeking to improve working conditions and to establish a more human rights approach towards temporary employment (Solomon, 1994; Crush, 1997; Fontana, 1997; Reitzes, 1997). Clandestine migrant workers are even more vulnerable than legal migrant workers because employers exploit their illegal status. This category of workers tends to accept employment whatever the payment, risk, physical demand or working hours involved (Crush, 1997; Sachikonye, 1998; Rogerson, 1999). Moreover, employers tend to exercise full control of illegal migrant workers principally because of their illegal status. Obviously clandestine migrants cannot approach authorities for the redress of their grievances (Crush, 1997; Fontana, 1997; Sachikonye, 1998). Some of the more vulnerable groups of illegal migrant labourers include Mozambican child workers employed on South African and Zimbabwean farms (Sachikonye, 1998: v). The changing pattern of Lesotho's migration is likely to be associated with increased vulnerability.

The challenge of regulating the temporary employment regime is significantly influenced by the existence of a regional social capital, particularly migrant networks. A significant proportion of the temporary labour force is mobilized through labour brokers and is involved in sub-contracting employment arrangements (Crush, 1997; Fontana, 1997). Sub-contracting which has been growing rapidly in all the major sectors in which foreign workers are employed, largely relies on informal social networks, of kin, neighbour, language, religion and gender, to function (Fényes, 1988; Davidson, 1992; Gaidzanwa, 1998; Gwaunza, 1998). The mobilization networks of South Africa's brokers and sub-contractors (mostly immigrants) extend well beyond South Africa's borders into the borders of the former labour reserve countries (Crush, 1997; Rogerson, 1999). The suppliers of temporary labour are especially well integrated into local rural and semi-urban labour markets, where current and former migrant worker families particularly reside (*see* Ministry of Labour and Employment, 1998c for the case of Lesotho). Foreign-worker recruiters are then able to tap the informal, underemployed labour pool of unskilled and semi-skilled non-South Africans and South Africans who mostly are without employment and are located on the margins of the formal urban labour market in the region (Head, 1995; Sechaba Consultants, 1995; Ministry of Labour and Employment, 1998c; Crush, 1997; Chirwa, 1997). The omnipresent pick-up points for day labour in virtually all South African towns and cities are merely the most visible manifestation of a vast informal network of information, labour mobilization and exploitation (Crush, 1997; Rogerson, 1999). The existence of migrant networks and a regional social capital implies a challenge to the issue of citizenship status in the region witnessed in the new pattern of cross-border labour movement. The classical migrant labour system derived under colonial and apartheid regimes, which shaped the development of the new cross-border labour flows in southern Africa, assumed international labour migration to be a long-term arrangement. However, the rise of independent nation-states in the region and of majority rule in South Africa introduced issues of "us versus them," dramatised by concerns of citizenship and a growing xenophobia of "foreigners" in both formal and informal circles towards migrants (Thompson, 1991; Crush, 1997; Sachikonye, 1998).

Thus, in terms of policy direction, the whole issue of undocumented migration and temporary employment in southern Africa points towards the broader concept of the existence of a regional social capital with both formal, regulated (i.e., the migrant labour system and its legal framework) and informal, unregulated labour networks being in operation simultaneously (Thompson, 1991). How the regional governments respond to this broader challenge of a regional social capital is a critical factor in determining the status and security of individual decision-makers (i.e., migrant workers and the informal labour-recruiting network). An important observation of the current situation is that migrant workers are becoming further marginalized and exploited in the regional labour market. Current research on temporary migration cannot come to a consensus on how to manage the temporary work regime and the prevailing undocumented labour crisis. This uncertainty contributed to the manner in which the regional governments have responded to the increase in temporary work and illegal migration. Regional governments principally resort to unilateral and *ad hoc* decision-making regarding the management of the temporary work regime and the issue of illegal migration (Crush, 1997; Matlosa, 1998).

Normally, but not always, these policy changes impose further restriction on mobility. The decision by the South African government in 1996 to extend permanent residence status to migrant mineworkers who had served in South African mines for more than ten years reflects one of the current attempts by a regional nation-state to regulate the new international labour flows. The decision to extend permanent residence status to migrant workers in the land of destination was made unilaterally by the South African government without prior negotiations with the governments of the migrant mineworkers (Matlosa and Pule, 2000). The result of this unilateral action by South African officials has been the creation of antagonistic “sovereignty”-reinforcing responses by the labour sending countries in the region. The general response in Lesotho to the permanent residence status being extended to migrant miners has been met by a feeling of being “cheated out” of its welfare share by the South African government (see for example, Sachikonye, 1998; Matlosa and Pule, 2000). Lesotho’s current policy options for “the way forward” in the twenty-first century, proposed by academia and government officials

involve such choices as either maintaining the status quo (i.e., continue with an underdeveloped Lesotho), joining the larger South African constitution as the twelfth province of South Africa; or entering into bilateral agreements with South Africa, mainly within the Southern African Development Community framework (Matlosa and Pule, 2000). Such proposed development options for the former labour reserve area, by academia and government official, are also reflected in other former core labour reserve countries, such as Swaziland, and clearly indicate the sense of antagonism and threat being felt by the other regional countries about South Africa's current method of interaction with its regional economies (Crush, 1997; Molapo, 1998). Even though in theory it is possible to have both policy options in operations at once, in practise governments have chosen the last option over the others (Sechaba Consultants, 1995).

The Southern African Development Community (SADC) model provides for long-term opportunities in several areas of policy concerns, which are of particular relevance to the development of the regional labour market. These opportunities include among other things the free movement of labour; skill building; infrastructure development; free-trade area creation; and a political commitment to democratisation, human rights, rule of law and privatisation. However such opportunities are currently visionary long-term regional goals that still need to meet complete implementation at the national level. The issue of citizenship, for example, continues to be a persistence challenge to the possibility of arriving at an agreement on the protocol on the Free Movement of Persons (Crush, 1997; Sachikonye, 1998). The inconsistent response by regional government on the issue of citizenship and workers rights at the regional level is itself a reflection of the inconsistent response to the issue of workers' rights at the national level. This is evident for example, in Lesotho's lack of a women leadership role in the country, and the on-going political instability, which culminates to uncontrolled looting and violent crimes directed mostly towards foreigners and local business (The Gold Crisis Team, 2000). This is an important observation for the regional labour market development plan, particularly if the southern African region is ever to attain effective regulation of international labour migration. Nevertheless, clearly the changing pattern of international labour migration in the region is bound to outline the southern Africa's development path. Whether such developments

will shape or limit the growth path of the region will depend largely on the willingness of the regional people, particularly the governments to adapt to the new labour market developments that are not only sweeping the southern African region, but are also witnessed in other international countries.<sup>2</sup>

### **1. 3. Scope of the thesis**

Generally, migration has four broad categories; refugees, undocumented (illegal), brain drain and contract migration (Skeldon, 1997; Matlosa and Pule, 2000). The thesis is limited to the study of contract or oscillatory migration, using Lesotho as the main case study. The process of out-migration is viewed here from a regional perspective on labour market adjustments.

Beyond the background provided in this introduction, the thesis is not concerned with the development of the South African labour empire (i.e., historical analysis of labour migration in southern Africa), or about the perspective of labour receiving countries; a lot has already been written on both subjects.<sup>3</sup> The main tasks of the thesis are first to investigate the relationship between changing labour migration patterns in the southern African region and the development prospects of the labour sending areas. Secondly, the thesis aims to investigate the evolution, role and prospects of the institutions surrounding international labour migration in the southern African region. The particular focus is on Lesotho, which is regarded as the archetype of the labour sending economy. Recent research on international labour migration in southern Africa (for example, Crush, 1997; Foulo, 1996; Gaidzanwa, 1998; Reitzes, 1997; Rogerson, 1999; Sachikonye, 1998) has so far failed to come up with a coherent proposal on ways to regulate the new patterns of international labour flow in the region. The second goal of the thesis is thus to provide

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<sup>2</sup> See for example, Lemarchand, 1992 on the issue of Africa's transition to democracy.

<sup>3</sup> See for example, Greenwood, 1975; Bundy, 1979; Gordon, 1981; Cobbe, 1982; Mkandawire, 1985; Wellings, 1985; Lucas and Stark, 1985; Austen, 1987; Lucas, 1987; Fényes, 1988; Kriedge, 1989; Weyl, 1990; Philip, 1991; Santho and Sejanamane, 1991; Thompson, 1991; Coetzee, 1992; Davidson, 1992; Sechaba Consultants, 1994, 1995, 1997; Head, 1995; Matlosa, 1995, 1998; Chirwa, 1997; Fontana, 1997; Bartram, 1998; Gwaunza, 1998; Molapo, 1998; Wood, 1998; Keet, 1999; Mokoena, 1999; Rogerson, 1999; Gay, 2000; Matlosa and Pule, 2000; Monyau, 2000.

the basis for coherent guidelines for the regulation of international labour migration in the southern African region, given the account of the Lesotho experience with international labour migration. Whether governments choose to follow what academics suggest is another matter entirely.

#### **1. 4. Structure of the thesis (methodology)**

Chapter 2 will give the background analysis of Lesotho's labour force by industrial sectors<sup>4</sup>. Here the thesis considers the performance of the modern and "subsistence" sectors within Lesotho, and the mining sector in South Africa upon which Lesotho is so dependent. The main conclusion of this chapter is that internal sectoral and structural imbalances within the Lesotho economy are contributing to a push migration, of which external migration is a part.

The main theoretical work to be used in the thesis will be a cumulative approach of the dual labour market theory (Chapter 3). This will entail analysing the principle literature on dualism from the orthodox school of thought, mainly the "functionalist" theories associated with Lewis and Todaro; as well as reviewing literature from the heterodox school of thought, which includes the structuralist theory, classical dependency and the political analyses to state theory, and the interdependency approaches, the world systems theory and the systems approach, and the social networks theory.

The purpose of the theory is to show how the research question is to be approached. It is thus important to note that the lack of employment opportunities (the unemployment problem) in labour sending countries in southern Africa is comparable to unemployment problems faced by other countries with abundant labour. This means that case study evidence and applied theory, which was largely developed for other regions, can *a priori* cast some light on the problem and help us refine and detail the hypothesis that will allow us to explore the research question. Chapter 4 is thus a comparative analysis based on

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<sup>4</sup> The point of Chapter 2 is to provide information on past economic developments within Lesotho, and also to indicate past social and political ties that resulted between Lesotho and South Africa due to oscillation migration from Lesotho. The focus of the thesis is however not on these findings alone.

selected five developing countries (Egypt, Ghana, Sudan, the Philippines, and Costa Rica). The reason for choosing these five countries is that they all share similar industrial diversification paths as Lesotho and southern Africa<sup>5</sup>, and thus can offer valuable lessons for the southern Africa region. The Philippines, Egypt and Sudan all rely heavily on external migration. Costa Rica and Ghana provide good studies of the difficulties old import-substitution industrialisation (ISI) countries face in adapting export-oriented industrialisation (EOI).

Obviously although theory and comparative evidence are useful *a priori*, there remains the need to test the hypotheses suggested by the methodology of the research. To attain this end, Chapter 5 analyses data from population censuses; household surveys, statistical yearbooks, labour surveys, etc., compiled by various ministries in Lesotho and international organizations to test and modify the *a priori* expectations for the southern African setting.<sup>6</sup> The principal proposition of this chapter is that external and internal migration in post-1986 Lesotho is a push migration with a Third World development path. In particular, the Chapter finds that a massive unemployment problem is emerging in Lesotho, and this is associated with changing patterns of migration.

Chapter 6 examines the institutional arrangements surrounding international labour migration. Here it is argued given the fact that migrants are part of a larger nexus of urban Third World, past institutional arrangement associated with unilateral and ad hoc welfare goals are becoming ineffective in managing the emerging pattern of migration in southern Africa. Chapter 7 gives the main conclusions and policy implications drawn from above analysis.

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<sup>5</sup> The migration process between Lesotho and the country studies of Chapter 4 are not necessarily similar. What is of interest in Chapter 4 is the similarity in the development paths chosen by Lesotho and the five country case studies.

<sup>6</sup> Chapter 5 contains most of the focus of the thesis, particularly in terms of empirical analysis. Chapters 3 and 4 are also important in the sense that they provide the necessary theoretical framework and comparative case studies to support the Lesotho and southern African situation.

## **CHAPTER 2**

### **BACKGROUND: AN OVERVIEW OF LESOTHO'S ECONOMY, WITH SPECIAL FOCUS ON SECTORAL DEVELOPMENT AND THE EVOLUTION OF THE MINING INDUSTRY IN SOUTH AFRICA**

#### **2. 1. Introduction**

This chapter describes the three sectors of Lesotho that influence modernization, mainly the traditional, external and modern sectors. The aim is to give the background of the pressures, particularly on the labour market, that are causing new labour migration patterns, economic activity, and unemployment in Lesotho.<sup>1</sup>

The chapter is divided into six sections. Section one is this introduction. Section two gives the macroeconomic overview. Section three examines rural development and the traditional sector growth. Section four evaluates the external sector evolution. At this point, the discussion turns to inspect the external factors affecting Lesotho's development. Here the chapter particularly focuses on the influence of the SACU and the evolution of the mining industry in South Africa, and their impact on Lesotho's transformation. Section five analyses the development of Lesotho's modern sector, particularly the growth of export-led manufacturing. Section six drawn conclusion.

#### **2. 2. Macroeconomic overview**

##### **2. 2. 1. The IS industrialization phase, 1968 – 1987**

During the 1970s and 1980s Lesotho's adopted an import substitution (IS) strategy for basic consumer goods and services (Ministry of Economic Planning, 1997b). A key element of that strategy was the creation of parastatals and public companies, which became a drain on the government's resources while crowding out private investment and unnecessarily raising consumer prices (IFC, 2000). The military regime that took control

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<sup>1</sup> These are discussed in Chapter 5.

in 1986 improved Lesotho's strained relations with South Africa, and in October 1986 signed the treaty launching the Lesotho Highlands Water Project (Ministry, of Economic Planning, 1997b; AISA, 1999; IFC, 2000). The regime was responsible for a further deterioration in the fiscal balance because of an imprudent rise in military expenditures (Akulu, 1995; Gill, 1993). By 1988 the deficit reached 20 percent of GDP, or 10 percent of GNP (IFC, 2000). However, increased donor presence in Lesotho, especially after the imposition of financial sanctions against South Africa in 1985 and the mounting influence of a reformist group of technocrats within the government, led to a government decision to adopt the structural adjustment programs (SAPs) associated with the World Bank and the IMF in 1987.

### **2. 2. 2. SAPs and EO industrialization, 1987 – present**

The adjustment program, triggered by a fiscal imbalance, was designed to reduce Lesotho's vulnerability to exogenous shocks and set up a macroeconomic and policy framework that would encourage private sector development and the productive use of Lesotho's substantial revenues from the Highlands Water Project (Ministry of Economic Planning, 1997b). The external balance was threatened by declining migrant workers' remittances, and given Lesotho's membership in regional customs and monetary unions (Ministry of Economic Planning, 1997b),<sup>2</sup> the only significant short-term means for

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<sup>2</sup> Under the Common Monetary Area (CMA) arrangement between Lesotho, Namibia and South Africa, the Lesotho currency (Maloti) is equal to the South African Rand. This means that Lesotho has no independent monetary policy (Ministry of Economic planning, 1997b). Under the SACU arrangement, import revenue is collected by South Africa, meaning that Lesotho has no independent tariff policy (Santho and Sejanamane, 1991). SACU is the southern African customs union. The SACU formula negotiated in 1969 granted several concessions to BOLESWA nations (Botswana, Lesotho, and Swaziland). These notably involved their right to protect their own infant industries for limited periods against South African competition (Wellings, 1985). Underlying this move by Pretoria was the knowledge that these states could not as yet compete successfully for multinational investment with South Africa. Therefore, in reality the newly independent states of BOLESWA tended to provide investment outlets for South African companies rather than viable alternative sites for multinationals seeking entry into the southern African market. At the same time, South Africa continued to pressurise multinationals to confine their operations within its economy and also to take advantage of its decentralization incentives in the Bantustans (Transkei, Venda, Bophutatswana, and Ciskei), over those offered by BOLESWA. Today SACU operates under a quota system, in which member states are entitled to a share (calculated by South African officials) of revenues from cross border trade of goods (Santho and Sejanamane, 1991). Lesotho is currently not receiving substantial revenue from its participation in SACU. The high importation of South African manufactured goods by Lesotho and the lack of reciprocal exportation by Lesotho's manufacturing to South Africa is adversely affecting Lesotho's advantage of belonging to a trade customs area (Matlosa, 1995; Ministry of Economic Planning, 1997b).

correcting these imbalance was reducing public expenditures and increasing revenues (IFC, 2000). This stabilization measure was successful.

Since 1992, Lesotho has achieved healthy growth while maintaining macroeconomic stability. Gross Domestic Product (GDP) has accelerated from 1.9 percent real growth in 1991 to an average of 13.2 percent per annum from 1994 to 1996. Simultaneously, inflation was cut in half, from almost 14 percent in 1992 to almost 7 percent in 1994 and 1995 (U.S. Department of Commerce, 1999). The rate of inflation, estimated at less than 10 percent in 1998, is decelerating, mirroring the trend in South Africa (IFC, 2000). Finally, the external current account deficit was reduced from 7 percent of GNP to 1.8 percent (excluding the water project). The overall balance of payments went from a deficit of M3.9 million in fiscal 1988 to a surplus of about M64.1 million in fiscal 1995 (IFC, 2000).<sup>3</sup>

The government also enjoyed healthy budget surpluses between 1988 and 1995 (U.S. Department of Commerce, 1999). The fiscal deficit, after grants, of 10.3 percent of GNP in 1988 was reversed into a surplus of 2.5 percent of GNP in 1995, while the fiscal deficit before grants was reduced from 14.3 percent to 0.4 percent of GNP by 1995 (U.S. Department of Commerce, 1999). In addition, given that the Basotho have never resorted to much foreign financing in comparison to other sub-Saharan countries (U.S. Department of Commerce, 1999), in 1998 foreign debt equalled about a third of GNP. Lesotho thus has a very modest debt service level equivalent to just 4.7 percent of exports (U.S. Department of Commerce, 1999).

To a large degree, exports have been the engine of growth in the 1990s, led by manufactured goods and exports (see figure 2.1). The impressive performance of manufacturing exports is largely driven by the inflows of foreign private investment of East Asian or South African origin attracted by the improved macroeconomic framework, intensive investment promotion efforts, Lesotho's attractive wage rates and productivity,

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<sup>3</sup> In 1994, this represented 1.0 percent of GNP (U.S. Department of Commerce, 1999). With surpluses in the balance of payment, foreign reserves climbed steadily from 2.1 months of imports in 1991 to 6.5 months at the end of 1995 (U.S. Department of Commerce, 1999).

and preferential access to export markets through the Lomé Convention and the General System of Preferences applicable to low income countries (IFC, 2000). In the first half of the 1990s, despite the political disturbances, exports increased in real terms at an average of over 25 percent a year, albeit from a small base. This is discussed in detail in section 2.5 below.

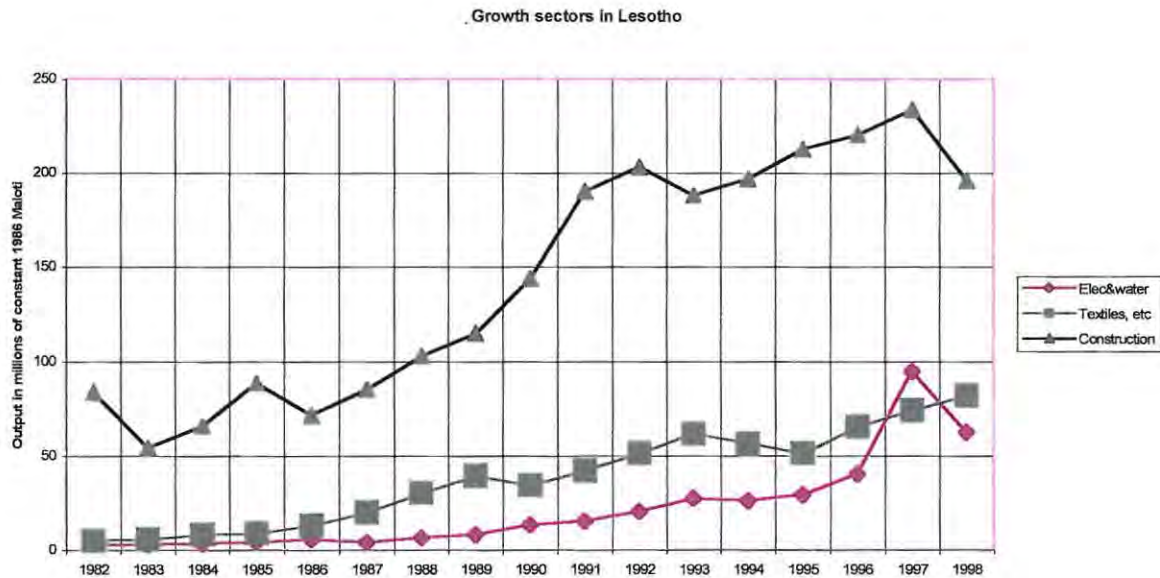


Figure 2.1

Note: Data has been converted from nominal figures to real figures using a GDP deflator by the Bureau of Statistics, 1999a. The figure indicates the main three booming sectors of Lesotho's modern sector.

Source: Own calculations based on data from the Bureau of Statistics, 1999a.

### 2. 2. 3. Recent economic developments

From 1996, the fast growth experienced in the early 1990s began to decrease. GDP growth for 1997 was recorded at 3.5 per cent, down from average annual growth between 1993 and 1997 of 8.4 per cent (IFC, 2000). The early growth had also been largely influenced by the construction of the first stage of the Lesotho Highlands Water Project (LHWP), which was completed during 1997, in addition to the manufacturing "boomlet" (IMF, 1996; IFC, 2000). In 1995, it was expected that the second phase (phase 1B) of the LHWP would assist in promoting a similar level of growth for the latter part of the 1990s

(Ministry of Economic Planning, 1997a). Nevertheless, so far the phase 1B's growth has been slow and has been mostly accompanied by rural development programme bottlenecks, particularly in the resettlement of displaced population due to the construction of the LHWP project (Coverdale and Pottinger, 1996). Nevertheless, the completion of the LHWP remains the country's main prospect for maintaining continued expansion of the economy and providing jobs (IFC, 2000).

The second phase of structural adjustment began in 1997 (IMF, 1996). The aim of this phase is to continue the employment of labour-intensive export production while at the same time enhancing the skills of the general workforce of the country, by implementing medium-term economic strategy that is specifically geared towards human development (IMF, 1996; Ministry of Economic Planning, 1997a). The human development focus also requires the privatisation of government enterprises and companies as well as informal sector promotion (Ministry of Economic Planning, 1997a). In a programme launched in 1997, the government said it was to privatise 31 companies (IFC, 2000). Of these, just four have been sold to foreign companies. One was Lesotho Airways; renamed Air Lesotho after a Johannesburg-based charter company, Ross Air, bought it in August 1997. However, it is instructive that by late 1998 the company had closed down largely because a predicted rise in passenger numbers failed to materialise (IFC, 2000).<sup>4</sup>

In 1998, heavy political unrest and rioting destroyed a substantial proportion of the private sector in Lesotho. Finance Minister Leketekete Ketso estimated a 10 per cent fall in nominal GDP growth for 1998 after rioting and heavy fighting destroyed much of the centre of the capital, Maseru (IFC, 2000). The damage pattern was similar but less extensive in other towns, where rioters and looters particularly targeted shops owned by South Africans and Indians. South African businesses in particular, lost an estimated R2 billion as a result of the 1998 disturbances. These businesses are central in providing

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<sup>4</sup> The latest sale proposal is the Lesotho Bank, a 70 per cent-stake of which is to be sold to The Standard Bank of South Africa for about R350 million (IFC, 2000). The remaining 30 per cent-stake is to be held by the government for eventual sale to the public.

employment for the Lesotho workforce which can no longer rely for its livelihood on the army and migrant work in South Africa's mines (IFC, 2000; The Gold Crisis Team, 2000). Some 3,000 jobs were lost as a result of the unrest (The Gold Crisis Team, 2000), although it is estimated that many of these will be regained by the next two years, as economic activity normalises and the construction process picks up as part of the rebuilding process (IFC, 2000). Thus, the structural adjustment phase has so far been less impressive compared with the stabilization phase.

### **2. 3. The traditional sector**

Despite these recent developments, Lesotho's economy is still largely dominated by the rural traditional sector. This sector operates within a complex social structure of rural peasant farmers with economic and political obligations to the external and modern sectors within urban areas in Lesotho and in South Africa (van de Geer and Wallis, 1982; Matlosa, 1995).

The traditional sector employs most of the non-migrants in Lesotho and provides an important source of subsistence income. Growth in population, limited agricultural land and lack of natural resources together with the articulation of this sector with the other two sectors (external and modern), limit the traditional sector's scope for development (Foulo, 1996). Currently eighty percent of the population is classified as predominantly rural (Bureau of Statistics, 1996c). The rural population belong to households that practice subsistence farming. In 1976 out of an estimated economically active population of 426 091, about 99 090 (23 percent) were engaged in agriculture. These villages, which were located in the mountainous areas, were scattered along slopes and ridges. This made former rural development projects of the 1970s difficult to implement (Cobbe, 1982; van de Geer and Wallis, 1982; Bureau of Statistics, 1996b). In 1986 the population engaged in traditional peasant production had decreased to 20 percent. By 1996, only 10 percent of the population was engaged in peasant agricultural production (Bureau of Statistics, 1996b: 33).

With two thirds of the land uncultivable, there are over 3 persons for each tillable hectare of land in the country whose livelihood still depends upon agriculture. Between 1950 and 1970, the average family holding of cropland decreased from 6.2 to 4.9 hectares. It is estimated that a decline in the average farm area per farm operations between 1986 and 2001 will occur from 0.9 hectares to 0.5 hectares (Sechaba Consultants, 1995: 51). This trend is particularly noticeable in the lowlands where the average size of the family holding dropped 18 percent in the last forty-six years (Bureau of Statistics, 1982, 1996b). The population of landless households has been increasing significantly since 1950 (Rechmann, 1982). Between 1950 and 1970, landless households rose by an estimated 4 percent in 1950 to approximately 13 percent of all households in 1970 (BOS, 1982: 1.2). By 1993, 40 percent of all households were landless (Sechaba Consultants, 1995: 51). As a result, rural-urban migration and emigration are currently on the rise.

The move to urban areas is not solely motivated by the desire for work. It is also determined by family decisions (especially for women, who must move to a new family when they marry) (Baker, 1990; Pederson, 1997). To a large extent, in Lesotho, rural-urban migration is increasingly becoming driven by the desire for improved social services and house sites with such amenities as tap water and sanitation (Sechaba Consultants, 1994; Bureau of Statistics, 1996b; Gordon, 1981). Households in the urban areas are on average more recently established than rural households. This reflects a rapid growth of towns at the expense of the villages where population growth implies that new households will have neither fields nor employment. It is reported that household urban relocation is strongly correlated with monthly income, former sector wage employment and adult schooling. The older the rural household the more fields and livestock it has, the less likely it is to relocate into urban areas (Ministry of Labour and Employment, 1998c). This implies that households who remain in rural areas are the ones associated with these traditional measures of wealth. As is discussed in Chapters 3 and 5, there is thus significant “push” migration from rural areas.

Shares of population by ecological regional and by district depict a steady out-flow of people in the past 26 years from the rural location (mostly mountainous zone) into less rural areas.

**Table 2.1**

**Share of de jure population by ecological zones, 1976, 1986, and 1996**

<i>Zone</i>	<i>1976</i>	<i>1986</i>	<i>1996</i>
<b>Lowlands<sup>1</sup></b>	46.0	49.0	58.6
<b>Foothills<sup>1</sup></b>	22.5	22.7	12.4
<b>Mountains</b>	20.7	16.8	22.8
<b>Senqu River Valley</b>	10.6	11.5	6.2
<b>Total de jure pop.</b>	709000	1500000	1970000

Note: 1. The lowlands and foothills are the most fertile zones of the country.

Total population figure for 1976 is based on data from migration and manpower in Lesotho, and is very small in comparison to the total population figures for 1986 and 1996. This discrepancy suggests a significant undercount for the 1976 data.

Sources: Bureau of Statistics, 1982: 3.2; 1996b: 21; 1999a: 2

Table 2.1 shows that total shares of percentage population have increased almost by 10 percent between 1986 and 1996 for the lowlands. The lowlands region, which is the most suitable area of agricultural production (Ministry of Labour and Employment, 1998c: 5), is also the site of major urban corridor in Lesotho (Bureau of Statistics, 1996b: 22). The mountain region also increased in the share of percentage population, by about 6.0 percent between 1986 and 1996. Perhaps this phenomenon is due to the launch of the Lesotho Highlands Water Project (LHWP) in 1986. The period 1976-1986 indicates that previously the mountain area has started shedding population (by about 4.7 decrease in share of population). It is the Foothills and Senqu River Valley regions that appear to be losing population shares to other zones.

**Table 2.2**  
**Share of de jure population by districts, 1976, 1986, and 1996**

<i>District</i>	<i>1976</i>	<i>1986</i>	<i>1996</i>
<b>Butha-Buthe</b>	6.3	7.0	6.0
<b>Leribe</b>	16.3	17.0	16.0
<b>Berea</b>	12.0	9.6	13.0
<b>Maseru</b>	18.2	19.0	21.0
<b>Mafeteng</b>	13.0	13.0	11.0
<b>Mohale's hoek</b>	11.0	11.0	10.0
<b>Quthing</b>	7.2	8.0	7.0
<b>Qacha's nek</b>	4.0	4.0	4.0
<b>Mokhotlong</b>	5.0	5.0	5.0
<b>Thaba-Tseka<sup>1</sup></b>	7.0	7.0	7.0
<b>Total de jure pop</b>	709000	15000000	19700000

Note: 1. Thaba-Tseka is a rural resettlement project district that was created in 1979 (Bureau of Statistics, 1996b).

Total population figure for 1976 is very small in comparison to the total population figures for 1986 and 1996. This discrepancy displays a significant undercount for the 1976 data.

Sources: Bureau of Statistics, 1982: 3.2, 1996b: 22, 1999a: 2

Lesotho is further divided into ten administrative zones. Administratively, for the period 1986 – 1996, only Maseru and Berea districts had increased in percentage share of the population. Maseru had the biggest share of population over the other districts between 1976 and 1996. The percentage share population in Berea is due to the proximity of its boundaries to Maseru, such that there has been significant spillover effect of the urbanisation process into Berea district. Quthing, Qacha's nek, Mokhotlong, and Thaba-Tseka, which are situated in the mountain areas, had a fairly stable percentage share of population distribution between 1976 and 1996. The remaining districts had experienced a decline in the percentage share of population, implying an out-migration to the other districts. This is confirmed in Chapter 5. Leribe, Berea, Maseru and Mafeteng districts form the greater part of the Lowlands zone. Hence, they have over 60 percent share of the total population.

New arrivals in urban areas tend to rent accommodation in lines of flats. This is also where the bulk of the unemployed (including job-seekers) urban population is situated.

One of the sacrifices that the renting household must make in order to earn enough money to survive in the urban area (and so build their own house) is to send their children to work and not to school. This feeds into a vicious cycle of reproducing a low-skilled (and unskilled) labour force (Sechaba Consultants, 1995; Ministry of Labour and employment, 1998c). “Manifestations of female migration from rural to urban areas in search of employment and other social problems emanating from this trend, e.g., prostitution and juvenile delinquency are noticeable in most towns of Lesotho” (Bureau of Statistics, 1982: 1.3). Despite the constraints, rural-urban migration to the lowlands is expected to increase in the twenty-first century (Hollingsworth, 1984). It is estimated that by the year 2030 half of the Lesotho population will be urbanized, and by the year 2025 urban and semi-urban settlements will constitute the entire western lowlands (Bureau of Statistics, 1982; Hollingsworth, 1984). This implies that the current rate of urbanization is a result of the failure of traditional sector and not due to increased employment opportunities in the towns. Moreover, it also implies that the growth of urban-slums is likely to be on the increase in Lesotho. This further supports the notion that rural-urban migration in Lesotho is a push migration. This trend poses a serious predicament for youth employment in the country.

### **2. 3. 1. The traditional sector labour profile**

Peasant farmers display the ability to own and rent land and equipment, to recruit non-family labour from the landless population and to accumulate wealth from small-scale subsistence production and trade, and services (Bundy, 1979; Cobbe, 1982; van de Geer and Wallis, 1982; Sechaba Consultants, 1994; Matlosa, 1995). This is conducted through the *mafisa* system.<sup>5</sup> Landless labourers have no ownership of land or equipment. They depend entirely on wages earned from services provided to the commercial and peasant

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<sup>5</sup> In Lesotho, livestock is kept for numerous reasons: for subsistence (food and cash), as a store of wealth, as a measure of a person’s social status, and as a source of a variety of raw materials. Furthermore, the importance of livestock is evidence in social relations such as *bohali* (the paying of bride price) and *mafisa* (a structure in which livestock is co-managed by both owner and non-owners) (van de Geer and Wallis, 1982; Sechaba Consultants, 1995). Livestock accumulation is thus an important measure of traditional wealth and the traditional sector development.

farmers (Sechaba Consultants, 1994; Matlosa, 1995). This population group also relies on remittances from migrant mineworkers (Sechaba Consultants, 1994).

In the situation where men are absent as migrants either in towns or in the mines of South Africa<sup>6</sup>, women have assumed the responsibility over farming production, particularly since the 1970s. Such women are the *de facto* managers and operators of all family affairs and the farming activities. Currently in Lesotho over fifty percent of rural households are female-headed (Sachikonye, 1998; Sechaba Consultants, 1994, 1995). This has altered the role of women in peasant production, particularly in the area of non-traditional exports of fruit and vegetables. Most of the new export crops were originally in the domain of women peasant farmers. Their recent commercialisation has given women extra command over cash incomes. This may slowly be changing the exclusion of women from control over incomes in Lesotho (Sechaba Consultants, 1995). However, the export of these crops is marginal in Lesotho, and the contribution to the total household income is minimum. Also, official figures suggest that there are, despite their high absentee rate, more male farmers than female farmers in Lesotho (see table 2.4). This implies that seasonal farming has profound implications for the rural labour force profile. Annual crops cultivated in the country require yearly land clearing and planting, weeding and prompt harvesting. In the absence of mechanisation (as is the case with the peasant farmers), farmers deal with seasonality through reciprocal assistance (mostly using extend family labour) and by hiring in outside labour (Sechaba Consultants, 1994). Thus, most rural wage labour in Lesotho is seasonal labour and comes from farm households. In the face of declining yields, this means that many of the rural households consist of underemployed and unemployed workers. These factors taken together suggest that a large portion of the underemployed and unemployed rural labour is female labour. Chapter 45 seems to confirm this.

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<sup>6</sup> In Chapter 5 we see that approximately 40 percent of rural prime-age males were absent in 1996.

### **2. 3. 2. Institutional structure surrounding the traditional sector**

The chieftaincy structure of the pre-colonial period favoured the development of the traditional sector (Spence, 1969; Gill, 1993). During this era, four main institutions that guaranteed the reproduction of the chieftainship and the security (economic as well as political) were introduced. The aim of this strategy was to absorb the surplus labour into the management of the state: the *matsema* institution involved the use of the surplus (male) labour by the chiefs; the *mafisa* system loaned cattle to the people in exchange for tribute labour; the *bohali* institution involved the exchange of cattle for wives; and the *mephato* institution involved an age-group classification of the military regime (Akulu, 1995). The combination of these institutions enabled the ruling class to build and sustain a powerful economic hold over the surplus labour in the region during the pre-colonial era.

The colonial era and post-independence present ruling class in Lesotho introduced class-alliances with South Africa's ruling class and other foreign businesses that led to the underdevelopment of the traditional sector (Spence, 1969; Gill, 1993; Akulu, 1995). For example, the impact of the introduction of new Christianity ideology into the management of the local economy in Lesotho was particularly felt at the family level. The introduction of petty commodity production, which was promoted by missionaries, influenced the traditional division of labour between men and women in the family. Whereas before Christianity the household chores (*inter alia* farming, harvesting, child-care) were equally distributed among all members of the external family, after the introduction of Christianity, child-care, harvesting, and other home-oriented activities fell to the women (Gill, 1993). The men became more market-oriented and wage earners. Principally what changed in the Sotho society was the value of a man as compared to a woman. Men were treated and regarded as more valuable and important since they went outside the home setting in search of income for the family. In contrast, women, who were directed to stay at home and conduct the family-affairs, were

treated as less capable and regarded as less worthy (Gill, 1993). From this point onwards, the traditional sector was transformed from a non-egalitarian chieftdom into a patriarchal monarchy based on a hierarchical chieftaincy.

The introduction of education by the missionaries in Lesotho facilitated the emergence of an educated upper middle-class, and also unfortunately increased the marginalisation and isolation of the traditional sector. The educated class comprised of mostly wealthy Basotho traders (Gill, 1993). The children of these traders in turn became the salaried employment that formed the teachers, clergymen, and court translators of modern Lesotho (Gill, 1993; Akulu, 1995).

The emergence of the increasing numbers of migrant mineworkers signified the transition of households from independent producers to sellers of labour power as well as the traditional sector's and the ruling class' institutional dependency on South Africa. Wages earned in the mines became crucial to the chiefs. They taxed the earnings of migrant mineworkers under the guise of guaranteeing a pension for the migrants after their contractual employment ceased to exist. In reality, these taxes were used to reproduce the powers of the ruling class (Spence, 1969; Gill, 1993; Akulu, 1995). Legal and binding agreements were forged between Pretoria and the ruling class in Lesotho to oversee that the deferred payment scheme was fully functional.<sup>7</sup> Institutional dependency (as well as economic dependency) in Lesotho continues to dominate the political structure of the country.

Institutional dependency (and the wealth accumulation of the ruling class) has not come about without a high cost to the traditional sector. Each post-independent ruling regime realigned itself more closely with the Pretoria government to ensure its economic dividends. However, the alliances with South Africa's apartheid regime were increasingly formed at the expense of the civil community (predominantly the traditional sector) in Lesotho. As a result, the times of strong alliances with South Africa, such as in the late 1980s, early 1990s, and late 1990s, coincide with the isolation of the ruling class from the

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<sup>7</sup> Chapter six will pick up on this point under the analysis of the institutional structure surrounding international labour migration between Lesotho and South Africa.

civil society. The episodes of isolation of the ruling class from the civil society usually translate into periods of extreme violence in Lesotho. Moreover, during these periods of violence, the ruling class continues to struggle to establish new channels of self-wealth, increasingly under the maintenance of weak constitutions (Gill, 1993; Akulu, 1995; Mopheme, 2000). It is no coincidence that Lesotho's democratic transition took place just two years in advance of South Africa's democratic transition, or that riots broke out in 1998, two years after the extension of the permanent residence status to Basotho miners by South African officials. Thus, through interaction with Christianity and its capitalist ideology, and mine labour work in South Africa, the traditional sector in Lesotho became commodified and altered. Although it remained distinct from a capitalist society, it nevertheless was transformed from its pre-colonial existence. The theoretical basis of this observation is discussed in Chapter 3.

### **2. 3. 3. Rural development**

Rural development schemes entail building the legal, political, economical and social framework within which agricultural production and activities would thrive and grow. This generally involves the setting up of local governing bodies in the form of cooperatives, associations, societies and community networks, that would address specific concerns and matters related to the activities of agricultural production. The local representation is also supposed to address general rural lifestyle interests, such as the rights to a piece of land, etc. Land tenure, a complex affair in the country, remains held by the King via the local chiefs. The right to utilize arable land is normally awarded by the King or the chiefs on behalf of the King, to the male heads of households (Cobbe, 1982; Sechaba Consultants, 1995). This implies that land is thus a communal property in Lesotho, handed over via the patrilineal heritage. Women cannot own land (Gordon, 1981; Riley, 1989; Matlosa and Pule, 2000). Under the Land act of 1979, powers of land allocation became accorded in land committees who supervised the transfer of leasehold and thus, prevented further subdivision of land that was already fragmented into separate fields.

Nonetheless, this approach to rural development has not produced the desired outcomes. This is largely because of the duality of the rural economy in Lesotho, whereby on the one hand there is the traditional chieftainship economy with its unique political order, and on the other hand there is the modern economy (cooperative societies, etc.) under the representation of the government district appointments<sup>8</sup>. Additionally, the dependency of the Lesotho economy on foreign financial assistance for its development process, has led to foreign factors dictating the development path for the country, particularly in establishing the “correct” bureaucracy and related institutions to support the “correct” path of bottom-up development. As a result, rural development policy in Lesotho remains a “confused mish-mash of inadequately funded “top-down” and “bottom-up” projects” (Wellings, 1985: 145). This poses a challenge also to the current situation of unemployment and retrenchment of miners. One can argue that the current economic situation of Lesotho is itself a result of the poor representation of the rural population at the district level by the decentralization system adapted at independence. There is a tendency by national development institutions to criticize returning miners of having a lack of interest in self-help, self-reliance and self-determination schemes, such as the miners’ cooperatives, or self-employment ventures (The Gold Crisis Team, 2000). However, the poor organization of local representation largely contributes to the collapse and general failure of such schemes, both directly (by impacting negatively on the non-civil members) and indirectly (by not having sufficient qualification follow-up of the

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<sup>8</sup> The origins of the land tenure system can be traced back to the traditional chieftainship pyramidal structure in Lesotho. Under this system, there was no separate authority for policy formulation or for administration and justice. All governmental functions were performed by the chieftainship. Nevertheless, policy formulation was opened to extensive public participation within the *pitso* (public meetings). Further, chiefs had advisory councils, whose outcomes were evaluated in a *pitso*. *Pitsos* also took place at different levels. The chiefs acted as the top organizers to these public meetings (van de Geer and Wallis, 1982). During the colonial era, chiefs became more separated in the strategies they adopted in conflict. After the colonial era, the tasks of chiefs shifted from being largely connected with warfare to becoming more binding in the administration of land and justice. In addition, the structure of governance transformed from the previously responsive pyramidal to an authoritarian, hierarchical formation (Cobbe, 1982; van de Geer and Wallis, 1982). During the colonial era, Lesotho was governed under a parallel system. In this system, the colonial powers were in charge of law and order and the collection of tax in the country, while the chieftainship remained responsible for the land tenure system. In 1966 Lesotho adopted the system of devolution that applied local governance decentralization by geographical locations. In 1968 local governance was abolished and the system of devolution became replaced by the system of deconcentration. This process involves a bureaucratic decentralization in which elected districts acted as central government in their functions and power distribution. (Cobbe, 1982; van de Geer and Wallis, 1982). The current system of governance in the country is modelled on the above order.

work). Thus, pressures emanating from the traditional sector involved the partial commodification of the traditional production system that resulted in the collapse of the traditional production and emergence of the Third World sector.

#### **2. 4. The external sector**

Lesotho's economy is significantly dependent on external factors for its development. International foreign institutions (IFIs) contribute significantly to the modernization process in Lesotho. The largest external contributor to Lesotho's development, however, is South Africa. The external sector in Lesotho is comprised of the Southern Africa Customs Union (SACU) (discussed earlier), and the mining sector of South Africa. At this juncture the chapter will now turn to the discussion of the importance of South Africa's mining industry in shaping Lesotho's economic development.

The 1960s marked the peak of gold production in the mining industry (Bell et al, 1999: 6). According to Bell et al (1999), industrial diversification, particularly in non-mineral production was extensively pursued by the end of the 1960s. There was a considerable shift away from consumer non-durables, and an overall diversification of manufactured exports, particularly the downstream manufacturing sectors (motor industry, transportation equipment sectors, electrical machinery, etc). In 1972, the world price of gold increased dramatically, from approximately US\$35 an ounce in 1970 to US\$52 an ounce in 1972 (Bell et al, 1999: 7). This marked the beginning of the gold price boom in the mining production. The price of gold continued to rise dramatically throughout the 1970s (despite the overall growth decline in the manufactured production in the mid-1970s) until 1980, when the price was at a peak of US\$613 per ounce. From then onwards the gold price began to fall, with US\$376 per ounce recorded for 1982. This marked the end of the gold price boom in the mining industry (Bell et al, 1999: 8). The effect of the "gold boom" in South Africa was the reversal of industrial diversification and the re-adoption of gold as the principle export product (Central Bank of Lesotho, 1991). The gold boom growth period lasted up to 1986. Instead of the mining sector having been gradually shedding jobs after reaching its peak production point in the early

1960s, the mining industry (and other natural resource base industries) began to dramatically increase the number of workers in the 1970s and early 1980s, leading to the eventual adjustment being much sharper.

The end of the gold boom growth resulted in the decline in mine employment. Employees recruited during the gold boom period were of low-skill, as mostly surface gold was extracted and exported. The mining sector was being sustained not by increases in the volume of gold production but by the increase in the relative price of gold (Bell et al, 1999). The employment of mine workers echoed this artificial sustenance of mining production.

Since 1986, gold prices in the world have been on the decline and the mining industry has returned to its natural path of development. The artificial maintenance of growth by natural resources in South Africa began to disappear. This produced the drastic decline in mine labour observed between 1986 and 1998.

Black workers in the gold mines by nationality

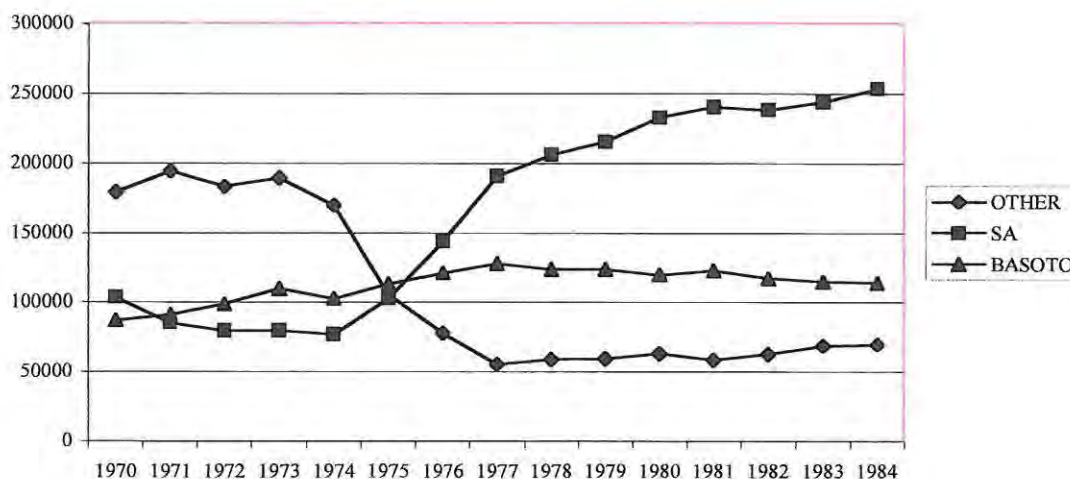


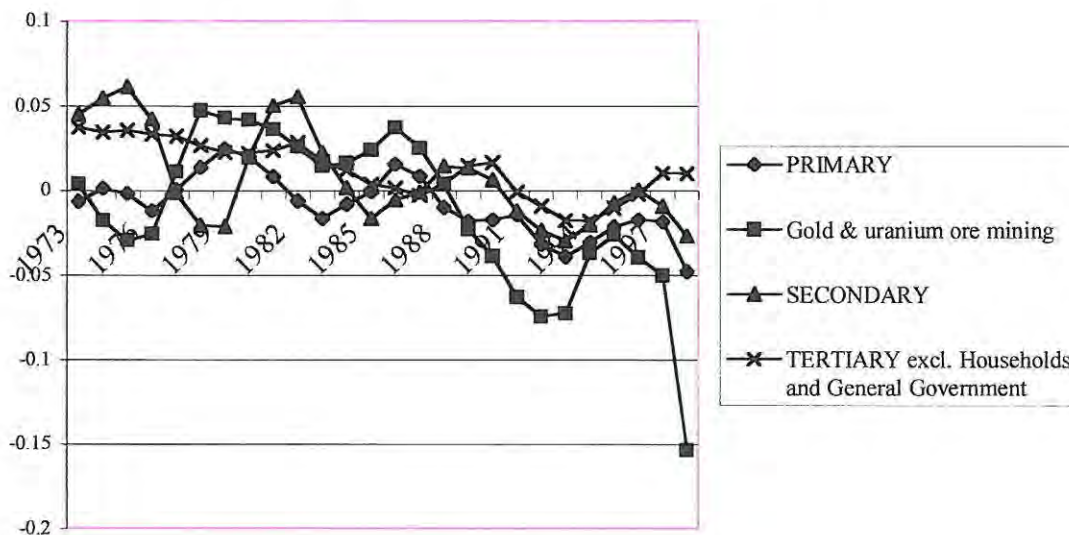
Figure 2.2

Source: Own calculations based on data from Matlosa, 1995: 17; The Gold Crisis Team, 2000: 5.

Figure 2.2 shows the rise and fall in the employment of Africa workers in the gold mines in South Africa between 1970 and 1984. The gold mine employment data is used here to

represent the overall trend in employment in the mining industry. This is because, according to Bell et al (1999) other mining sectors, such as uranium, coal, diamonds, etc, to a great extent, came to mirror the developments in the gold sector since the gold boom period. The rise in African labour employment indicates the total increase in mine labour during the gold boom period. According to figure 2.2, the rise in Basotho employment over the course of the boom period was not as dramatic as the rise in the employment of the other African labour. Similarly, the decline in the employment of Basotho workers in the mining industry appears to be more gradual than the decline in the employment of other African workers in the mining industry. This implies that the employment of Basotho workers is not only based on economic trends *per se* in the mining industry. The suggestion here is that other factors other than economic trends in the mining sector were contributing to the employment of Basotho workers in the mining industry. As we shall see later in chapter six, the decision to employ Basotho workers in South Africa was greatly influenced by pre-colonial and colonial political arrangements between the ruling class in Lesotho and the South African officials.

**Employment growth rates: modern sector SA, 1973 - 1998**



**Figure 2.3**

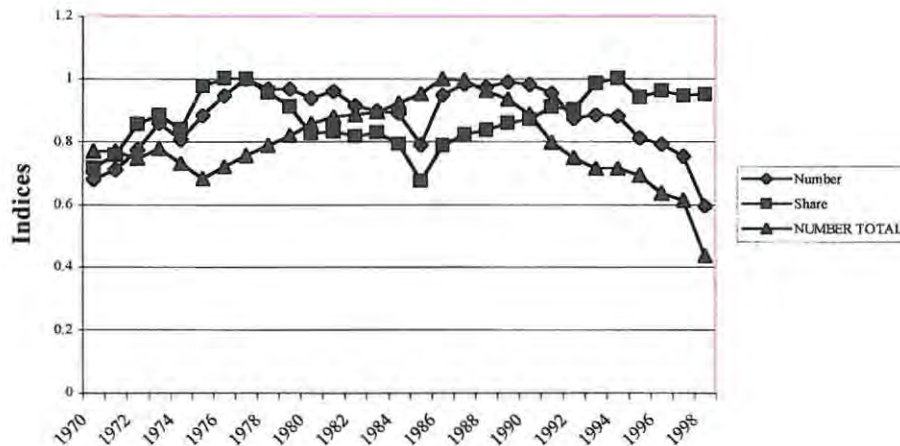
Note: Data is presented as shares of total growth.  
 Source: Own calculations based on data from Bell et al, 1999.

Figure 2.3 shows the growth in modern sector employment in South Africa, between 1970 and 1998. The data for mining sector employment (shown by the gold and uranium data) indicates a decrease of up to 60 percent of total mine labour between 1986 and 1998. The sudden decline in labour employment in the mining industry has been accompanied by less dramatic but sustained employment stagnation in the other sectors in South Africa. The gold boom had arrested the process of industrial diversification, which inhibited prospects of further modern sector diversification into tertiary and non-mineral base manufacturing in South Africa. Since 1986, these sectors have become stagnant in growth as their artificial sustenance by the mining sector began its decline. Employment prospects in these sectors echoed their growth prospects and have remained largely stagnant (for example, see the employment trend in the secondary sector on figure 2.3 above).

The gold price boom thus created a Dutch disease situation in South Africa, which inhibited the development of non-mineral manufacturing and tertiary sector industrialization. Once the boom period ended in 1986, there was no other sector to pick up on the growth in industrialization and the labour force that was being shed by the mining sector. Hence, the high unemployment and stagnant growth in South Africa between 1986 and 1998 (see Bell et al, 1999) are an indication of the Dutch disease phenomenon of earlier industrialization efforts.

To a large extent the industrialization experience of South Africa has been mirrored by the regional economies. The story of modern sector development in Lesotho is no exception. In the 1960s, Lesotho was attempting industrial diversification into modern sector agricultural export (wool production) and into low-grade manufacturing (import-substitution) of textile and clothing (Bureau of Statistics, 1990; Ministry of Economic Planning, 1997b). The gold boom of the 1970s led to a dramatic increase in the number of Basotho migrant mineworkers.

**BASOTO EMPLOYMENT IN THE SOUTH AFRICAN MINES: TOTAL AND AS A SHARE OF TOTAL**



**Figure 2.4**

Note: a) Data on Basotho employed is presented as absolute numbers and as share of total mine employment.

b) Indices: 1997 = 1 for number and share of total employment; 1986 = 1 for total employment (number). The reason for the use of different bases is that the series peaked at different times.

Source: Own calculations based on data from Matlosa, 1995: 17; The Gold Crisis Team, 2000: 5; Bell et al, 1999.

Figure 2.4 displays the absolute number of Basotho migrant mineworkers in South Africa between 1970 and 1998. The data indicates a gradual decline in the numbers of Basotho migrant mineworkers. This trend mirrors the general trend in the decline mine labour in the mining industry since 1986 (displayed in figure 2.3 above). According to figure 2.4, the decline of Basotho mineworkers follows a similar trend to the retrenchment of South African mineworkers. That the mines did not retrench foreign labour first supports the earlier analysis that Basotho migrant labour employment in the mining industry was based on factors other than pure economic requirements. Indeed, the share of Basotho mineworkers seems to have *increased* in the retrenchment period since 1986.

The increase in migrant mineworker employment set back the industrialization process in the Lesotho, primarily because it eroded on the manpower availability in the country, but more importantly, the gold boom changed the policy direction from import-substitution

growth to remittance-reliant welfare generation. In the early 1980s, Lesotho experienced its first unemployment crisis (Central Bank, 1991). According to the Lesotho officials, this crisis was linked to the mining sector wages increases and eventual worker reduction (see for example, Central Bank, 1991; Hollingsworth, 1984). Nevertheless, the employment crisis in Lesotho was rectified after political developments in South Africa, concerning the stabilization and internalisation policies, had settled. Moreover, during this period, Malawi had also recently reduced the number of workers in the mines, so too had Zimbabwe, which led to the greater demand of Basotho migrant mineworkers in South African mines. Thus, the problem of unemployment was temporarily resolved.

In 1986 Lesotho experienced its second unemployment crisis. Once more the Lesotho officials attributed the crisis to the mines shedding mineworkers (Central Bank of Lesotho, 1991). As we have seen, the decrease of Basotho mineworkers since 1986 has not been as dramatic as the decrease in other workers. Political developments in Mozambique (the FRELIMO movement) in 1987 to 1989 led to a sharp decrease of Mozambican migrant mineworkers in South Africa and a greater demand for Basotho workers. Once again, the problem of unemployment was temporarily resolved for Lesotho.

Since the 1990s, the mining industry in South Africa has been pursuing the policy of increased mechanization more intensively, while at the same time implementing the stabilization and internalisation policies (Head, 1995). In 1994, following the removal of the apartheid government rule in South Africa, the migrant labour system became challenged by the new political constitution in South Africa. There was no longer any need for the mining sector to maintain the expensive system of mine labour recruitment. Migrant mineworkers were being replaced much faster by local labour, and few novices were recruited to replace them. Even less migrant workers were being recruited from the labour supplying countries (Ministry of Economic Planning, 1997b; The Gold Crisis Team, 2000). There developed a conscious move in South Africa to remove migrant workers in the mining industry (Head, 1995, 2000; Crush, 1997; Sachikonye, 1998).

1998 was a year of massive retrenchment on the mines, brought about by greater mechanization and plunging world gold prices. 21.1 percent of total Basotho migrant mineworkers employed in South African mines were retrenched. In 1999, a further 12 percent of total Basotho employed in South African mines were returned home (see figure 2.4 above). Again, Lesotho experienced its third unemployment crisis. And again, the Lesotho officials attributed this crisis to the developments in the mining industry (see for example, The Gold Crisis Team 2000).<sup>9</sup> TEBA, the recruitment institution that operated under the migrant labour system, particularly in the employment of Basotho migrant mineworkers (Bureau of Statistics, 1994), has become extremely marginalized in the decision-making of the mines (Head, 1995), as we discuss in Chapter 6. Mines can now recruit mine labour from their gates, which is a first for the industry. The free availability of labour for the mines means that, by South African labour laws, migrant labour is more expensive than local labour. Even though the mining houses are no longer responsible for the supply of cheap accommodation to migrant mineworkers, there are still responsible for their legal paper work and their health care (Crush, 1997). Thus although mines have tended to prefer Basotho workers because of their experience and discipline (as reflected in the maintained share) other considerations may begin to override this.

The recent political democratisation of South Africa suggest that preference for mine labour is likely to turn inwards at the expense of experienced Basotho migrant mineworkers. Nevertheless, it seems as if so far mine employers have been managed to downplay these political factors and continue using past migrant workers. The inability of NUM to put a halt to the classical migrant labour system is one testimony of the power of

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<sup>9</sup> The decline in the world price of gold and other minerals in the recent past has led to several of the major mines to scale down operations, reduce production and close unprofitable shafts. A recent trend among the mining houses is to abandon prospective large-scale deep-level projects and concentrate on less expensive, smaller and shallower projects (COM, 1999). These smaller mining operations typically require less than R50 million in capital investment. They also tend to produce no more than 15000 tons of ore per month, and employ fewer than 300 people (COM, 1999). Currently the move towards small-scale mining is still in the infancy stage. Nevertheless, recent studies on the industrial diversification of the mineral sector in South Africa (e.g., Head, 1995; COM, 1999) concluded that the streamlined structure of the small-scale production (which provides an avenue for higher returns on investment) and beneficiation (adding-value through addition local processing) would form the core production technique in the mining sector in the future.

the mine houses over internal political bargaining. Moreover, the recent extension of permanent residence status to older Basotho miners by the South African government is an indication of emerging migration patterns in the region. Nonetheless, increasing repatriation of Basotho mineworkers is an indication of the collapsing migrant system in the region.

Thus, Lesotho's current employment crisis appears to be occurring at a time when the migrant labour system is in decline. The story for remittances flows to Lesotho during the crisis period mirrors the employment trend above. The only difference is that remittances appear to be falling faster than total earnings and employment.

#### **2. 4. 1. Migrant mineworker remittances**

Migrant mineworker remittances (and deferred payments) are the principle supplier of foreign reserves in Lesotho. Since 1986 remittances have been steadily declining. The fall in remittances is taking place at a faster rate than the decrease in Basotho mine employment.

Remittances and deferred payments: log scale

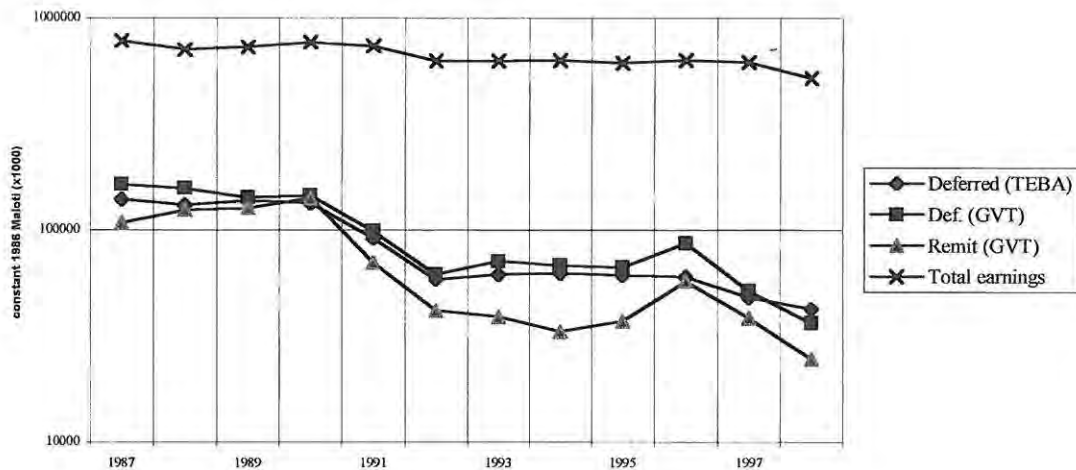


Figure 2.5

Note: The data is presented in natural logarithms so as to enable for a better comparison between the dramatic decrease in remittances (and deferred payments) and less dramatic decrease in total mine earnings.

Source: Own calculations based on data from the Gold Crisis Team, 2000: 5; TEBA, 2000.

Figure 2.5 indicates a rapid decrease in remittances and deferred payments between 1990 and 1996 compared with a less rapid decrease in total mine earnings for the same period. The statistics should be treated with caution.<sup>10</sup> In 1990, total remittances were M141 million. By 1996, remittances had fallen to M41 million. This means that remittances fell by about 29 percent during that period. In contrast, total earnings, which were M770 million in 1990, had reached M628 million in 1996. This is a drop of only about 20 percent. The story here is thus the fall in mine wages in the 1990s. Nonetheless, the suggestion here is also that the dramatic fall in remittances is probably due to other

<sup>10</sup> Estimates of the scale of remittances by Basotho are very difficult to make, not least because so little is remitted through official channels (refer to Chapter 6). Given the sudden dip in remittances in the early 1990s, it is possible that the official channels to remit were influenced by the increased political instability during that period, and the changes in the deferred pay scheme, among other things. It is likely that the official figures given above are an under-representation of the real levels of remittances that entered Lesotho between 1986 and 1998, especially given the less dramatic fall in mine employment. Nonetheless, the important point with regards to falling remittances is that even though little of the remittances inflow passes through the official banking system, they nevertheless account for huge benefits to the Basotho exchequer in terms of revenues. In addition, and more importantly, remittances represent an important inflow of private income and capital into the economy (Ministry of Economic Planning, 1997b). Their loss, coupled with the immediate impact on the labour market of the increasing repatriation, adds another serious blow to Lesotho's ailing economy.

factors than the fall in mine earnings alone. Chapter 6, which analyses the institutional structure surrounding international mine labour employment between Lesotho and South Africa will elaborate on this point. For now it is suffice to note the dramatic decrease in remittances (and the deferred payments against the less dramatic decrease in total mine earnings (which also represent decrease in mine employment). The sudden increases in the numbers of laid-off workers from the major workforce contributor to GDP and GNP, indicates investor and expenditure decreases, which suggests that the incidence of poverty is rising in Lesotho.

This implies that the employment crisis in Lesotho is in fact, a crisis of factors other than the trends in mine employment. Yet, the decline of the migrant labour system and the introduction of permanent residence status to former temporary migrant workers signify the new labour migrancy pattern that appears to influence employment creation in Lesotho.

The reintroduction of industrial diversification in South Africa since 1986 has seen the growth of the construction, tourism, leisure, and domestic work sectors that utilize flexible employment (as it is cheaper than full-time permanent labour employment, thus the low-wages in these industries are less preferable to the domestic labour force). Although (as figure 2.4 indicates) there has been little recorded employment growth, the “informal” nature of these developments may conceal some employment growth. The ILO (1996) report suggestion is that there is a lot of disguised employment in South Africa. Since 1994, much of this flexible work has been performed by migrant labour, particularly in the services, domestic work, and leisure sectors (Crush, 1997; Reintzes, 1997; Fontana, 1997). The rise in undocumented migration in South Africa, a phenomenon of the “new” division of labour, is another indication of this changing pattern of migration in the region.<sup>11</sup> To counter the possibility of attracting only low-skilled labour into its labour force, the SA government has opted for permanent residence

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<sup>11</sup> Chapters 3 and 5 elaborate on this point by distinguishing between the “classical” and “new” division of labour in the global (Chapter 3) and southern Africa (Chapter 5) labour markets.

status of immigrants as a mechanism to attract and retain the more skilled migrant pool over the less skilled (Foulo, 1996; Crush, 1997; Fontana, 1997).

This nationalistic approach to international labour migration by South Africa, however, has triggered antagonistic responses from the neighbouring labour sending countries who complain of a rise in “brain-drain” by South Africa (Sachikonye, 1998; Gay, 2000). At the same time, there is the collective movement, by the regional governments, towards establishing an integrated free market area with the free movement of capital (but not labour) in southern Africa.

The differences and diverging views regarding cross-border labour migration, on the one hand, and the desire to establish an integrated southern African free trade area, on the other, continue to dominate any discourse on the prospect of regionalisation in southern Africa (Crush, 1997; Söderbaum, 1997). Such is the current calamity of the SADC. Where does this leave Lesotho and the challenge it currently faces of finding employment for the retrenched migrant mineworkers? The answer to this difficult question must lie within the formation of its modern sector and the path of industrialization the country opted for in the 1990s. Since it has already been established that Lesotho’s development path more or less mirrors South Africa’s, there are echoes that the future of Lesotho’s employment development lies within a regional effort rather than a national struggle.

## **2. 5. Lesotho’s modern sector**

The modern sector in Lesotho consists of the primary sector (agriculture and mining), the secondary sector (manufacturing; construction; and electricity, gas and water), and the tertiary sector (wholesale and retail; private banking; and transport and telecommunications). The main sectors of growth between 1986 and 1998 have been the manufacturing, construction, and electricity and water sectors (see also figure 2.1). Although mining<sup>12</sup> and agriculture<sup>13</sup> have some potential for expansion, the main growth

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<sup>12</sup> Mining currently makes only a small contribution to GDP, mainly through artisan digging for diamonds, although there are known reserves of uranium, iron ore, lead and peat (Ministry of Economic Planning,

generators in Lesotho are the secondary sectors (see figure 2.1 above). The secondary sector is largely dominated by the manufacturing, construction, and electricity and water sectors. These three sectors have been the main engines of growth between 1988 and 1998, although the construction and electricity sector's growth has been slower in the late 1990s. The continuing expansion of the manufacturing sector is influenced by the favourable expansion of global apparel manufacturing (World Bank, 1998). Through this avenue, the manufacturing sector has recently displayed tremendous growth, albeit from a small base, making it the leading sector of Lesotho's EOI phase.

The secondary sector is thus the main focus of this section. First we consider the industrial policy surrounding manufacturing activity in Lesotho then we describe and critique the growth performance and path.

### **2. 5. 1. Industrial policy**

At the end of the ISI phase, several EOI-friendly conditions and policies were adapted to support manufacturing production. The main industrial policy revolves around the Lesotho National Development Corporation (LNDC) and donor funding.

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1997b). However, commercial mining is about to be resumed with the reopening of the Letseng-la-Terai Diamond Mine (LNDC, 2000). The De Beers group of South Africa formerly operated the Letseng-la-Terai mine between 1977 and 1982, but was unprofitable during the diamond glut in the early 1980s. The reopening is expected to create 300-400 new jobs and is expected to inject new investment into the country worth more than M260 million over the next five years (LNDC, 2000). In the late 1990s, two Canadian mining companies, Messina Diamond Corporation and Diamond Works had also been actively sampling kimberlite pipes and conducting feasibility studies in Lesotho (LNDC, 2000). Messina's project is reportedly close to commercial production. The company completed a feasibility study for an open-pit mine at Lihobong in 1998, which projected production of 700 000 carats a year over 11 years. Diamond Works has secured an option on 70 per cent of the nearby Kao pipe and is now reportedly negotiating to buy the rest of the pipe (LNDC, 2000). These new developments in mining in Lesotho are encouraging. Nevertheless, mining is unlikely to yield a sustainable growth, given, among other things, its reliance on world prices and markets.

<sup>13</sup> Commercial agriculture involves mainly wool and mohair as main agricultural exports. Other crops include wheat, sorghum, beans and sunflower oil. Severe droughts have decreased agricultural output in recent years, particularly in the early 1990s (Mochebelele and Winter-Nelson, 2000). The government is seeking to encourage cash crop production for export, but only 13 per cent of Lesotho is potentially cultivated arable land, with 60-80 per cent usable for livestock grazing (Sechaba Consultants, 1995). Livestock rearing is likely to remain the predominant activity with considerable opportunities for expanding local processing of animal hides and other products. However, population pressures are increasingly forcing settlement in marginal areas, resulting in overgrazing and severe soil erosion, which remains unchecked (Mochebelele and Winter-Nelson, 2000). Aside from migrant mine work, social and environmental pressures thus limit the potential for vibrant commercial agriculture in Lesotho.

The Lesotho National Development Corporation (LNDC) was formed in 1967 to promote a policy of export led industrial growth and commercial development at a time when local industry was non-existent (OSISA, 1999). The LNDC is the principal government agency for promoting investment, and operates as a development finance institution with a special emphasis on developing the industrial and commercial sectors (Wellings, 1985). Its main activities are the sourcing and arrangement of loan finance, and the provision of serviced sites, factories and training grants. It also provides free back-up services to investors with regard to residence and work permit applications, and assistance with all aspects of industrial relations and collective bargaining arrangements. The LNDC guarantees a range of real estate services, including fully serviced industrial plots, general purpose-built factories, customised factories, and development of commercial properties for leasing (LNDC, 2000). The main four fully serviced industrial estates with sites and factory buildings for rent are located urban areas in Thetsane (Maseru), Maputsoe (Leribe) and Ha Nyenye (Berea). All are provided with tarred roads and installed power, water, sewerage, and telecommunications facilities. The LNDC provides factory buildings in advance, in order to shorten the investment cycle and reduce start-up costs (LNDC, 2000).

In general the LNDC does not take up equity participation in developments unless requested to do so by the project promoter, or for projects regarded as desirable in the national interest, but for which no suitable private investor can be found. In these cases the LNDC will require membership of the board of directors proportionate to the size of its shareholding (Wellings, 1985; LNDC, 2000). As explained by the LNDC investor's guide, loan finance is provided by the LNDC for projects that can demonstrate long-term economic viability and on the basis of a detailed project proposal and business plan (LNDC, 2000). The duration of loans is up to ten years at a fixed annual interest rate, with negotiable arrangements for repayment of borrowings (Wellings, 1985; LNDC, 2000). The LNDC can also guarantee loan finance to its clients by other financial institutions, at a standard fee of 2 per cent annually (LNDC, 2000). Any guarantees issued by the LNDC are supported by a counter-guarantee from the central bank, under

which the latter assumes 95 per cent of the total risk associated with the guarantees issued by the LNDC (Wellings, 1985; LNDC, 2000).

Lesotho is a signatory to the convention on the settlement of investment disputes between states and is a member of the Multilateral, Investment Guarantee Agency (Lesotho Government, 1999). Furthermore, as a member of the International Monetary Fund, Lesotho has accepted the obligations of the Articles of Agreement, thereby giving confidence to the international community of its purposefulness of sound economic policies, contributing to a multilateral payments system free of restrictions (Lesotho Government, 1999). As mentioned earlier, Lesotho's central position also provides distinct advantages. For investors, Lesotho offers a highly competitive environment that is conducive to productivity. The principal markets to Lesotho are the SADC, the United States, and the European (Italy and the U.K.) markets (Wellings, 1985; LNDC, 2000).

The current investor package is provided within the LNDC structure. According to the Lesotho government and the LNDC investors' guide, the current investor package in Lesotho includes the following: a low corporate tax rate of 15 % on profits earned by manufacturing companies, with free repatriation of profits, as well as no secondary or withholding tax on dividends distributed by manufacturing companies to local or foreign shareholders. (LNDC, 2000); a comprehensive export finance facility to support exporters with working capital on concessionary terms and unimpeded access to foreign exchange; loan guarantees, with long-term loans and/or equity participation in strategic projects; general sales tax exemption on capital machinery and equipment for manufacturing industries, as well as full rebates on imported raw materials or components used solely in the processing or manufacturing of goods for the export market, thus enabling manufacturers to offer credit facilities to customers; an abundant labour force that is predominantly English speaking, literate and well motivated, with high productivity and competitive wage rates; a non-repayable skills training grant that covers up to 50% of the wage bill during the initial training period for newly established manufacturing company; availability of serviced industrial sites and purpose-built factory shells for rental at competitive rates; and declining water and electricity tariffs as a direct spin-off from the Lesotho Highlands Water Project (Lesotho Government, 1999; LNDC,

2000).

One major criticism of LNDC is that it did not promote and develop business activities to benefit indigenous entrepreneurs who were very critical of the organisation during the IS industrialization phase. LNDC received heavy initial grants and concessional loans from multiple donor organisations that diminished and eventually discontinued (Wellings, 1985; OSISA, 1999). LNDC intervened in the agricultural sector with the goal of achieving food self-sufficiency despite land degradation, declining yields, very limited technical farming skills and labour out-migration to South Africa's mines (Wellings, 1985). The government's import substitution industrialisation with subsequent export-led growth strategy was far more effective in promoting indigenous small-scale entrepreneurs. But the modern sector remained under the ownership and control of foreign investors who did not establish linkages with the weak, indigenous small and micro-enterprises sub-sector (Wellings, 1985; OSISA, 1999). Small sector enterprises in Lesotho are thus represented by a different institutional organization.

The Basotho Enterprises Development Corporation (BEDCO) was established in 1984 to support the indigenous micro and small enterprise sector (Wellings, 1985; OSISA, 1999). BEDCO's loan portfolio achieved little, and could not financially sustain itself despite significant levels of donor funding. The government eventually rescued BEDCO in the early 1990s. In 1991, BEDCO subsequently helped implement the Small Scale Industries Development Project (SSIP) that was sponsored by the UN Capital Development Fund and the government (OSISA, 1999). Projects were identified and appraised by technical assistance service organisations then financed and managed by Lesotho Bank. The objective was to make 500 MSE loans and create/sustain 1 500 jobs (OSISA, 1999). The scheme failed in its initial phase and was rescued by the government in the late 1990s (OSISA, 1999).

Given the constraints associated with BEDCO, most micro-enterprises in Lesotho increasingly rely on micro-finance schemes for their start-up funds. There are three categories of micro-finance schemes: formal government/donor, semi-formal co-

operatives and credit unions and informal self-help groups or associations (van de Geer and Wallis, 1982; OSISA, 1999). Formal micro-finance programmes receive funds from the government and donors, and are located within development finance agencies or banks and finance specific business activities. They are legally registered, require loan appraisal applications and interest rates on short to medium term loans, and are often artificially low and/or heavily subsidised (OSISA, 1999). Co-operatives and credit unions are governed by the same rules and regulations as formal institutions (van de Geer and Wallis, 1982). The Lesotho Co-operative Credit Union League (LCCUL) is an apex organization of between 70 to 80 registered credit unions. Members get loans equal to or as a multiple of their savings (OSISA, 1999). Since the late 1980s, co-operatives have suffered from negative savings activities, which increase their dependency on external funding from government and use of loan funds from revolving funds (Foulo, 1996; OSISA, 1999).

The recent “boomlet” in the manufacturing sector is directly related to the good financial and investment incentives offered by the LNDC and foreign donors (IMF, 1996). Government finance however has recently begun to decrease with deepening of EOI policy (Foulo, 1996). Compared with foreign investment performance, indigenous enterprises have been marginal throughout the period 1986 to 1998 (Foulo, 1996). Further reduction in government expenditure is likely to worsen the position of indigenous entrepreneurs, who rely on BEDCO for their start-up capital (Foulo, 1996; Ministry of Economic Planning, 1997b).

In addition to the LNDC and BEDCO policy framework, a number of NGOs with varied levels of service delivery capacity were established to promote and support the small-scale manufacturing sector. These, however, have not been very successful in attaining their goal during the period 1986 to 1998. Most of the bottlenecks encountered in these organizations are linked to poor management and lack of accountability. The most successful of these organizations is the Basotho Mineworkers Labour Co-operative Society. This society is funded by the South African National Union of Mineworkers (NUM), some mining companies, and membership fees (OSISA, 1999). It provides

management and technical training and project development services. Nevertheless, this society had not yet succeed in creating employment in Lesotho for most returning migrant mineworkers. The lack of funds and the poor follow-up of projects are the main constrains associated with the society (The Gold Crisis Team, 2000). Donor funding has thus become the engine of financial credit in Lesotho.

Both multilateral (World Bank, African Development Bank, U.S. Embassy, etc.) and bilateral donors (E.U., Irish, Danish and Canadian consulates, etc.) support the development of the modern sector in Lesotho. Most donors are involved in the financing and training of small-scale enterprises and entrepreneurs (OSISA, 1999). The World Bank is the main organization that is involved in large-scale manufacturing production. The World Bank and the Foreign Investment Advisory Service (FIAS) implemented a policy to build on Lesotho's comparative advantage in regards to manufactured export-led production in 1990 (World Bank, 1998). The policy package included a policy to improve the environment for foreign investment that was introduced in 1990 as part of the pre-conditionality, as well as two projects associated with the Industrial and Agro-industries Development Project, which was launched in 1991 and the Investment Promotion Centre (IPC) that began operating in January 1992 (World bank, 1998). The key elements of the policy and institutional development package implemented under the projects included: establishment of an active investor promotion and service institution focused on creating well-paid jobs rather than large fixed investments; limiting minimum wage increases; investment in industrial infrastructure; and reduced regulation and taxation (World Bank, 1998).

The central problem with all multilateral and bilateral donor funding in Lesotho is that all of the donor associations as well as UNDP and other UN agencies funding micro-finance projects function without co-ordination and shared programme linkages that results in overlap (OSISA, 1999).

The overall implication with the industrial policy in Lesotho is that the current industrial policy so far has tended to favour foreign investment over indigenous micro-enterprises.

This suggests weak backward linkages between foreign and local entrepreneurs. The implication then is that it is probable that little technological transfers takes place in Lesotho under the current industrial policy. How has the growth performance been like? In order to get a full understanding of the modern sector development in Lesotho, it is imperative that we next examine the growth performance of EPZ industrialisation.

### **2. 5. 2. EPZ growth performance**

Although small, the manufacturing sector represented about 18 percent of gross domestic product (GDP) in 1998 (World Bank, 1998). According to the World Bank group, during the past decade, the manufacturing sector in Lesotho increased 14-fold, an exceptional achievement by African standards (World Bank, 1998). This growth was due largely to an export boom of ready-made garments and footwear fuelled by foreign investors coming principally from the Republic of South Africa, Europe, Hong Kong, Singapore and Taiwan, mostly in joint ventures with the Lesotho National Development Corporation (LNDC, 2000). Between 1985 and 1994, Lesotho's exports of light, labour-intensive products rose from less than \$6 million to \$123 million (see table 2.1). From 1985 to 1990, they rose from 25 to 55 percent of total exports, surging to more than 80 percent in 1992–94 and to 85 percent in 1998 (World bank, 1998).

In 1993, Lesotho's garment exports stood at \$106 million, while those of the Southern African Customs Union (SACU), excluding Lesotho, stood at \$50 million. Zimbabwe's stood at \$42 million, and Kenya's, at \$9 million. In 1996, Lesotho's exports of clothing stood at about \$154 million, making Lesotho the largest exporter of ready-made garments in Africa south of the Sahara (World Bank, 1998). Employment in these establishments ranges between 200 and 2 000 local workers. Overall employment in the manufacturing sector has increased from 12 000 in 1990 to over 18 000 by the late 1990s (LNDC, 2000). A central attraction is the country's highly literate, English-speaking workforce, which has a record of high productivity and competitive wage rates by world standards; according to the World Bank group, these wage rates are considerably lower than those of South Africa (World Bank, 1998).

**Table 2.3**

**Manufactured Exports in Lesotho, 1985–94**

*(Millions of current U.S. dollars unless otherwise noted)*

Year	Manufactured exports	Light manufactures		As a percentage of total imports	
		Clothing and footwear	Electronics and equipment	Clothing and footwear	Clothing, footwear, electronics, and equipment
1985	8.2	5.6	0.4	1.7	1.9
1990	43.2	35.0	0.6	5.2	5.3
1991	53.3	46.7	1.9	5.8	6.0
1992	93.6	77.3	12.3	8.3	9.6
1993	118.3	106.3	7.8	12.2	13.1
1994	126.4	103.2	19.7	12.7	15.2

Source: World Bank, 1998.

Clearly the manufacturing performance has been impressive. Nonetheless, it is suggestive that the “footloose” nature of the foreign investment is unlikely to yield long-term growth with a sustainable development in Lesotho. Moreover, most of the footloose capital is contained in industrial sites that require *a priori* massive physical infrastructure investment by the Lesotho government. In terms of overall modern sector performance, it is probable that the remittances, manufacturing boom, and the Lesotho Highlands Water Project (LHWP) contributed to the expansion of the construction and electricity sectors. The suggestive pattern of modern sector development is that of “footloose” EPZ

industrialisation on the one hand and non-tradable, service-oriented production on the other hand. This implies a likely Dutch disease development, particularly given the small size of EPZ employment. Like other old ISI countries (Chapter 4), EOI in Lesotho does not seem to go very deep. It suggests an enclave that has little effect on the Third World sector. Even in terms of industrial relations, the policy tends to favour employers by maintaining weak labour laws and union organisation. This is as expected, given the goal of maintaining a friendly EOI investment environment.

### **2. 5. 3. Industrial relations and exploitation**

Overall, industrial relations are good, with basic minimum wage rates fixed annually and subject to review in accordance with prevailing macroeconomic trends by a Statutory Wages Advisory Board, a tripartite body of employers, employee representatives and the government (IFC, 2000).

In terms of worker's rights, under the law, workers have the right to join or form unions without prior government authorization, with the exception of civil servants. The Labour Code prohibits civil servants from joining unions. The Government regards all work by civil servants as essential. In a 1997 judgement by the High Court concerning a petition filed by the Lesotho Union of Public Servants (LUPE) against the registrar of law, the Chief Justice dismissed the LUPE's application to form a union on the grounds that it was not consistent with the Labour Code. The LUPE filed an appeal with the Appeals Court, but it had not been heard by the year's end (U.S. Department of State, 2000). Under the 1993 Labour Code, prepared with the assistance of the International Labour Organization (ILO), all trade union federations require government registration (U.S. Department of State, 2000).

In terms of general labour organisation, there are two small trade union federations that rarely cooperate with one another: the Lesotho Trade Union Congress and the Lesotho Federation of Democratic Unions. Unions are not affiliated formally or tied to the same political parties (U.S. Department of State, 2000).

The labour movement is represented by three different federations, which have links with different political parties, the most representative being the Congress of Lesotho Trade Unions (COLETU). Although efforts have been made in the past to form a common understanding among the unions, not much has been achieved (ILO, 2000). The fragmentation has weakened the unions, and forced the government to intervene in labour disputes in the absence of agreements between labour and business. The employers' organisation, Association of Lesotho Employers (ALE), also has only a limited capacity to effectively deal with labour relations issues. All these have had a negative impact on the National Advisory Committee on Labour, which is alleged to address only a limited scope of issues, with low-level officials representing the government (ILO, 2000).

There are also several small unions in the public and industrial sectors, but there is no unified trade union congress. There are cases of unions competitively organizing small numbers of workers in the same sector (U.S. Department of State, 2000). Overall, unionised workers represent only about 10 percent of the work force (U.S. Department of State, 2000). Consequently, efforts toward collective bargaining and tripartite policymaking are not amenable to strong trade union influences. Permanent rifts within the labour movement and the weak institutional capacities of government and business threaten to spoil the categorical industrial relations (U.S. Department of State, 2000).

Moreover, no legally authorized strike has occurred since independence in 1966 (Wellings, 1985; LNDC, 2000). Civil servants generally are not allowed to strike, and all public sector industrial actions are, by definition, unauthorized. In the private sector, the Labour Code requires an escalating series of procedures to be followed by workers and employers before strike action is authorized. In past years, some small unions and their members have undertaken wildcat strikes or spontaneous industrial actions without following the procedures for dispute resolution. In February 1998 it is reported that a wildcat strike took place in the textile sector. Legal protection for strikers against retribution has not always been enforced in cases of illegal strikes (U.S. Department of State, 2000).

Security forces violently suppressed some wildcat strikes in the textile, garment, and construction industries in 1994, 1996, and 1998 (U.S. Department of State, 2000). In February 1998, police fired shotguns into a group of workers protesting at a textile plant for better wages and conditions of work, killing 2 workers and injuring more than 20. Two police officers were arrested and held briefly for the shooting; however, they were released when no one came forward to lodge a formal complaint. Both officers were transferred from the capital to rural districts (U.S. Department of State, 2000).

All legally recognized trade unions in principle enjoy the right to organize and bargain collectively; however, in practice the authorities often restrict these rights (U.S. Department of State, 2000). Employers usually are not cooperative in this area. Employees often are threatened with expulsion and loss of employment if they join unions. There is credible evidence that some employers in the textile and garment sector engage in the use of blacklists to deny employment to workers who have been fired by another employer within that sector. In 1998, there were reports that some employers harassed union organizers. Although there was some collective bargaining between unions and employers to set wage and benefit rates, employers generally continued to set wage rates through unilateral action (U.S. Department of State, 2000).

Furthermore, in theory, all national labour laws apply in the industrial zones; however, in practice, employers in the zones do not always respect these rights. Employers reportedly harass and intimidate union organizers, and prevent them from entering the zones (U.S. Department of State, 2000). There were reports that union activists often were fired, particularly in the early late 1980s and early 1990s (U.S. Department of State, 2000). There were also reports that many companies in the zones paid below minimum wage, enforce long hours, locked in workers until orders were finished, refused payment for sick leave, and deducted wages when employees were found talking or taking more than one break a day (U.S. Department of State, 2000).

The legal minimum age for employment in commercial or industrial enterprises is 14 (Bureau of Statistics, 1996a). However, reportedly children under 14 are employed in the textile and garment sector and in family-owned businesses (ILO, 2000). According to a

1994 study by a foreign government, as much as 15 percent of the textile work force of some 15 000 persons may be children between the ages of 12 and 15 (U.S. Department of State, 2000). The Ministry of Labour and Employment denies the validity of this report (U.S. Department of State, 2000). The ILO was not able to confirm allegations of illegal child labour after visiting all 14 of the country's garment producers in 1994 in response to a complaint by trade unions in the textile and clothing industry (U.S. Department of State, 2000).

There are statutory prohibitions against the employment of minors in commercial, industrial, or non-family enterprises involving hazardous or dangerous working conditions, but enforcement is very lax. The Ministry of Labour and Employment's Inspectorate, for example, is severely understaffed (U.S. Department of State, 2000). Youths under 18 years of age may not be recruited for employment outside of the country. In traditional society, rigorous and occasionally dangerous working conditions for the country's young livestock herd boys were considered a prerequisite to manhood, essential to the livelihood of families, and a fundamental feature of local culture beyond the reach of labour laws. The government specifically prohibits forced and "bonded" labour by children, and there were no reports that it occurred (U.S. Department of State, 2000). Nevertheless, it is still suggested that "unbonded" labour, especially related to herding and EPZ manufacturing frequently goes unchecked.

It is thus not surprising that manufacturing production has achieved such a spectacular performance in Lesotho. Considering the fact that most manufacturing production is foreign and footloose, one has to enquire as to the sustainability of this development path. Here, chapter turns to critique the development implications of EOI. First, we will discuss wages and conditions of work. Second, we analyse the modern sector labour profile. By examining the overall employment pattern in the country, and determine whether Lesotho's current growth path is sustainable or not.



#### **2. 5. 4. Critique of EOI growth path**

Wages in Lesotho are generally low. The monthly minimum wage for unskilled labour is M320 (US\$68), and M616 (US\$131) for a heavy vehicle operator (U.S. Department of State, 2000). Minimum wages for workers in lower skilled jobs are insufficient to ensure a decent standard of living for a worker and family. Most wage earners supplement their income through subsistence agriculture or remittances from relatives employed in South Africa. Many private employers pay more than minimum wages in an effort to attract and retain motivated employees. However, there is also reason to believe that some employers, especially in export sectors, treat the minimum wage as a maximum wage (Wellings, 1985; Sechaba Consultants, 1995; U.S. Department of State, 2000). This situation is made possible by the high levels of unemployment and underemployment, which provide a large pool of surplus unskilled labour that bids down wage rates and threatens job security for workers who make demands for better wages and conditions of work (U.S. Department of State, 2000).

In theory, the Labour Code spells out basic worker rights, including a maximum 45-hour workweek, a weekly rest period of at least 24 hours, 12 days of paid leave per year, and paid public holidays (LNDC, 2000). However, in practice, and a point that cannot be emphasized enough, employers do not always respect these rights. As mentioned before, there are reports of employers locking in workers until an order is finished without overtime pay and of employers refusing sick leave (U.S. Department of State, 2000). Workers generally are unable to obtain an expeditious hearing in court on their complaints. The labour court has a large backlog of industrial dispute cases on the docket; there is only one labour judge to deal with cases filed as early as 1995 (U.S. Department of State, 2000).

In theory, the Labour Code requires employers to provide adequate light, ventilation, and sanitary facilities for employees and to install and maintain machinery in a manner designed to minimize the risk of injury (LNDC, 2000). However, in practice, employers generally follow these regulations only within the wage economy in urban areas, and the Ministry of Labour and Employment enforces the regulations haphazardly (U.S.

Department of State, 2000). The Labour Code does not explicitly protect the right of workers to remove themselves from hazardous situations without prejudice to employment. However, the Labour Code's sections on safety in the workplace and dismissal imply that dismissal in such circumstances would be illegal (U.S. Department of State, 2000). Thus, generally, workers in the modern sector have little protection. This is not surprising, given the fact that the main type of manufacturing is "footloose" EPZ production and service-oriented, non-tradable, foreign-funded production. Nevertheless, although wages in the EPZ are one of the lowest in the country (table 2.5), they are not that much worse-off than wages in other sectors of the urban labour market. This is because the overall modern sector labour profile is segmented, with a large proportion of workers existing outside the formal protected labour force.<sup>14</sup> The employment analysis below elaborates on this point.

The employment explanation in Lesotho specifies that on average, in the 1980s, women and male workers faced different employment opportunities. In general, male workers faced better chances of finding employment compared to female workers. Male workers could be employed within Lesotho or in the mining sector of South Africa. On the other hand, female workers only had the option of finding employment within Lesotho. However, given the general small size of formal employment in the country, many women were not active in the labour force. The story for 1997 suggests that there are "new" job opportunities related to the EPZ production in Lesotho and the services sector in South Africa that require the greater use of female labour (refer to chapter 5 as well). However, generally male workers still face a better labour market in southern Africa compared to female workers.

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<sup>14</sup> The urban labour market is divided into the protected wage earners (professionals) in the modern sector and unprotected wage earners outside the modern sector. Currently, the modern sector contains a minority of wage earners (4.1 percent of total labour force) in the public formal sector (especially in the service sector), and a tiny private formal sector entrepreneurship (involved in LNDC industries, the LHWP, and in telecommunications) (Ministry of Labour and Employment, 1997b).

**Table 2.4**  
**Number of persons in activity by gender, 1997**

Type of activity	Male	Female	Total
Any emp (SA and L)	357200	207900	565100
of which			
Emp in SA mining	72700	800	73500
Emp in SA (other)	23300	16400	39700
Emp in Lesotho	261200	190700	451900
of which			
Ag and assoc.	124800	73800	198600
Emp outside ag	136400	116900	253300
Grand total pop	711100	765900	1478000
Grand total pop less HSSR <sup>1</sup>	500900	430100	931000
Unemployed, etc	143700	222200	365900
U/(G-HSSR) <sup>2</sup>	28.69%	51.66%	39.30%

Note: HSSR denotes population at home, in school, sick and retired (i.e., roughly, economically inactive). U/(G-HSSR) denotes the unemployed population divided by the difference from the grand total population and the economically inactive population (i.e., roughly, economically active population).

Source: Own calculations based on data from Ministry of Labour and Employment, 1998c: 41

Table 2.4 above indicates that the population not home, in school, sick, or retired (Grand pop. less HSSR) in Lesotho in 1997 was 62 percent of total population. However, only 48 percent were employed in Lesotho, while 39 percent were officially recorded as unemployed. This leaves a further 12 percent of the population that was neither counted as officially employed or unemployed, or at home, in school, sick and retired. This makes the story of employment and unemployment in Lesotho not very clear, in the sense that there is a significant percentage of the population that should be economically active that is not either employed or unemployed or at home, sick, in school or retired. According to tables 2.4 above, the most significant type of employment in Lesotho is still mine employment in South Africa, although this sector is also beginning to shed significant numbers of Basotho workers. Table 2.4 above also reports that females seem to dominate the current pool of unemployed labour force in Lesotho. This is not surprising given the fact that modern sector employment (table 2.5 below), which is dominated by young female labour force, is still a relatively new development in the country.

Employment opportunities in the modern sector in the 1990s indicate that the main employment opportunity is the textile and clothing industry. According to table 2.5

below, the textile and clothing industry employed approximately 5353 workers by 1999. Most of these were reported as young, single, semi-educated women workers (Lesotho Government, 1999; U.S. Department of State, 2000).

Table 2.5 indicates that food and beverage, clothing and textile, and construction are the top employment sectors in the modern sector. These sectors also tend to employ mostly female workers. The wage level in textile and clothing, the largest formal private sector employer, in contrast, reports the lowest wage earnings for its employees. This suggests that in general female employees in the modern sector production in Lesotho tend to receive low incomes.

Although food and beverages is one of the main private sector employers in Lesotho, its production performance (under primary sector production) since the late 1980s has been largely stagnant (refer to section 2.5.1 above). On the other hand, although the secondary sector seems to have mushroomed rapidly between 1986 and 1998, the employment generation in this sector continues to lag behind the increase in domestic labour force participation. This implies that new entrants to the labour force are unable to find positions in the modern sector. Consequently, the rate of unemployment in Lesotho has also increased significantly with the increase in secondary sector production (refer to Chapter 5). Population pressures and lack of industrial diversification contribute to this phenomenon. Rural areas and the external sector are shedding workers due to the poor primary sector productivity, and the modern sector (located in the urban areas) is unable to absorb the rapidly growing pool of new entrants into the labour force, and retrenched workers. The result of this is a push migration and the rise in hidden and open unemployment in Lesotho (refer to Chapter 5).

According to Tsietsi (1996b: 86), the rate of urban growth in Lesotho has increased from 1.8 percent growth rate between 1976 and 1986 to 6.6 percent growth rate between 1986 and 1996. The high rate of urban growth and the inability of the modern sector to generate jobs have two implications for the urban labour market. Firstly, the high urban growth rate and the stagnant job availability in the modern sector indicate that there is no

**Table 2.5**  
**Companies supported by LNDC, 2000**

PRODUCT	COMPANY ORIGIN	MARKET	EMPLOYMENT	NO. OF ESTABLISHMENTS	EMP/TOT	AV. WAGE	FEMALE EMP SHARE
<b>Clothing</b>	Total	Total	16220	22	77%	90%	5741
<b>Clothing</b>	Taiwan	Exclusively USA	13443	13	64%		
<b>Clothing</b>	6 SACU + 2 SE Asia	SADC	2577	8	12%		
<b>Footwear</b>	RSA	Exclusively Lesotho except Lesotho/RSA	2970	2	14%	N/A	N/A
<b>Food and agro-industry</b>	Various		1064	6	5%	19435	24%
<b>Other</b>			735	10	4%		
<b>Total</b>			20989	40	100%	885	80%

Note: a) the last two columns are fro 1998.

b) it is not clear from either source whether the data represents the whole population of Lesotho secondary industries. The total figure in the table (20989) is low, given that the Ministry of Labour and Employment (1998c: 41) reports over 253 300 people working outside agriculture in Lesotho. However, both sources indicate that the sector is female dominated.

Source: Own calculations from LNDC (2000), except last two columns (own calculations from Bureau of Statistics, 1999).

contingent increase in formal sector employment. Secondly, the high rate of urban growth and the lack of jobs in the modern sector imply that there is a third sector operating in the urban areas, which absorbs the urban growth.

In addition, the pool of urban unemployment and underemployment include a significant section of the semi-educated young persons (Ministry of Labour and Employment, 1998a, 1998b). The implication here is that Lesotho is currently suffering from the problem of youth unemployment.

Given the fact that the traditional and external sectors are currently shedding labour, and the inability of the modern sector to absorb this labour, most of the labour force in Lesotho is situated in a third sector, which is characterised by low wages and informal trading. The urban Third World (or informal sector) is largely dominated by educated youth (Ministry of Labour and Employment, 1998c). Moreover, employment opportunities for the young, uneducated population are severely restricted. Wealthier families have more children in school, and children who attend school longer than poorer families. They are thus more likely to reproduce the next generation of the modern sector employed labour force. Such a trend implies a vicious cycle in employment prospects of the youth in which poverty breeds the inability to attend school which guarantees poverty in-breeding in the next generation by making it difficult for disadvantaged people to find employment. Young people are currently classified as the “victims of migration” (Ministry of Labour and Employment, 1998c: vi). This is because essentially, it has been the elders who have found jobs and done well in the modern sector in Lesotho. A large proportion of the youth are neither employed nor educated. The rate of formal employment among the youth is much lower than that of adults of over 25 years of age. Urban areas tend to record high underemployment and low unemployment (Sechaba Consultants, 1994; Bureau of Statistics, 1996b; Foulo, 1996). This suggests that the current rural-urban migration in Lesotho is highly related to the urban Third World sector development.

Economic activities in the urban Third World sector usually involve production (and trade) for consumption purposes rather than for export (Sechaba Consultants, 1995; Ministry of Labour and Employment, 1998c). This sector is thus characterised by survivalist economic activities, and *does not largely differ from the traditional sector*. This also suggests that the urban modern sector in Lesotho is currently developing into the source of external migration.

The development and expansion of the urban Third World sector is not unique to Lesotho. The urban Third World sector<sup>15</sup> will be analysed in greater lengths in chapter 5. Suffice it to point out here that the large expansion of the urban Third World sector in the last twenty years in Lesotho and the southern African region is turning the development process in the region into an informal urban areas development, associated with the formation of urban slums.<sup>16</sup> This is because the Third World sector tends to be highly porous and easily diffuses across national borders, especially in a circulatory manner. The economic implication here is that the urban sectors in southern Africa are increasingly developing into urban slums associated with possible circular external migration.

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<sup>15</sup> There is generally no one definition of the urban Third World or informal sector in the development literature. Many studies categorise it as the urban in which productivity and wages are low, there are no value-added practises, and there are few or no barriers to entry due to a lack of education (Berry and Sabot, 1978; Cole and Sanders, 1985; Gindling, 1991; Cohen and House, 1996; Todaro, 1997). In this thesis, the informal sector is defined as the urban sector with low productivity and medium human capital, no value-adding practises, in which a pool of the labour force that is neither officially employed or unemployed or economically inactive is situated. Economically active population is here defined as the population that is 10 years and over that is either employed or unemployed. By economically inactive population we are referring here to the population 10 yrs and over that is neither either in school, at home, retired/ disabled or other. The specific categories given by official national records in Lesotho, for the economically inactive population are student, homemaker/ housewife, retired/disabled, and other (e.g., Bureau of Statistics, 1982, 1990, 1996a, 1996b; Ministry of Labour and Employment, 1998b, 1998c).

<sup>16</sup> The rapidly expanding Third World sector in Lesotho suggests that the current urban economy in Lesotho is becoming informalised, particularly in monetary terms. This point also implies that wages are declining in the urban sector. For a detailed reading on the informalisation of urban economies in developing countries, refer to Jamal (1995).

## **2. 6. Conclusion**

In 2000 the Central Bank of Lesotho declared the situation in Lesotho a “national disaster,” following the massive retrenchments of Basotho migrant mineworkers of which in 2000 alone was a further 15 percent of the total foreign employed Basotho miners (Monyau, 2000: 10). Although the country currently boasts a positive balance of payments, most of the growth has not been accompanied by job creation. Sectoral industrialization in Lesotho, particularly modern sector development, remains largely stimulated by external financing.

The amount of cereal grown per capita has steadily been declining in the past 20 years. Although the manufacturing sector is currently showing increases since 1988 in terms of value-added production, the employment levels within this sector remain stagnant and low. Additionally, commercial agriculture, largely practised in rural areas where the bulk of the population is located, experienced very little growth (in terms of value-added production and employment) during the same period. The spread of wealth in the country is thus highly unequal. Rural areas have not grown wealthy to the extent of the urban areas. The result has been a growing gap between the “rich” and poor in the country.

The wealthy are disproportionately found in the urban areas, but in all areas both rural and urban, there is extreme diversity among the population. Nevertheless, even in the urban areas, there are signs of the formation of slums. All populations, whether rural or urban, require modern facilities including clean tap water, modern fuel, in-door toilets, spacious houses, and a good education. At the same time, there is a rapid rate of urbanization, particularly of the youth, that is stimulating a rapid demand for consumer goods, requiring almost every family to find a source of income. The poor may own fields and livestock, and thus live up to the old Basotho traditions, but they have little else. At the same time, Basotho migrant mineworkers have recently been granted the option to apply for permanent residence status in South Africa, thus increasing the porous nature of the rapidly forming urban slums. It is under these precarious circumstances that the Lesotho economy is liberalizing.

It is behind this background that the impact of international labour migration on the Lesotho's development is approached in subsequent chapters. Chapter 3 analyses the changing nature of international labour migration in southern Africa, using a cumulative approach to the dual labour market theory. The purpose here is to demonstrate how the theory illuminates the changes in labour migration in southern Africa, and how these changes are related to the challenge of job creation in Lesotho. Chapter 4 uses a comparative country case-study analysis to compare and contrast the Lesotho (and southern African) labour market development experience to other developing countries. This chapter also tests the *a priori* assumptions of the dual labour market theory against the labour market development experiences of the country case studies. Chapter 5 offers the empirical analysis of the thesis, particularly elaborating on the formation of urban slums in Lesotho and southern Africa. Chapter 6 examines the recent changes framing the institutional structure surrounding international mine labour migration between Lesotho and South Africa. Chapter 7 gives the summary, conclusions, and policy implications.

**Table 2.6**  
**Summary profile of government policy impact on business development in Lesotho, 1978 – 1998.**

CLIENT GROUP	POLICY AGENCY AND SERVICES	IMPACT AND EMPLOYMENT EFFECTS	SECTOR AFFECTED	OVERALL SECTOR GROWTH SINCE 1978
Foreign investors in capital city	LNDC Loans, industrial sites, tax holidays, research on import substitution products, equity participation, facilitating government compliance procedures	Rapid increase in jobs since 1987	EXPORT INDUSTRY <sup>2</sup> More than 100 employees	Little (1978 – 1986) Rapid 1987 – 1997)
Investors willing to locate in capital city	BEDCO <sup>4</sup> Loans, site rentals, marketing, training, sourcing of materials	Less than 25 jobs created each year since 1978	BASIC INDUSTRY <sup>1</sup> 1 – 3 employees	Little
Retail, Wholesale	METRO CASH AND CARRY	No increase in jobs since 1978	Retail trade	Little
Government	ILO, IDA, UNDP, WB, EU Government personnel training	About 800 to 1000 trained each year	Government	Rapid (1978 – 1987)  Shrinking (1990 – present)
			Informal sector <sup>3</sup>	Unknown but visible

Note: 1. Basic industry is defined as local production and consumption at levels below wholesale, either for export or local consumption (USAID, 1986).

2. More than 10 employees is considered a large business in Lesotho.

3. The informal sector consists of street vendors mainly selling food items, shoe repair business, car wash, prostitution, baby-sitting, etc.

4. BEDCO supported industries consist of local small enterprises (SMEs).

Source: USAID, 1986; Sonntagbauer, 1997; and personal interviews with government officials.

## CHAPTER 3

### DUAL LABOUR MARKET THEORY: A CUMULATIVE APPROACH TO THE CONCEPTUALISATION OF INTERNATIONAL LABOUR MIGRATION

#### **3. 1. Introduction**

This chapter presents the dual labour market theory of international labour migration under two broad categories of functional and structural approaches. The difference between the two approaches is their techniques and their policy concerns. Whereas the functional approach is interested in the micro-level analysis of external and internal migration as it affects the welfare of the economy, the structuralist approach adapts a macro-level stance with development as its ultimate concern. Within these two theoretical approaches, there are several sub-theories, each of which reinforces the techniques and policies of the broader two approaches. It has thus become clear that any migration experience is better understood with a cumulative model that combines the two main approaches in international labour migration theory, under the umbrella of the dual labour market theory.

The chapter is divided into four sections. Section one is this introduction. Section two contains the orthodox economics and functional approach to international labour migration analysis. Section three analyses the heterodox economics and the structuralist approach to international labour migration, and section four closes the overall chapter analysis with the final concluding remarks of the discussion.

#### **3. 2. Orthodox economics and the functionalist approach to international labour migration**

Functional models of labour movement are based on the modernization theory and classical and neoclassical development economics. This approach falls under the larger group of orthodox economics. The functionalist approach to studying international labour

migration is divided into two categories, the classical functionalist approach, based on the Lewisian model of labour migration, and the neoclassical approach, based on the Todaro model. In addition, the new economics approach has recently been actively generating distinct analysis of migration at the household level with the aim of reconciling the classical and neoclassical difference within the functionalist approach. The new economics theory thus begins to integrate the functional theories to the structural ideology. The basic feature of these models is that people “rationally” migrate in response to a positive wage (or utility) advantage.

### **3. 2. 1. The Lewisian model**

Classical models of the functional approach, such as, Lewis (1954) and Fei and Ranis, (1964), based on classical orthodox economics of wage equalisation and resource utility maximization, conceive of migration as the means by which surplus labour in a large agricultural economy is transferred to the urban industrial sector. The transfer provides for economic growth and a psychosocial reorientation of the migrant in the process. The model is strongly associated with the dual sector paradigm, in which surplus labour (labour which does not make a positive contribution to production, including domestic labour) is transferred from the “subsistence” or “traditional” agricultural sector of the economy to the “capitalist” or “modern” industrial sector, fuelling growth and structural transformation (Lewis, 1954).

Although the explanations may be based on either general socioeconomic characteristics of the source and destination societies or individual perception and decision-making, this is a micro-social approach in the sense that it assumes that social process is merely the aggregate of individual actions (Goss and Lindquist, 1995). The model makes the assumptions of methodological individualism. The model assumes that individuals make rational decisions to maximize their utility on the basis of available knowledge of objective conditions. In the case of migration, this means that they migrate in response to wage differences that result from uneven distribution of returns to the factors of production. Labour moves from areas of capital scarcity and labour abundance to areas of

capital abundance and labour scarcity, or from rural to urban areas (Lewis, 1954). The theory predicts that competition among migrants will eventually depress wages in the capital-rich region, while remittances, together with the return of skilled migrants to the source region, will stimulate economic growth, eventually eliminating spatial inequality and the wage differential that drives migration (Tannen, 1991).

At first glance, it would appear that international migration in the early to mid-20<sup>th</sup> century in southern Africa could be explained using the Lewis model. The gold mining industry in South Africa drew from a regional labour reserve (of basically subsistence economy) in the labour sending countries (including Lesotho, Swaziland, Zimbabwe, and Mozambique) to which labour was drawn and transferred to the more urban centres in South Africa's mining centres (Head, 2000).

However, further analysis reveals that the process was less benign. The continuous removal of male labour from agricultural production in the labour reserves countries did not lead to wage equalization nor development of the reserve economies as predicted by the Lewisian economy. Firstly, the absence of male labour resulted in the stagnation of agricultural production in these economies (Mochebelele and Winter-Nelson, 2000). As a result, rural development was delayed and wage equalization between the rural and urban areas in the southern African labour market did not materialize. Secondly, international migration in southern Africa was "managed," in the sense that the South African mining industry exercised monopolistic control over the regional labour market, and that permanent rural-urban migration was severely restricted. Thus, it turns out that the Lewis model does not fit the southern African labour migration story. The assumptions of surplus labour and wage equalization in the model appear to misrepresent the situation in southern Africa. The Lewis model does not fit because migration in southern Africa was not benign (as discussed later). But, the story of "labour surplus" in the Lewisian sense (with a modern and traditional dichotomy) is appropriate in explaining classical international labour migration in southern Africa.

Nonetheless, the fact that labour migration has not produced wage equalization nor promoted rural development in the southern African region implies that the Lewis model cannot fully explain the reality of labour distribution (or oscillatory labour migration) in southern Africa. Moreover, the recent rise in both internal and external migration and unemployment in the region suggests that perhaps the southern African region is more of a Todaran economy than a Lewisian one.

### **3. 2. 2. The Todaro model**

Rural-urban and international migrations have increased in many contexts in southern Africa, despite high levels of unemployment and underemployment in the urban-industrial sector. Nor has economic development of source areas occurred as predicted by the Lewisian model in these countries. Todaro (1969, 1976, 1997) and Harris and Todaro (1970) propose that individuals respond rationally to perceived differentials in wages (income) and the expected probability of securing employment, rather than actual opportunities. Hence, they migrate despite the fact that destination opportunities for wage labour are limited (Todaro, 1997). The model characterizes migration as an individual decision in which a person compares her/his expected income in two sectors or geographic areas over a given time horizon. Expectations are based primarily on the probability of finding employment in each sector, although other factors such as crop risk (in the case of agriculture) and the existence of social networks (in the case of urban employment) may also be influential to the migrant's decision. The key result of the model is that, if urban-rural income differentials are high enough, people will migrate even if their chances of actually gaining urban, formal sector employment in the short run are quite low (Todaro, 1969). The principal policy implication is thus that, without raising rural incomes, urban job creation will only attract more migrants, further contributing to urban unemployment, and because the marginal product of labour is greater than zero, rural underdevelopment. Thus, individually rational decisions may lead to socially sub-optimal outcomes (Todaro, 1997).

This behavioural modification or normative theory makes sense. Empirical tests of the Todaro model have generally supported the hypotheses of income disparity-induced migration and the importance of human capital (especially formal education) in determining migrant selectivity (e.g., Berry and Sabot, 1978; Shields and Shields, 1990; Trainski and Randolp, 1991). More highly educated young people are more likely to migrate because education increases their probability of obtaining relatively well-paid, formal sector urban employment. The results regarding the deterrent effect of formal sector unemployment have been considerably more mixed, leading some economists to posit an alternative model which incorporates the urban informal sector as an easy-entry employment haven, especially for less educated migrants and those facing formal sector labour market discrimination, such as women (Cole and Sanders, 1985). An important result of this latter development is that compared to the original Todaro model, migration is no longer viewed as a social "bad" for contributing to urban unemployment and poverty, especially insofar as linkages between the formal and informal sectors allow for complementary employment and income growth.

But, as Goss and Lindquist (1995: 320) point out, the assumption of non-equilibrium tendencies in migration and the incorporation of imperfect information and supra-individual decision-makers, make the model lose its "theoretical distinctiveness and fails adequately to take explanatory value." The model also reduces migrants, a social class, to mere embodiment of labour power (Saith, 1998), and fails to take adequately into account the political and other structural barriers to mobility (Bartram, 1998).

In terms of policy concerns, Goss and Lindquist (1995) note that it is ironic that while developing countries have generally sought to redirect rural-urban migration due to its manifesting "disequilibrating tendencies" and inefficiencies, the "functional" approach has become a policy-making orthodoxy for international labour migration. For example, as in the case of Lesotho, the Philippines has actively encouraged its citizens to seek income opportunities overseas under the belief that while the host country is provided with a supply of cheap labour, the source country benefits from foreign exchange earnings in the form of remitted wages (Goss and Lindquist, 1995; Saith, 1998; Liu and

Chiu, 1999). International labour migration also provides a temporary relief from domestic unemployment and a political safety valve, particularly as it is generally the most ambitious and politically vocal individuals who migrate (Straubhaar, 1988; Enchautegui, 1993). In the longer term, as with the Lewis model, it is anticipated that increased rates of domestic savings and application of new skills by returning workers will translate into productive investment and the creation of new employment opportunities, with a reduction in migration (Macmillan, 1982; Straubhaar, 1988; Enchautegui, 1993). However, as the cases of Lesotho, Egypt and Sudan, among others, will demonstrate, the skills acquired abroad by migrant workers do not get applied in the domestic economy upon their return. This is because there tends to be a mismatch in skills of migrants and those required in the domestic economy. Thus, the long-term welfare-related benefits of a “functional” migration policy to a labour sending country (and even to rural locations) become reduced to short-term profits only. More importantly, these countries will also demonstrate that international labour migration is not likely to decrease or end in the long run (as assumed by the Lewis model) due to pressures building in the source locations, and more importantly, due to an evolving international division of labour.

From a gender viewpoint, the Lewisian and Todaro models, and their more recent adaptations (e.g., Grabowsky and Shields, 1989) are intended to be “gender neutral” in the sense that the laws governing migration are assumed to be the same for men and women. The possibility that the determinants of migration differ systematically for men and women remains unexplored; the individual model thus fails to explain the gender selectivity of migration except with reference to individual income and employment differences. Katz (2000) notes that: “Todaro himself has characterized mainstream migration theory as “sex-specific ... to male migration” and therefore “special ... rather than general.”

Katz (2000) further explains that in response to this “sex specificity,” Thadani and Todaro suggested that a distinguishing feature of female compared to male migration was the importance of marriage as a reason for migration. According to Katz (2000), their model represents female migration as a function of three sources of income differential:

the usual expected rural/urban gap; the “mobility marriage” differential (defined as an unattached female migrant’s chances of achieving a certain expected income through marriage to a male in the modern sector); and the “customary marriage” differential reflecting the relative probability that an unattached female can find *any* spouse in urban as distinct from rural areas.

As said by Katz (2000): “Behrman and Wolfe (1984) tested this model for a large sample of Nicaraguan households, and found that while the probability of finding a companion motivated a significant amount of female *urban-rural* (and large to small city) migration, women moving from the countryside to the city did so largely for own-labour market reasons. Findley and Diallo (1993) likewise found that rural Malian women’s migration responded to source region economic variables such as average village income and the existence of female income-generating opportunities such as sheep and goat raising, although this migration was most often “disguised” as being family-related.” Thus, Katz’s criticism demonstrates that although the Todaro model does introduce the probability of “risk” associated with migration, it relates such risks to exogenous factors beyond the individualistic, rational and voluntary setting of neoclassical economics.

The new economics approach expands the decision-making focus of microeconomic classical and neoclassical functional approaches to incorporate larger social units, typically households and communities that are not motivated by income maximization but by risk minimization. Decision-makers allocate labour in various activities and locations in order to diversify income sources and spread risk associated with investment in agricultural production, petty enterprise, and even formal employment in the developing world context (Goss and Lindquist, 1995; Papapanagos and Vickerman, 2000). But, like the classical and neoclassical models they attempt to reconcile, this model also makes specific assumptions about the pool of migration and does not distinguish between gender differences in migration.

The key to the integrative approach is the identification and the specification of an intermediate object of analysis. The orthodox school of thought proposes the household unit as the main object of analysis. The household is proposed because it is an empirical

object lying somewhere between the individual and society. It is presented as a means to account for the aggregation of the actions of individual decision-makers (Goss and Lindquist, 1995; Skeldon, 1997; Bartram, 1998). It is argued that the household provides a means of bridging the gap between social and individual levels of analysis (Low, 1986). The household also provides a common unit of analysis for the functionalist approach.

The household is conceived here as it is in conventional economics and sociology of developing countries - as a primary productive and reproductive unit, defined by a single function and acting strategically in pursuit of its collective interest (Low, 1986). This approach presumes that the household rationally allocates capital and labour resources to provide for the productive and reproductive needs of its members. Under this conception, migration of individual members or the entire household unit represent a strategy at the household level to achieve a fit between resources such as land or capital, the consumption needs of its members, and the alternatives for generating monetary and non-monetary income (Low, 1986; Shields and Shields, 1990). Migration thus results from very precise calculations of utility and collective decision-making in order to adjust to changes in the external environment and/ or the internal configuration of the household unit, to diversify income and minimize risk, and to enhance capital accumulation (Shields and Shields, 1990).

Poor households are assumed to be unable to strategize in the literature, and they are also assumed to be the least able to apply sanctions to family members in order to ensure their cooperation (Low, 1986; Shields and Shields, 1990). However, and for the moment, besides the gender shortcomings within the household concept, the general and more serious problem here is the effective substitution of the rational, calculating individual with a rational, calculating household. As in the general application of orthodox economics, the conception of the household as an individual by another name, mystifies the social processes by which interests are defined and decisions made within the household, and thus repeats the errors of voluntarism in neoclassical approaches (Goss and Lindquist, 1995).

Nevertheless, the household unit of analysis does offer some useful insight into the decision-making and motives for migration at the family level. The two main alternative strands of migration theory that address some of the limitations of the individual model by considering two variants of household migration are the new home economics and the household theories. These remain within the broad orthodox camp. The first focuses on an entire household's relocation from one area to another, and the second examines the effects of select household members changing their place of residence while remaining effective economic members of the family by virtue of continued resource pooling.

### **3. 2. 3. The new home economics theory**

According to Katz (2000), Mincer (1978) argued that, “net family gain rather than net personal gain ... motivates migration of households” (Mincer, 1978: 750, cited in Katz, 2000). Katz (2000) explains that this family migration model is an application of the New Home Economics, which assumes that the preferences of household members can be aggregated together into a common utility function and that income is fully shared within the household unit. As a result, some household members may be “tied movers” or “tied stayers” in the sense that their own private decision (action) would dictate an opposite migration decision.

The Mincer model suggests that women are more likely than men to be tied movers, since they exhibit more discontinuous labour market participation and the returns to migration are smaller for individuals with weak labour market attachment (Katz, 2000). According to Katz (2000), migration within the Mincer framework is thus both facilitated by and reinforces gender-based comparative advantage in market and household activities: wives' initial relative specialization in domestic production frees up their husbands to move the family in response to his own labour market opportunities, and, since tied movers are more likely to suffer earned income losses when they migrate, women's comparative advantage in domestic labour is further enhanced after relocation. Katz (2000) explains that in this regard, Mincer (1978: 771) claims that, “tied migration ranks

next to child rearing as an important dampening influence in the life-cycle wage evolution of women.”

The assumption of gender-specific migration in the Mincer model suggests that the type of migration being discussed here is short-distance migration related with marriage and household lifetime migration versus long-distance temporary migration related to individual migration. As pointed out in chapter 2 and as shall be empirically tested in chapter 5, in Lesotho, household migration is largely associated with women migration. This is because in the patrilineal society, women are required to relocate to their husbands' family upon marriage, while, on the other hand, men tend to participate more on individual long-distance and cross-border migration, particularly to the mines in South Africa. This suggests that women's ability to migrate is limited by family responsibility, which in turn also limits their career life cycle (Kao et al, 1994). Nevertheless, the correlation between household migration and the short life span of career women is not unique to the Lesotho example.

Empirical evidence from the U.S. for the 1960s and 1970s suggests that migration is indeed associated with a decrease in women's earnings, and that the gains from migration are larger for married than for single men (Greenwood, 1975). Econometric tests using developing country data have also been broadly supportive of the family migration hypothesis: in Brazil, Tannen (1991) found that, correcting for migrant selectivity, male but not female wage differentials were significant in explaining married women's migration; and in Costa Rica, Shields and Shields (1990) argue that the negative effect of mothers' education on family migration probabilities reflects the transfer costs of non-market household production. A recent study of international immigrants to Canada finds evidence that wives in immigrant families take on 'dead-end' jobs to finance their husbands' investments in human capital until the migrant men can obtain higher-paying, more stable employment (Baker and Benjamin, 1997).

According to Katz (2000), Mincer, however, does warn against misinterpreting the adverse effects of migration on the labour market experience of some married women as a form of social oppression: “Such a view ... fails to note that [migration] behaviour ... is

a product of family welfare maximization. This is Pareto-optimal, since private market losses can be internalised by the family, that is, compensated by a redistribution of gains” (Mincer, 1978: 757, cited in Katz, 2000). Thus, as said by Katz (2000): “In other words, migration, which offers differential net individual benefits, can be considered incentive compatible for all household members if one accepts the basic premises of the New Home Economics. In particular, the model hinges on the assumption that certain family members’ sacrificing of their own income earning potential is compensated for by sharing rules (altruism), which allow them to benefit from overall higher household earnings.”

The sustained feminist critique of the household demonstrates that the concept of household strategy misrepresents intra-household behaviour, obscures intra-household stratification by gender and generation, and stifles the voice of the unempowered, usually females and the young (Stitcher and Parpart, 1990; Ward, 1990). Most serious is the tendency to the perceived utility gains to the household and various interests of its members with those of the male household head. This ignores the fact that as a primary productive unit and resource-allocating mechanism, the household is also a primary point for the exploitation of labour transfer of value (Anker and Hein, 1986). Given the reality of patriarchal structuring of the family, household-based theories assume that collective interests are represented by the male household head whose authority is recognized by each member as an exercise of altruism or benevolent dictatorship (Anker and Hein, 1986; Goss and Lindquist, 1995). This notion is unlikely to be applied uncritically to Western societies (for example, Yeandle, 1999). It is nevertheless consistent with the ideological tendency in social science to romanticize peasant and community in developing countries (Squire, 1979). Somehow members of less developed countries households, not bound by the individualism of Western societies, resolve to cooperate willingly and completely, each according to their capacity, to collectively lift the burden of their poverty (Goss and Lindquist, 1995).

Ethnographic research on the migration of women (Ward, 1990) and fieldwork on migration decision-making (Goss and Lindquist, 1995) suggest that household members often pursue their own individual interests, sometimes compromising collective interests

and sometimes overtly struggling against power normatively invested in the male household head. Others, (Mohtadi, 1986; Tenjo, 1990) have noted that the prospect of adventure are particularly important to younger migrants, both male and female, and that individual perceptions of relative deprivation rather than household consumption may motivate migration (Saith, 1998).

A model developed by Katz, Morrison and Bilsborrow (1998) draws on household bargaining theory to treat the migration decision as a negotiated outcome, with spouses' relative bargaining power and resulting in share of the net benefits from migration acting as a function of their fallback positions or threat points. In this model, households are faced with several alternatives to improve their welfare, migration being one of them. An empirical test of this alternative model using data on migrant married couples in Quito, Ecuador suggests that women with higher levels of education play more active roles in the migration decision, while households in which men participate more fully in household production demonstrate less male bias in the migration decision-making process (Katz et al, 1998 cited in Katz, 2000). Clearly the concept of single unit household does not adequately explain such motivations.

#### **3. 2. 4. The household theory**

Goss and Lindquist suggest that it may be better to conceive of the household as a social collective whose configuration and internal division of labour results from measured decisions of individuals and negotiations between cooperating and competing interests (1995:328). Oded Stark (1991) suggests that migration can be interpreted as a household strategy to diversify labour market risk and substitute for incomplete capital markets in rural areas (Stark, 1991 cited in Katz, 2000). His argument is that young migrants serve as financial intermediaries for their families who participate in credit-constrained, risky agricultural undertakings: "children's primary role as migrants is not to generate an income stream *per se*, but to act as catalysts for the generation of such a stream by precipitating an income-increasing technological change on the family farm" (Stark, 1991:12 cited in Katz, 2000).

In contrast to the Mincer model above, this household theory recognizes that the decision to migrate is often a joint one, part of a “chronological contractual arrangement between the migrant and his/her family” (Katz, 2000). In this cooperative game framework, both the migrant and non-migrant parties must “do better” (in utility or expected income terms) by placing someone in the urban labour market and making remittance transfers, in comparison to the relevant alternatives (Katz, 2000). Only if the gains to cooperation are positive for each party will the arrangement be incentive compatible – particularly if the “contract” is to be self-enforcing (Katz, 2000). The terms of the migration contract reflect the relative bargaining powers of the parties. Factors which enhance the non-migrants’ relative position in the absence of remittances, such as large landholdings, policy-induced easing of capital market restrictions, or a high underemployment urban labour market, are predicted to have the counter-intuitive effect of increasing migrant remittances, while variables which either weaken the source economy or strengthen the migrant’s position may have the opposite impact (Stark et al, 1986; Stark, 1991 cited in Katz, 2000). In this model, therefore, women are motivated by “efficient” bargaining as opposed to being “pushed” into a consensus against their will.

Empirical assessments of the household framework have generated interesting results. Data from Botswana, for example, indicate that remittances are larger to families with higher per capita incomes and assets, countering the idea that such contributions are motivated solely by altruism (Lucas and Stark, 1985 cited in Katz, 2000). Another African study found that both the probability of male migration and the level of remittances from sons in Western Kenya were positively influenced by the prospect of land inheritance, especially where there was competition for such inheritance from other adult sons (Nelson-Richards, 1988). Chin (1997) makes the case that daughters’ migration in the Philippines is largely determined by family characteristics and the need for a immediate and steady source of remittances, where the latter leads migrant Filipinas into wage labour in large cities, despite better (but slower to develop and less secure) self-employment opportunities in small towns. The empirical assessments thus support the notion that stronger bargaining power on the part of non-migrants increases the migrant stream. This may be very important in our observations showing the weakening

of “traditional” remittance stream in southern Africa as the rural economies become weaker.

From a gender analytical perspective, this inter-generational household bargaining theory represents a significant advance over prior economic models of migration insofar as it recognizes the strategic interplay between individual interests and collective welfare. However, according to Katz (2000), the representation of household decision-making and resource allocation is problematic on at least two levels. First, the cooperative game framework implies a symmetry among the parties that ignores the gender and age hierarchies that structure the household economy. In other words, although their fallback positions may differ, actors are equal with respect to the rules of the game, meaning that both the weights given to their gains to cooperation and the weights given to their exit options are equal (Katz, 2000). In this sense, the model is still firmly “orthodox,” with a voluntary and individualistic methodology. Katz (2000) explains that, in the case of youth migration, for instance, the roles of filial obligation and obedience (which may themselves be gender specific) in the determination of remittance levels are likely to be important, but it is difficult to represent such social psychological parameters in a formal model and to measure them empirically. In the Botswana study cited above, Lucas and Stark do not explore the theoretical foundations of the significant systematic gender differences in the factors influencing remittances, in which daughters appear to be motivated by repayment for schooling while sons apparently pursue a strategy to maintain favour in (patrilineal) inheritance.

According to Katz (2000), a second shortcoming of the Stark model is that it assumes that non-migrant household members form a coalition with respect to the migrant based on shared strategic interests. However, it may be the case that individual non-migrants are affected quite differently by a given household member’s move, depending on the nature of their interdependence in the rural division of labour and the intra-household remittance flow (who within the household actually sends and receives monetary exchanges with the migrant), both of which typically have strong gender components. While this does not necessarily prevent the formation of a union by non-migrants, it does introduce a degree of complexity that might at the minimum influence the terms of the migration contract

(Katz, 2000). For example, in societies where daughters contribute substantial amounts of labour to domestic production (including childcare for younger siblings, freeing up their mothers to pursue income-generating work), such as in Malawi, their migration may impose substantial costs on their mothers, who are only compensated insofar as remittances directly or indirectly benefit them (Mkandawire, 1985; Chirwa, 1997). A parallel argument could be made for sons who contribute to their father's agricultural work, such as in Lesotho (Sechaba Consultants, 1995; Mochebelele and Winter-Nelson, 2000).

Generally, critics of the household unit of analysis argue that, "the concept of the household as a co-residential kinship unit, and the assumption of an isomorphism between units of production, reproduction, investment and primary affective loyalty, is a Eurocentric convection applied inappropriately in much of the developing world" (Goss and Lindquist, 1995: 328). As the case of Lesotho demonstrates, when men leave for contract mine employment in South Africa, women only become the *de facto* household heads with most of the decisions they have to make in relation to the household still being dictated by the absent migrant miner (Gordon, 1981). This is because the patrilineal culture in Lesotho does not permit or extend ownership of material or ideas to women.

Ethnographic research shows that the concept of households has to be considerably modified to apply to non-Western contexts (Buvinic, 1983; Anker and Hein, 1986; Ward, 1990; Date-Bah, 1997). It is reported that recent migration studies have recognized that non-kin or distant kin who share the daily budget, and non-residents whose primary loyalty is to a particular household should be considered to be members of the household (Goss and Lindquist, 1995). However, this begs the question of the meaning of determination of primary loyalty and makes the definition of decision-making units extremely problematic. Goss and Lindquist (1995) point out that the recognition of residential multiple locality, ambiguous boundaries, and unstable composition is consistent with a conception of the non-Western household as a deviation from the ideal typical nuclear family unit. A recent survey of the labour force in Lesotho (Bureau of Statistics, 1990) attempted to incorporate the multiple roles of household members into

their study of the 1986 labour force. However, the study was unsuccessful because it employed two concepts of the labour market activities (usual activities versus current activities) that are most fitted for labour market analysis in developed countries. The study thus ended up confusing between migrants with usual economic activities and migrants and non-migrants with current economic activities. This made the distinction between migrant and non-migrant workers also problematic in the study, given the fact that most current status migrant workers could have been usual status non-migrant workers. The migration status of current migrant workers could thus be a situation of labour mobility and not migration.

Nevertheless, despite the conceptual and practical definitional problems, the household remains the most convenient unit for the collection of data and analysis in orthodox economics and micro-level analysis of migration, especially in developing countries (for example, Collier et al, 1994; Balisacan, 1995). This is quite evident in the example of Lesotho. As mentioned earlier, women tend to dominate internal migration in Lesotho because of their responsibilities to the family once they marry. On the other hand, men tend to dominate individual external migration because of their assigned role as *de jure* household heads and principal “bread-winners” of the family. However, the story of internal and external migration in Lesotho, is not simply motivated by voluntary decision-making at the household level. The culture of patrilineal heritage, and the history of apartheid in the southern African region have both contributed directly to the current observed pattern of migration in Lesotho. The functional approach to international labour migration, and the orthodox economics to which it is based, both do not have the relevant tools to analyse these historical and societal relationships that shape external and internal migration in Lesotho and the southern African region. In general, the lack of historical and network analysis in orthodox economics marks the point of departure for the structuralist and heterodox economists.

Although Mincer does realise the power dimensions of migration, by introducing aspects of push migration (whereby the household’s interests are normally equated to those of the male household head), he presents his model in an apologetic manner and maintains the rational utility maximisation assumption inherent in neoclassical economics. Similarly,

the bargaining model after Katz et al, and the household model after Stark, both maintain the rational, voluntary assumption of neoclassical economics, and thus do not deal with the other aspects of power relations, which may not be so benign, such as dominant and subordinate relationships that lead to involuntary decisions and migrations.

Therefore, migration under the orthodox methodology is a “pull” migration, with optimising “individualistic” and voluntary decision-making by rational actors. The “refinements” to the Lewis and Todaro models are useful in explaining, *inter alia*, who migrates, whether the migration is family or individual migration and location attachments. For example, in his study of the impact of Turkish guest workers on the German labour market, Straubhaar (1988) demonstrated that most labour migration from developing countries/ locations, including labour migration to the Middle East, in the post-World War II era, was individual pull migration motivated by the shortage of labour in the Western (and particularly European) and Middle East labour markets. Migrants and their source locations (including the household) benefited from the migration process by experiencing a general utility and welfare increase. Migration thus provided migrants (individual or households) with another alternative to improve their welfare.

But, since the 1980s, and especially after the developing countries’ economic crisis of the 1980s, labour migration between developing countries has been on the increase, while labour migration between developing and developed countries is stagnant<sup>1</sup> or declining. This observation suggests a shift in the global pattern of labour migration. Labour migration between developing countries is occurring at a time when both the receiving and sending location/ countries are experiencing massive unemployment and lack of job opportunities. This suggests that the assumption of pull migration is no longer viable in explaining contemporary international (and internal) labour migration from less developed countries/ locations. This also suggests that the heterodox approach to international labour migration may be a complementary tool for explaining the current pattern of migration at the global and also at local levels.

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<sup>1</sup> This is due to strict immigration policies (e.g., Lipshitz, 1991).

### **3. 3. Heterodox economics and the structuralist approach to international labour migration**

Since the 1970s, structuralist approach has explained migration in terms of the exploitative political-economic relationship between sending and receiving societies. In this approach, it is not so much the demographic or even socioeconomic characteristics of the migrant that explain international labour migration. It is rather their social class position (Borjas, 1989; Goss and Lindquist, 1995). In this macro-social approach, the observed patterns of migration are not seen to be merely the result of the aggregation of individual decisions and actions, but the product of objective social and spatial structures that produce the necessary conditions for migration (Appleyard, 1989; Bartram, 1998). Migration literature generally identifies three closely related but distinct forms of this approach. These are the neo-Marxist dependency theory, old world systems theory and new systems theory, modes of production theory, networks theory, and migration institutions theory.

#### **3. 3. 1. Dependency theory**

The oldest form of the structuralist approach is the dependency theory. Dependency theorists argue that labour migration results from colonial and neo-colonial relationships between developed and capitalist economies and the underdeveloped peripheries (Marks and Richardson, 1984; Leys, 1996). Migration is not only a response to the spatial inequality characteristic of underdevelopment, but it is also a social process by which it is reinforced (Moser, 1978). Empirical studies in Egypt (Leonor, 1985) and the Philippines (Saith, 1998) indicate that, due to the selection of the most productive and educated workers from the underdeveloped regions or country, migration represents a geographical transfer of value greater than the return to the individual in remitted wages. The process of underdevelopment creates and sustains a dual labour market at the global level. In this global dual labour market, the developing countries periphery provides for reproduction of a reserve of cheap labour that is selectively recruited by the core to counter falling

rates of profit, particularly in sectors affected by the struggle of the metropolitan working class for improved wages and working conditions.

Dependency approaches are more sophisticated than the review literature usually allows (Hubert et al, 1993; Meier, 1995; Leys, 1996; Skeldon, 1997). However, they do tend to emphasize historic processes (colonialism) and exploitation through unequal exchange (differential wage rates) rather than the existing social relations of production in the source country. Although the historical processes that shaped the dependency theory are no longer viable in the 21<sup>st</sup> century, the principal argument of the theory, i.e., inequality, powerlessness and underdevelopment are still very much a reality in the late 20<sup>th</sup> (Hubert et al, 1993) and early 21<sup>st</sup> centuries. Dependency theory thus still provides a useful corrective to the microeconomic approaches. However, this theory is not sufficiently sensitive to differences between source societies or the contradictory experiences of distinct social classes within them (Skeldon, 1997).

A recent branch of the dependency theory involves the study of the political structure surrounding international labour migration. The political aspects of international labour migration recognises that states generally control their borders effectively, if not perfectly, and thus that a political decision to allow labour immigration is required (Bartram, 1998; Schiff, 1998). Most political analyses fall into three categories, instrumentalist, structuralist and autonomous states. Instrumentalist state theorem declares that states allow labour migration because powerful social groups pressure states to do so (e.g., Bartram, 1998 for the Israel-Palestine example). The instrumentalist state is also evident in the southern African migration story, whereby the mining industry in South Africa pressured the apartheid state to allow the recruitment of foreign labour to work in the mines mainly because the mining industry did not want to see wages rise in the mines. Structuralist state theorem proclaims that states allow labour migration because doing so facilitates capitalist accumulation (e.g., Schiff, 1998 for the US-Mexico example; and Papapanagos and Vickerman, 2000 for the UK-Italy example). Again, the structuralist theorem is applicable to the southern African case, this time, explaining the reason for the consent of the South African state to the demands of the mining industry.

Autonomous state theorem explains that states allow labour immigration because doing so advances the interests of states and state officials, when officials are sufficiently capable of advancing their interests (Head, 1995; Lipshitz, 1991; Bartram, 1998). This was clearly the case with the apartheid government in South Africa. The use of foreign labour provided the state with cheap labour and a quick way to generate wealth, which they employed in undermining the interests of the Black group in the country (Matlosa, 1995). This theorem can also be used to explain the motivating factors for pursuing international labour migration in the labour sending country. For example, the ruling class of Lesotho, together with the mining industry and the South Africa officials, created bilateral agreements that determined the functioning of the classical migrant labour system by setting the terms of employment and the deferred pay plan for Basotho mine migrants. The benefit to the Lesotho officials in undertaking such a formal and expensive structure of migration was the returns to migration through the deferred pay scheme, which largely accrued to them.

In reality states may assume the different roles outlined in the three respective theories, at various development stages of the migration institution, as was the reality in southern Africa. Political analyses of international labour migration are still in their infant stage of development in the migration literature. They currently tend to repeat the emphasis on historic processes (colonialism) and exploitation through unequal exchange (differential wage rates) that overwhelm the dependency approach rather than the existing social relations of production in the source country.

### **3. 3. 2. Old world systems theory**

The old world systems theory was developed as a response to the limitations of the dependency. This theory thus complements the dependency theory above. This theory introduces the concepts of unequal exchange and negative flexibility, by arguing that the global market economy effectively commodifies the means of production, establishes flows of capital and commodities, and creates the ideological conditions that produce potential migrants (example, Sassen, 1988). As investment capital and consumer culture

flow from the dominant market economies, so labour flows from their less developed clients, establishing transnational populations that are in turn integral to the circulation of capital and information in the global market economy (Skeldon, 1997; Felstead and Jewson, 1999). This theory argues that it is the penetration of the market and the total commodification of everyday life that produces migration (example, Chandra, 1997). The important idea here is that migrants become commodified in the process of integration with the capitalist system. Nevertheless, how distinct non-capitalist social relations in the periphery may affect the transfer of value incorporated in the migrant workers' labour power is not considered in this theory (Goss and Lindquist, 1995).

### **3. 3. 3. New Systems theory**

A recent and more integrative version of the world systems framework, the new systems theory, focuses on both the macro and micro linkages between places linked by migration, including the political-economic relations and personal relationships between individuals and families. Macro-level relations include political systems, economic dependency/ dominance, immigration policy, and cultural/ linguistic associations. Micro-level relations include friendship and kinship resulting from the geographic distribution of populations. Migration is conceived as a sequential process of decision, transition and adaptation by the individual made within the context of general political-economic and specific social relationships at each stage (Goss and Lindquist, 1995; Skeldon, 1997).

The old division of labour was associated with immobility of the factors of production (capital and labour), unionised labour and permanent employment schemes. Traditional permanent employment was associated with high wage rates, job security, and benefits (Fryer and Newham, 2000). However, increased globalisation marked a turning point in the old international division of labour with immobile factors of production, pull migration and permanent employment schemes. Since the 1970s flexible labour and

temporary work has risen in the world (Fryer and Newham, 2000).<sup>2</sup> This is mainly because since the 1970s capital mobility has risen over labour mobility, resulting in the new international division of labour. The increased mobility of capital thus led to increased flexibility of labour and employment.<sup>3</sup>

Generally, the service sector, particularly the rapid expansion and high value-added production of the information and technology (IT) industries, forms the core of the global economy and the new division of labour. Within the global economy, the highly skilled labour force is mostly located in the service sector. Traditional primary and secondary manufacturing production is now characterised by a semi-skilled workforce with contingent and insecure jobs and wages and low value-added production. This forms the larger periphery of the global economy (Sachikonye, 1998; Fryer and Newham, 2000). With greater mobility of capital, most production processes are increasingly being performed by flexible labour. Countries such as the United States, Taiwan, and Hong Kong are increasingly becoming characterised by a flexible labour force (Sachikonye, 1998; Fryer and Newham, 2000). However, these countries are also characterised by strong export-oriented economies and high human capital value (skill). These countries are thus associated with positive labour flexibility.

According to orthodox economics, the free movement of capital, governed by open market trade and non-government intervention policies, is proving to be advantageous to the overall development of the “New Economy” and technology, its top hi-tech leadership (Wilkinson, 1994; Fryer and Newham, 2000). The problem of many developing countries characterised by a flexible labour force is that they lack strong export-oriented economies, characterised by the aggressive pursuit of value (skills and

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<sup>2</sup> Temporary work is here defined to mean non-standard work, associated with low wage rates, coercive management, intensified labour processes, unsocial hours and high rates of job turnover (Fryer and Newham, 2000: 8 – 9).

<sup>3</sup> According to the systems theory, the process of globalisation (capital mobility) is characterised by a duality in labour market flexibility. On the one end there is a minority of a highly skilled labour force who can cope with freedom (of capital and information), and thus who experience positive flexibility. On the other end there is the burden of a majority unskilled labour who are poor and socially dislocated, and who tend to be associated with negative flexibility (Fryer and Newham, 2000).

technological transfers) and the adaptation of some form of structural adjustment measures (Horton et al, 1994). The greater movement of capital has thus not generated the desired growth in high-value production and labour productivity in these countries (Emmerij, 1993; Fryer and Newham, 2000).

The new systems theory, which is a response to the above orthodox assumptions, argues that under the assumption that capital is mobile, the new international division of labour includes the emergence of EPZs, and internal migration. These “new” forms of migrations are distinct from the old “pull” migration discussed in section 3.2 above. The “new” migrations are themselves a reflection of the positive and negative flexibility associated with global capital mobility and the new international division of labour. The point that the new systems theory brings out is that as capital moves across different labour markets in the world, it generates various forms of labour flexibility that can be either positive (e.g., Taiwan, the US, etc, associated with orthodox export-led economics and high-skilled labour) or negative (related to EPZ employment, Third World structural adjustment programmes, and low-skilled labour).

In terms of international labour migration, the negative flexibility stems from various factors. The chief ones are the emergence of global non-tradable sectors and the emergence of EPZs. The inability for capital to relocate applies to industries where the means of production or the product is effectively immobile, such as agricultural production, mining, construction, and retail and social services. According to Skeldon (1997), external migration from the Philippines in the late 20<sup>th</sup> century thus resulted from the demand for labour at fixed locations in the Middle East (construction and services), Japan (entertainment and cultural work), and East Asia (domestic work). The specific characteristics of the capital used in these sectors perpetuate international migration in the global economy, regardless of the costs associated with the migration (both to the migrant and to the labour sending country). Skeldon (1997) thus ascribes the large-scale migration of construction workers from the Philippines to the Middle East, for example, to the emergence of a new international division of labour in the late 20<sup>th</sup> century, and the specific characteristics of construction capital.

New systems theory also argues that generally, with respect to less developed countries (LDCs), the assumption of free capital mobility is not appropriate. Capital mobility is limited even in the 21<sup>st</sup> century. This is related to specific non-tradable sectors, mainly construction and services (Saith, 1998). The increase in external migration in the late 20<sup>th</sup> century among LDCs is here argued to be a direct result of the immobility of capital in these countries. The main assumption here is that the new international division of labour has created two options for labour in the global economy: non-migration due to the relocation of capital, and migration due to the inability of capital to relocate.

Moreover, the new systems theory points out that in situations where capital *is* mobile, negative flexibility results due to unequal exchange. Increasingly and more often than not in the global economy, multinational capital generally reduces production costs by exporting production processes to offshore locations with favourable conditions of production, particularly cheap, unorganised labour (Felstead and Jewson, 1999). Export processing zones (EPZs) are created as a means to attract this footloose capital by the capital receiving government. Labour is then allocated to the production of the EPZs at the various industrial zones within the country. This raises internal or inter LDC migration within LDC countries that have adapted the EPZ model. Skeldon (1997) argues that there is thus little incentive for labour from the Philippines to relocate outside the country when capital is footloose. The implication here is that EPZ industrialisation is used as a substitute for external migration in the Philippines. The outcome of capital mobility in LDCs has so far has been accompanied by a rise in internal migration (Chapter 4)

The new systems theory importantly notes that the Export Processing Zone (EPZ) model of development is *the* orthodox answer to an alternative to import-substitution industrialisation strategy that has so far been actively pursued by the least developed countries (LDCs). According to the orthodox reasoning, import substitution industrialisation (ISI) failed to generate sustainable levels of growth in LDCs. EPZs were regarded as an instrument to reorient developing ISI economies towards the export-oriented growth strategy, and jump-start their economies on to higher growth paths, and

according to the systems approach, associated with positive flexibility.<sup>4</sup> Typically, EPZs are defined as industrial estates that consist of a free trade area commune in the customs and trade regime of a country where foreign (and sometimes domestic) manufacturing firms producing mainly for export benefit from fiscal and financial incentives (Esquivel et al, 1998; Sachikonye, 1998). EPZs are designed to provide for a transitory and effective adjustment towards long-term open market trade regime, by providing much needed foreign exchange, technology transfer, diversification of local economy through stimulation of non-traditional exports, and job creation (Kanyenze, 1998). This is achieved mainly by reducing transaction costs at the EPZ, as rental factory buildings and sites, with easy access to the global economy, utilities, and communications are provided at a very reduced cost to investors (Wilkinson, 1994; Sachikonye, 1998). The success of the East Asian economies to attain higher growth paths, value-added production and, enhance skills has been widely attributed to the development of “sweatshop” industrial production in East and South East Asia in the 1960s and 1970s (Wilkinson, 1994; Kanyenze, 1998; Lui and Chiu, 1999). The reduction of transaction costs in the EPZs in East Asia provided for a quick return to investment in the form of high levels profits, high levels of investments, foreign exchange earnings, skill development, and employment (Sassen, 1988; Wilkinson, 1994). The good reputation of the EPZs is thus largely based on the East Asian experience (Esquivel et al, 1998).

However, generally, heterodox economics and the new systems theory points out that the unregulated movement of capital (the EPZ firms) usually tend to exploit workers in developing countries, resulting in negative flexibility (Sassen, 1988; Fryer and Newham, 2000). The demand for labour in the EPZs is mainly characterised by low wages and low skill requirements. Like traditional contract migration, most workers in the EPZs are recruited from rural locations. Unlike traditional contract migration, most EPZs employ young single female labourers, who are usually not forced to return to the rural locations when they leave the factories, but who remain easy to exploit (Sassen, 1988; Ward, 1990; Date-Bah, 1990). This is because the migration of these workers occurs within national

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<sup>4</sup> Note that positive and negative flexibility are not concepts of the orthodox approach. They are the heterodox response to orthodox assumptions of endogenous growth.

boundaries. National labour laws, workers right to strike, and union power have been reduced and even suspended in some countries operating under the EPZ model, such as in Zimbabwe, Lesotho, Mauritius, and the Philippines, and Costa Rica (Esquivel et al, 1998; Kanyenze, 1998).

This is because under orthodox economics, such regulations and labour standards are regarded by development technocrats (e.g. the World Bank and the IMF) as distortions on the movement towards flexible labour market development and trade liberalization. The EPZ model carries the orthodox assumption of a homogenous labour force that can easily move across all sectors of production. However, the labour markets in developing countries are dualistic in nature with little movement of workers across sectors. As a consequence, there has generally been greater internal migration but with little *real* upward mobility of skills in countries that have adapted the EPZ development model (Goss and Lindquist, 1995; Skeldon, 1997). The suggestion here is that labour in ISI economies with the EPZ model is moving between different parts of the “Third World” sector, as opposed to traditional modern skill-unskilled labour mobility.

Recent research on East Asia (Wilson, 1994) and on the process of globalisation (Fryer and Newham, 2000) has begun to question the attribution of EPZs to the development success of the Asian Tigers. According to this perspective, the EPZ model represents a stage in the process of globalisation of operations of capital, particularly its freer movement relative to labour (Kanyenze, 1998). Given the fact that only low-skill labour was employed by EPZs even in East Asia, the success of their ability to enhance skills is thus attributed to the division of labour within the region, and the relationships that developed between labour, unions, indigenous employers and governments (Wilkinson, 1994).

The new systems theory acknowledges that given the limitations of the orthodoxy methodology, there do not seem to be viable development alternatives for countries faced with abundant labour. In Guatemala, the Philippines and Mauritius, for example, temporary employment of female labour in “sweatshop” industries has become the core

of the development path (Kanyenze, 1998), thus reinforcing the negative flexibility. For example in 1996 up to 80 percent of women were employed in sweatshop factories in Mauritius, and 90 percent of them were new entrants to the labour force (Kanyenze, 1998: 65). Although EPZs provide an array of external sector benefits to countries with abundant labour, the temporary and “dead end “ nature of the jobs, and the use of costly imported labour at high levels of skill preclude any meaningful transfer of skills to the local workforce (Kanyenze, 1998: 67). In addition, the sudden and unpredictable relocation of foreign firms usually leads to high rates of retrenchment and unemployment in the host country.

The new systems theory also notes that development of EPZs has been met by rising scepticism among governments of developing countries, such as in Costa Rica in the late 1990s (ICG, 1997). According to the new systems theory, the particular concern here is the increase in the lack of regulation of the relocating firms and the exploitation of workers by the relocating firms (ICG, 1997; Sachikonye, 1998). The new systems theory explains that increasing unequal exchange in international trade resulted in the evolution of the World Trade Organization (WTO). This institution was designed to set the regulations to govern international trade under complete freedom of capital and to reduce inequalities generated by increasing integration of the world economy. However, labour has been granted restricted mobility by international formal institutions, largely because labour remains the *raison d’etre* of the nation-state (Fryer and Newham, 2000; UNRISD, 2000). In terms of the migration perspective, this means that international labour migration regulation is largely left to the responsibility of individual labour sending and receiving countries, with no formal regulation at the global level (UNRISD, 2000). Thus, according to the new systems theory, international labour migration as it currently exists on the fringes of regionalisation and globalisation entails worker exploitation and welfare losses for labour sending countries.

In summary, the new systems theory points out two very important observations with regards to dual labour market theory in the 21<sup>st</sup> century. First, the new systems theory acknowledges that given greater mobility of capital in the late 20<sup>th</sup> century, a new

international division of labour is emerging in which positive and negative flexibility are reinforced by capital mobility. Secondly, the new systems theory notes that the new division of labour is characterised by new patterns of migration related to negative flexibility and exploitation. The new systems framework argues that with internal migration, the EPZ model has led to nations abdicating responsibility for labour, where labour is subject to the “race to the bottom.” In terms of international labour migration, the new systems theory points out that there is no equivalent of the World Trade Organisation (WTO) to address the regulation of labour at the global level. As a result, international migrants are essentially “stateless,” and dependent on *ad hoc* bilateral and unilateral institutional support. The new systems theory attempts the above interpretations of the new division of labour noting all the time that the lack of institutional support is interactive with the nature of work (negative flexibility). This framework points out that both non-migrants and migrants in an “international” multilateral issue are part of the global labour force. The point being put across here is that workers are *inherently* hard to protect in the new division of labour with greater mobility of capital, even *with* the will. As shall be shown below, this is a point that the modes of production theory refines.

Nevertheless, according to Goss and Lindquist (1995), like the old world systems theory, the new systems theory lacks a coherent unit of analysis outside the individual and thus fails to explain how distinct non-capitalist social relations in the periphery may affect the transfer of value incorporated in the migrant workers’ labour power. The modes of production framework and the networks theory offer two distinct units of analysis, the household and the community, and thus begin to address the non-capitalist social relations that shape external and internal migration. The modes of production theory offers the sectoral breakdown while the networks framework investigates the underlying power dynamics and relationships within the given social networks. Both are critiques of the orthodox methodology.

### **3.3.4. The modes of production theory**

The modes of production theory presents a critique of the classical orthodox (Lewis) classification of sectors. The modes of production theory acknowledges the historical significance of colonialism but argues that under conditions of uneven development of capitalism, pre-existing forms of production may co-exist with capitalism in the periphery social formations. Individuals and households may thus be implicated in various forms of production relations and may move between them. Since these forms of production are differentially distributed over space, this necessitates migration (Skeldon, 1997). Value is transferred through super-exploitation, where individuals work in capitalist sectors of the economy but part of the reproduction of their labour is provided by non-capitalist sectors. Non-capitalist reproduction thus subsidizes the costs to capital of the reproduction of labour power (Moser, 1978; Goss and Lindquist, 1995; Skeldon, 1997; Felstead and Jewson, 1999). This theory notes here that the assumption of gradual assimilation in classical orthodox methodology does not take place in the new division of labour. What happens instead is the partial assimilation that leads to the formation of a third sector that remains distinct from both the traditional and capitalist sector. This sector is also commonly referred to in the literature as the “petty commodity” production sector (Moser, 1978). It is a subordinate sector of the capitalist system that exists on the fringes of both capitalism and traditional (peasant) sector. In terms of migration, the Third sector is usually associated with “informal” and “illegal” status, and remains on the fringes of the formal regulations.

In terms of international labour migration, the modes of production theory picks from the new systems theory in explaining the situation where capital is immobile in economic sectors, such as construction and services. The new systems theory pointed out that the specific characteristics of capital used in these sectors tended to perpetuate external labour migration, regardless of the costs associated with the migration. The modes of production theory points out that there are several potential advantages to the owners of capital in employing overseas contract workers (OCW). The first is that the host takes responsibility for the reproduction of contract labour only while it is directly and

immediately productive. In this manner, the employer does not pay statutory taxes and benefits that apply in the source country (social security and pensions) and the state does not pay for the past or future reproduction of this labour, for the lengthy period of socialization, education and training of youthful labour, or for the earned retirement of aged labour (Goss and Lindquist, 1995; Bartram, 1998). Moreover, labour is employed only when it is needed, and the host has no responsibility to sustain the labour force through periods of decreased demand (Bartram, 1998). The idea put across here is that the *ideal* model for the host is *complete* non-assimilation. But, as we shall see below, and also in the Lesotho case (Chapter 6) such instances are exceptions to the rule, especially the new global economy.

Second, when the lifetime of labour-intensive projects are typically short, (such as in the case of Filipino (Goss and Lindquist, 1995) and Egyptian (Shaban et al, 1995) overseas contract workers (OCWs) in the Middle East, where construction workers are only employed during the construction phase, house maids during the childbearing stage, technicians only while the national are under training) and the lifetime of labour power is limited due to the demanding nature of the work (for example in the case of the Philippines, workers are employed only at the peak of their physical capacity, hence 70 percent of all OCWs are 20 - 35 years old), the employers gains (Shaban et al, 1995; Goss and Lindquist, 1995: 324; Saith, 1998). However, the gains to the employers in the host country become challenged when the lifetime of the labour-intensive projects span over decades and even centuries. When this occurs, social relationships between the employer and contract migrant worker become reinforced throughout the duration of the production. This creates a policy challenge for the destination state, regarding the long-term continuation of the employment of these OCWs. The state on the one hand, must meet the interests of employers, and on the other, must contain a stable environment in the domestic labour market.<sup>5</sup> Given the ideal of complete non-assimilation by the hosts,

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<sup>5</sup> For example, Israel employers have been employing Palestinian workers in the construction industry since the formation of the Israel state. For the past 50 years the two parties have established a relationship that is co-dependent: the Palestinians have become conditioned to finding employment in Israel and the Israeli construction employers have become dependent on Palestinian labour, whom they have trained (Bartram, 1998). However, since the recent democratisation of the Eastern European nations, and the return of the Eastern European Jews to Israel, the Israeli state policy switched to the approval of labour from

most migrants thus become partially assimilated, where they remain on the fringes of the legal, social, political and economic spheres in the destination areas.

The point put across here is that not all labour-intensive projects in the destination society are short-term, which creates further social and political consequences to both the destination country and more importantly to the migrant workers. Generally there is a tendency for migrant workers to stay on “illegally” and indefinitely in the destination country, such as was the case with Ghana in the early 1980s, following the mass expulsion of over 1 million workers from Nigeria. Most of the repatriated migrants from Ghana were reported to have soon returned back to Nigeria, mostly through illegal channels, where they generally just awaited the next episode of mass exodus (see Chapter 4). Given the model of complete non-assimilation in the host countries, migrant workers are thus being pushed into illegal status by laws that have either expired or by the total lack of legislative regulation on international labour migration. Such is the current situation in southern Africa, whereby, most migrants to South Africa suffer excruciating xenophobic abuse, including police beatings, and are usually deported upon arrival to their home countries, with little or no legal representation (Fontana, 1997).

The inferior legal and political status of migrants in the host country also excludes them from protective legislation and limits their potential for effective organization. OCWs must wage a new struggle on unfamiliar terrain separate from the struggle of national labour in the host country and their own labour organization back home (Goss and Lindquist, 1995). For instance, migrant workers in South Africa have no official union that represents them, except for the Mineworkers’ Union. The interests of the Mineworkers’ Union are not always in favour of the migrant workers. In fact, recently the Mineworkers’ Union has been actively campaigning for the termination of temporary work in the country (which is largely dominated by migrant workers) (Crush, 1997; and also Chapter 6). It is thus in the interest of capital to uproot labour from its own cultural

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Eastern Europe over the Palestinians. In addition, the on-going political tension in the Gulf has also led to Israeli officials substituting Palestinian labour with Asian labour. Nevertheless, many Palestinians still expect jobs in Israel, and many Israeli employers still prefer to employ Palestinian labour (whether legally or otherwise) to the other new forms of foreign labour (Bartram, 1998).

and geographical context, or to separate workers from the social networks of their reproductive communities that might reinforce solidarity and provide critical moral and material support in the labour struggle. As a result, the degree of control over the migrants and the migration process exercised by the employer and host state is much greater (Bartram, 1998; Saith, 1998). This is what Skeldon (1997) is arguing to be the most crucial concern with international labour migration at the turn of the 21<sup>st</sup> century. The lack of a global legislation to govern international migration has increased the vulnerability of migrant workers across the global economy, and left most at the mercy of their host countries and employers.<sup>6</sup> This is also part of the process of “commodification” or “proletarianisation.”

According to Sassen (1988), internal migration results from the “verbal” relationship between social processes as reflected in the development of the factors of production, and institutions, as reflected in the necessarily uneven nature of this development. For example, Shrestha, cited in Goss and Lindquist (1995: 335) shows how the penetration of capitalist social relations in rural Nepal alienates subsistence peasants from their land. In the context where capital is scarce and the non-farm sector underdeveloped, this forces them to depend on the sale of their labour power. With local opportunities for employment extremely limited, many migrate. While this appears to be an exercise of choice, subordinate socioeconomic classes in general lack the market and political capacity to make strategic decisions. Hence, migration may be the only viable response where adaptation to local conditions is precluded, particularly under conditions of rapid population growth. Members of the locally dominant classes, on the other hand, may choose migration as a strategy to expand their market or political capacity and to diversify risk<sup>7</sup> (Chandra, 1997). Internal migration here is suggested to lead to the formation of the urban Third World sector, associated with “survivalist” economic activities. Here, the modes of production theory thus points out the possibility of a duality

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<sup>6</sup> The government of the source is motivated to provide cheap overseas workers by facilitating private recruitment or itself becoming a broker in order to generate foreign exchange through remittances of wages (Skeldon, 1997).

<sup>7</sup> As explained in Todaro.

within the migration stream, with urban “pull” migration associated with higher skills, wealth, and social position, and rural “push” migration associated with lack of skills, low social position and poverty. Urban Third World sector is thus related to the rural poor. For example, Mohtadi (1986) found that, as in the case of India, migration to the urban areas in Iran was influenced by the migrants’ social position in the rural areas. Thus those with acres to land in the rural areas were also more likely to have land in the urban area, with the reversal applying to those without land in rural areas. Urban slums were thus an extension of the rural slums.

The modes of production theory has thus become identified as the study of the role of migration in the historical process of articulation of the domestic “traditional”/ peasant economy (household and community), with the capitalist economy (Goss and Lindquist, 1995; Skeldon 1997). As capitalist social relations penetrate and undermine the productive sphere of the domestic economy, the reproductive sphere nevertheless remains *at least partly intact*, and it is partially responsible for the long-term reproduction of migrant labour. The nexus of exploitation thus shifts from wage labourer to the household and community and a concern with the microeconomics of kinship relations that ensure the reproduction of labour under the conditions of articulation (Goss and Lindquist, 1995; Chandra, 1997).<sup>8</sup>

The modes of production theory thus provides some bridges for spanning the gaps of articulation in levels of analysis, by theorizing migration, production and reproduction at the local level as shaped by, and as a response to global economic conditions (Goss and Lindquist, 1995; Skeldon, 1997; Felstead and Jewson, 1999). It is also very useful in explaining the pervasiveness of the Third World sector. This theory allows us to explain specifically Third World modes of production, namely the urban informal sector, and the remaining rural “subsistence” sector. Both are seen as subsidizing capitalist development by reducing wages. Critical assumption here is that the flow of resources is *towards*

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<sup>8</sup> The migration institutions theory (discussed in section 3. 3. 6) suggests the complete collapse of the Third World sector. The distinction between these two points is that the modes of production still has a stronger link to the old dependency theory, which argued that proletarianisation provided for possible returns and exploitation of the subordinate. The migration institutions theory argues that nature of the Third World sector is such that there is close to nothing to exploit.

capital, i.e., the notion that the amount of support that migrants receive outweighs remittance flows, and/ or that the urban informal sector lowers the cost of living and hence subsidizes capitalism (i.e., exploitation).

While some valuable theoretical and empirical contributions have been made to the understanding of international labour migration from this perspective, nevertheless, the approach fails to theoretically integrate the concept of household and community it employs (Goss and Lindquist, 1995). Like the world systems and the systems theories above, the modes of production theory thus remains silent about the effect of non-capitalist social relations in the periphery may have on the transfer of value incorporated in the migrant workers' labour power (Goss and Lindquist, 1995). The networks theory complements the argument of sectors of production, under the modes of production theory, by explaining the relations of production. Both deal with the links between capitalist (market) and non-capitalist (non-market) *modes* and *relations* of production. Nevertheless, the important point of the modes of production theory is the identification of the distinctiveness of the Third World sector.

### **3.3.5. The networks theory**

The networks theory offers a critique of orthodox version of relations of production or "social capital." The orthodox viewpoint here is that there are modern and traditional sectors and their particular interfaces. The networks approach argues that migration decisions are made jointly by family members within households; that households decisions are affected by local socioeconomic conditions; that local conditions are in turn affected by evolving political, social and economic structures at the national and international levels; and that these interrelationships are connected to one another over time (Goss and Lindquist, 1995; Skeldon, 1997).

As in the functionalist approach, the key to this integrative approach is the identification of the connections between the macro and micro levels of analysis, and the specifications of an intermediate object of analysis. Social networks (including migrant networks) are

the proposed unit of analysis here. Social networks are empirical objects lying somewhere between the individual and society, and thus are ideally suited for integrating the dependency, world systems and modes of production theories. Social networks are presented as a means to account for both aggregation of the actions of individual decision-makers and the structuring of constraints upon behaviours by the global or national-political economy (Goss and Lindquist, 1995; Skeldon, 1997; Bartram, 1998).

Unlike the household unit of the functionalist approach, the concept of social networks incorporates the individual and conventional units of the household, family and community, however defined, into a single analytical framework, by analysing their relationship patterns. For example, coherent social groupings, whether permanent or temporary, may act as coherent social relationships within intersecting social networks (Goss and Lindquist, 1995; Cohen and House, 1996).

Social networks are defined as webs of the interpersonal interactions, commonly comprised of relatives, friends, or other associations forged through social and economic activities that act as conduits through which information, influence and resources flow (Montgomery, 1991; Goss and Lindquist, 1995: 329; Cohen and House, 1996). Members of the network will be linked by common interests and/ or obligations that function through personal contact. Migrant networks develop from social networks as individuals and groups exploit social relationships or kinship, friendship, community, or employment experience in order to support migration. Migrant networks are the mechanisms that link economic and political organisations.

Social networks provide potential migrants with information about available destinations, contacts with gatekeepers, and sometimes with funds for transportation and other fees (Martin, 1993; Goss and Lindquist, 1995). At the destination, they provide assistance in the form of housing and employment, and may be a means to provide cultural continuity and communication with the community of origin. Social networks, thus, reduce the cost of migration and mediate between the migrant and the destination society. Social networks are not, however, merely resources to be exploited by the migrant. They help

determine the nature of migration by influencing selection of migrants, the availability of destinations, and the conditions of employment (Cohen and House, 1996; Skeldon, 1997). Moreover, the content and meaning of relationships within parts of the social network may be transformed with time into a migrant network, in which community and kinship relationships are defined and organized within the context of international labour migration (Goss and Lindquist, 1995). The migrant network may thus develop into a self-sustaining organization, independent of the initiating circumstances (Skeldon, 1997). This implies the notion that once a number of network connections in an origin area reach a critical level, migration may become self-perpetuating because migration itself creates the social structure to sustain it. Migrant networks also outlines the fact that modernisation process in less developed countries is less of a smooth transformation as presented in the earlier theories above.

The recognition that migration is increasingly formalized and channelled by social and migrant networks is important, but it has its specific limitations. First it is an idealization of community consistent with the dominant conception of rural/ peasant societies in development literature. Social networks are conceived of as the results of universal human bonds, or locally bounded affective tiers, governed by informal norms of reciprocity and sustained by personal interaction (Goss and Lindquist, 1995). Second, migrant networks are presumed to expand opportunities for migration throughout the community as they evolve, ultimately providing near universal access to the numbers (i.e., “traditional” view is an adjunct to the Lewisian view of smooth modernisation process). Research studies of migration networks in the United States (Schiff, 1998), Israel (Bartram, 1998), Mozambique (Head, 1995), the Philippines (Goss and Lindquist, 1995; Saith, 1998), Egypt (Leonor, 1985), Ghana (Beaudry and Sowa, 1994), Costa Rica (Weintraub and Diaz-Briquets, 1992) and Sudan (Ertur and House, 1993) suggest that this conception of migrant networks is inappropriate. To begin with, the conception cannot be limited to everyday social interactions and direct acquaintances within a community, since in practice it includes indirect social contacts maintained and exploited over long distances (Goss and Lindquist, 1995). Second, it must be recognized that in most contexts, migration is increasingly “formalized” and governed by commercial and

bureaucratic relations as recruiters, brokers, and the state seek to profit from overseas migration (Head, 1995; Bartram, 1998; Schiff, 1998; Saith, 1998). In other words, it is petty commodity production, in the sense that it is not traditional, but it is neither modern in the orthodox sense. For example, the World Bank's World Development Report: *Worker's in an integrated world* (World Bank, 1995) assumes that traditional relationships are used. However, it is more likely that these are shaped significantly ("corrupted") by contact with capitalism (e.g., Breman, 1996: 11).

Third, it is clear that opportunities for migration do not necessarily equalize access over time<sup>9</sup> since as networks expand they may actually become more selective and competitive (Leonor, 1985; Weintraub and Diaz-Briquets, 1992; Ertur and House, 1993; Beaudry and Sowa, 1994). Indeed, according to Fryer and Newham (2000: 24) non-market and informal institutions based on "trust" and "relationships" tend to be highly exclusive. The authors point out that this is an example of when "second best" solutions seem to solve the allocation problem, but at the expense of exclusivity and intra-relationship power imbalances (exploitation).

A recent study on the remittance behaviour and informal social networks and relationships of El Salvadoran and Filipino migrants in the United States indicates that such dynamic networks can be highly unstable and sporadic (Menjivar et al, 1998). The study explains that such networks are linked to the existing structural opportunities in the receiving society. A newcomer's friends and relatives may be sympathetic and inclined to provide vital support in the early stages of arrival, but when they themselves are struggling in poverty, they sometimes cannot. This work is important in the sense that it critiques the assumption that migrants' social networks are always supportive, particularly when poverty and structural opportunities in the receiving society inhibit the positive effects of any supportive social networks that might otherwise exist. What is of most significance in the results is not the contrasting and possibly negative interpretation

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<sup>9</sup> Orthodoxy assumption here initial asymmetrical information would cause short-term inequalities, which would eventually cease to exist with continuous information exchange (see Stiglitz, 1987).

that migrant networks are unsupportive and “fragmented,” but that conditions in the host society can severely limit their functioning.

The concept of a communicative migrant network, developed by Kearney, (cited in Goss and Lindquist, 1995), attempts to improve on the concept of fragmented migrant networks by partially addressing the criticisms of a universally supportive social fabric. The communicative migrant network concept links the household and community with the global economy. This network develops only in tight knit and kinship communities with a clear commercial identity. It is driven by economic necessity as individuals and households move in and out of economic spaces (conceived both in terms of physical places and socioeconomic niches), and operates as a “vascular” system through which information, goods and services flow (Goss and Lindquist, 1995: 330). The network then becomes an income-seeking organism whose purpose and function is the transfer of value. For example, a study by Singhanetra-Renard (cited in Goss and Lindquist, 1995), of contract migrant workers from Northern Thailand shows the evolution of migrant networks through three distinct stages.

“In the first phase, migration occurs under the auspice of traditional patron-client relationships, but transforms into employer-employee relationships as institutions rather than patrons become the principal employers. The employer still maintains close relations with the village and assumes obligations beyond simply paying for labour. In the second phase, intermediaries organize the export of labour, earning their livelihood from fees charged to the migrants; hence economics becomes the organizing principle for these relationships. Under the third phase, recruiting agents continue to dominate the migration process but many now promote illegal migration by forging ties with other purveyors of migrants in countries of destination.”

(Goss and Lindquist, 1995: 330).

The above example thus demonstrates migrant networks as socially dynamic<sup>10</sup> and inclusive of exploitation relations. However, Goss and Lindquist (1995) note that the

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<sup>10</sup> In the sense that such networks are not merely using existing traditional networks, as the functionalist literature would suggest.

networks remain the subject of terminological confusion and are treated as a causal category by virtue merely of their empirical existence without an adequate theorization of their logical and structural characteristics. Hence, it is not clear, under the integrative approach how these networks operate as social entities beyond the sum of the individual relationships of which they are constituted.

As far as policy is concerned, ultimately, the problem the integrative approaches attempt to resolve is the contradiction between the “welfarist<sup>11</sup>” outlook by the functionalist approach and “developmentalist<sup>12</sup>” perspective of the structuralist approach. This contradiction results not merely from different levels of analysis, nor even from ideological inclinations, but from an inability of the theories to coherently articulate structure and agency. The recent rise in economic integration across the world has brought with it new rules and regulations that are increasingly eliminating the technical differences of the functionalist and structuralist approaches, although the policies of both still remain intact. The migration institution theory tries to incorporate even further the idea of a global world in which both micro-level and macro-level decisions and actions of actors affect the rules and resources, and are themselves also affected (limited) by micro-level and macro-level rules and resources. In this sense the world is reduced to a global sphere of dynamic actions and interactions that reinforce existing behaviours and relationships while at the same time forming new behaviours and relationships. The concept of time is the key unit of analysis in this model, since the concepts of actors, politics, income, household and social networks become mere behavioural and relationships that are constantly transforming. According to this theory, migration defines the order of the global economy.

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<sup>11</sup> Related to short-term, *ad hoc* unilateral decision-making with the goal of achieving higher growth, at a micro unit of reference (urban or rural, national)

<sup>12</sup> Related to longer-term, decision-making with the goal of sustaining living standards, at a global unit of reference (national, regional, global).

### 3.3.6. Migration institutions

The concept of migration institution as suggested by Goss and Lindquist (1995) seems to adhere to the Post-modern explanation or view of the late 20<sup>th</sup> century global order. The explanation of migration institutions presented here will thus be introduced by first giving a briefing of the general post-modern explanation of late 20<sup>th</sup> century global setting.

In responding to modernisation theorising on the development of the global economy, Friedman (2000) explains that:

“Modernism ....is based on the notion of supersession, of growth and development as *a general process* for individuals and societies. *Fixed identity* in such terms is a kind of neurotic paralysis, and tradition is translated into the "repetition compulsion". Modernism reigns supreme in the hegemonic realms of the modern world system, but when hegemony declines, it is a difficult project to maintain. The concomitant of declining modernist identity is an increase in narcissistic tendencies, ...and where collective identities become a solution to the threat of ego disintegration. It is in such conditions that roots, ethnicity, religion and postmodernism become increasingly dominant and that individualism is replaced increasingly by what is referred to as tribalism, not only in its ethnic form, but as a form of social organization in which a fragmented public sphere becomes increasing divided into clientelistic hierarchies. This is the new Middle Ages referred to by political scientists. These variations are predicated on a well-developed individualization in which community, tradition, become essential aspects of the modern fantasy of the world we have lost. Real communitarianism is in this sense a phenomenon of modernity rather than a left over from the past.”

(Friedman, 2000, italics added).

The point that Friedman is putting across here is that increasingly in the global world, there are rules and regulations that are pushing certain groups of people into positions outside the capitalist system. His argument is essentially that, in the past when capital was regulated under a hegemonic world order, it was easy for diverse social groupings to interact in the modern sector sphere. However, with the increasing mobility of capital, the

order of interaction has altered, leading to many different variations of modernisation, all essentially linked by social networks and historical relations. In this manner then, realities such as the Third World sectors in LDCs or migrant networks and migrant institutions are essentially part of the modern sector system and not a relic of this system. Although Friedman's arguments seems to suggest at one level, a fragmentation of identities and production in the global economy, his reasoning at another level seems to imply a *cyclical* and unification *process* within the global economy. The model thus seems to suggest an institutional arrangement in which the actions of actors constrained by rules and regulations (hegemonies) push the institutional arrangement into several stages of development, all linked by historical accounts and relations. Thus Friedman seems to perceive the new international division of labour as part of historical accounts and relations that is in turn being shaped by capital mobility, and through this continuous interaction, new arrangements result. This model seems to share the classical orthodox view of the world progressively moving towards a unified outcome. The important difference here however, is that the progression does not only lead to one outcome, but several unified outcomes. In fact Friedman notes that the level of unification can be both at global or local levels, which then suggests the probability of several outcomes. The idea of collapsed and new identities appears to be strongly suggested in the Friedman argument.

The migration institutions approach that builds from the concept of migrant networks, presents labour migration as an outcome of a complex combination of individual actions and social structures. The model seeks to capture this complexity by theorizing as the result of knowledgeable individuals undertaking strategic actions within institutions, specifically the institution of migration, which operate according to recognized rules and which distribute resources accordingly (Goss and Lindquist, 1995; Skeldon, 1997). The principle of "structuration" provides the framework for the analysis of international labour migration in this approach.<sup>13</sup> Under this analysis, the migration institution, a

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<sup>13</sup> The 'structuration' framework attempts to unify the welfare versus development dichotomy in the development literature envisioning continuous evolving and changing structures in the world, which are embedded within larger political, social and economic arrangement that operate within specific rules and

complex articulation of rules and resources, presents constraints and opportunities for individual action. Individuals act strategically within the institution to further their interests, but the capacity for such action is differentially distributed according to knowledge of rules and access to resources. This knowledge, in turn, may be partially determined by their position within other social institutions (Goss and Lindquist, 1995).

At the macro-level, an international migration institution is presented as a relatively permanent feature of social life that results from the regulation of social interaction for the purpose of employment abroad. This in turn regulates interaction and structures access to employment abroad through the operation of institutional rules and resources. It is a complex institution consisting of knowledgeable individuals and the agents of organizations (from migrant associations to multinational and transnational corporations) and institutions (from kinship to state) (Goss and Lindquist, 1995).

The concept begins with the recognition that structural conditions for international labour migration are created at the level of the global economy and *longue duree*<sup>14</sup>, essentially beyond the control of individual migrants, if not beyond the influence of some formal institutions that have sufficient capacity for time and space dissociation (such as MNCs and nation-states). The increased potential in recent years for international contract labour migration is presented here as the result of sustained socioeconomic developments in the

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regulations. The constant interaction between these evolving structures in turn produced other structures, which, in their wake may be perceived as threats by the existing structures (Goss and Lindquist, 1995).

<sup>14</sup> The theory of structuration claims that social action and interactions are embedded in time, which it is conceived here at three levels. First is the *duree* of everyday life, or reversible time, in the sense that its actions are repetitive and routine. Second is the life span of individuals, *dasein*, a finite and irreversible time that progresses toward old age and death. Third is the *longue duree*, or international time of institutions. The duality of structure implies the articulation of these temporalities and the binding of the routine interaction of everyday life together with the life-path, or career moves of the life cycle, and the policymaking/ planning strategies of institutional history (Goss and Lindquist, 1995: 333 - 334). Migration institutions operate within the *longue duree* or infinite life/time, however, migrants and social rules and resources function within the *desain* or finite life/time (migrants) and *duree* or everyday life/time (rules and resources). Rules include, among other things, the political, legal, and social order, while resources include *inter alia*, *duree*, *dasein*, work and leisure (Goss and Lindquist, 1995). Rules provide for a dynamic efficiency and reallocation of resources, while the resources determine the rules of the global arrangement. Migration institution is the constant interaction that takes place between the rules and resources within this framework via the actors (migrants, politicians, communities, households, MNCs, etc).

richer economies and their demand for service sector labour, the construction boom in the Persian Gulf and the Middle East, the rapid economic development in the development of oil-producing economies, together with the continued underdevelopment of non-oil producing and non-industrializing of less developed countries (Goss and Lindquist, 1995; Skeldon, 1997; Bartram, 1998; Saith, 1998).

This approach thus argues that international labour migration is best examined not as the result of individual motivations and structural determinations, although these must play a part in any explanation, but as the articulation of *agents* with particular *interests* and playing specific *roles* within an institutional environment, drawing knowledgeably upon set of *rules* in order to increase access to *resources*. For potential migrants, this means enhancing their capacity for relocation, ultimately into the global economy (Goss and Lindquist, 1995; Skeldon, 1997). This requires assistance from other individuals who interpret the rules and distribute the resources of the migration institution. Thus the migration institution can be conceived as a set of roles or social positions adapted by individuals that then influence their actions. Institutions do not determine individual interests and actions, but individuals draw selectively on institutional rules and resources in pursuit of their interests and inevitably reproduce the social system (Goss and Lindquist, 1995). As potential migrants, returned migrants, patrons, and institutional agents draw upon rules and resources of diverse social institutions, it is then that their practices become institutionalised, that social networks become migrant networks and ultimately migrant institutions (Goss and Lindquist, 1995; Skeldon, 1997).

In essence, and it is here that echoes of the Friedman and post-modern reasoning are felt, what the Goss and Lindquist model describes is a *unification* of the modes of production and networks approach. The point of the modes of production was that sectoral production processes can result in the partial integration of migrants at the destination, resulting in the formation of petty commodity production units or the Third World sector, which distinctive from the capitalist (status quo) production mode. The failure of the modes of production theory to identify the social links between the petty commodity and capitalism makes the model appear as if it was suggesting that petty commodity

production was thus an offshoot of the capitalist system. Indeed, some leading authors in this field (e.g., Moser, 1978) do in effect state that the petty commodity production is *peripheral* to the capitalist mode. It took the networks theory 's outlook of the interfaces (social relationships) that lead to the formation of exclusive Third World sectors to expand the modes of production theory away from the classical orthodox reasoning (i.e., classical modernisation theory). The Goss and Lindquist model now then incorporates the two explanations and points out that new and exclusive identities are themselves governed by the larger rules and regulations, *making them their own hegemonies* and not necessarily offshoots of the capitalist system. Thus, although there is increasing fragmentation at the global level, there is greater unification at other levels. This is why the formation of these non-capitalist non-traditionalist entities lies beyond the control of particular states or production institutions (such as MNCs). Hence, the suggestion of the Goss and Lindquist migration institutions model is thus that *unilateral* responses to migration are likely to result in poor allocation of resources. Given the fact that migrants operate under exclusive and dynamic social networks outside the formal rules and regulations, above national border, of the sending or receiving countries, it is then just a question of *time* before repatriated and partially integrated migrants resurface. The case of Ghanaian migrants in Nigeria during the mass exodus of the early 1980s offers a good example here (see section 3.3.3 above). In terms of policy, the Goss and Lindquist model seems to suggest a need to integrate micro and macro policies but with a *multilateral* perspective, as opposed to *ad hoc* unilateral policy prescriptions.

Echoes of the Goss and Lindquist model can be picked up within other Post-modern critiques of the development of urban areas in less developed countries (LDCs). Generally, the Post-modern explanation of development in LDCs argues that production and reproduction in LDCs are increasingly less systemic and local and increasingly more fragmented, ragged, virtual, absurd, even absent (van Binsberg, 1997; Rimmer and Dick, 1998). This view seems to be in accordance with Friedman's model. Modernization theory seemed to argue that increased consumption of material goods would lead to increased integration and decreasing poverty and deterioration of human life (Skeldon, 1997). However, developing world urban areas, in particular, with their usually recent

history, heterogeneous migrant population, and full of social, political and economic structures apparently totally at variance with any rural conditions in the surrounding countryside, are laboratories of the meaning of a non-global urban reality.

In these instances, the Post-modern critique asks whether it is efficient to say that towns in less developed countries (LDCs) have “engendered collective representations which are strikingly urban in the modern sense, and which offer partial and tentative yet creative solutions to such typically urban problems as continual personnel flow, ethnic, class and religious heterogeneity, economic and political powerlessness, and the increasing irrelevance, in the urban situation, of historic, rurally-derived forms of social organisation (kinship, marriage, 'traditional' politics and ritual)” (van Binsberg, 1997). In other words, “is the LDC townsman a displaced villager or tribesman?” (van Binsberg, 1997). In the past it was virtually easy to distinguish the LDC urbanites from traditionalist and paternalistic projections (Rimmer and Dick, 1998).

LDC urban dwellers in the past could be viewed as temporarily displaced villagers whose true commitment and identity continued to lie with their rural societies of origin (Nelson-Richards, 1988; Pedersen, 1997). This is because it was assumed that an exchange of resources took place between the urban dwellers and the rural settlers (Pedersen, 1997; Rimmer and Dick, 1998). Migration was thus regarded as facilitating the incomes of the rural areas (given the removal of labour in direct rural production). The post-colonial state in particular was perceived as the central planner in these countries. (Nelson-Richards, 1988; van Binsberg, 1997; Rimmer and Dick, 1998).

The post-colonial state in LDCs, was generally perceived as the principal actor in the struggle for control of the urban space, and also the major agent of social control through its law-and-order institutions (the judiciary, police, immigration department); the major mediator of “cosmopolitan” meaning through the bureaucratically organised services it offers in such fields as education, cosmopolitan medicine, housing, the restructuring of kinship forms through statutory marriage etc.; and the major context for the creation of new, politically instrumental meaning in the process of nation-building and elite

legitimation; and through its constitutional premises the object (and often hub) of modern political organisations (van Binsberg, 1997; Rimmer and Dick, 1998; Friedman, 2000). Clearly, LDC urban dwellers had a limited ability to participate in mass consumption given the pervasive role and influence of the post-colonial state in the urban settings, and its virtual absence in the rural locations. What the Post-modern outlook reveals is that urban locations in third world economies are developing into distinct forms of interaction characterised by the inability to find employment, and to consume. The past constraints on the consumption of urban dwellers has translated into a new and different hegemonic order, in which the Third World rules by its classification, while the State can only helplessly observe the unveiling of this new order. Similarly, at the global level, nations-states can only observe as the new international division of labour unveils at the turn of the century. Past rules and regulations to restrict this process are becoming increasingly obsolete, as they only lead to greater classifications outside the status quo. The type of consumption that does take place is more of “survivalist” in nature with little interaction with the capitalist (modern) system. In this sense then, many LDCs are becoming marginalized in the global economy.

Whereas in the past such distinct classifications were perceived as somewhat benefiting from the capitalist interaction (for example the dependency explanation), here it is argued that the level of exploitation is virtually non-existence, due to the fact that the “Third World” survivalist sector has nothing of *value* to offer to the capitalist production system. The main viewpoint here is that the Third World sector is almost parasitic in the sense that it consumes (including consumption at a criminal level) without adding anything to the system from which it draws. Skills and material well being in this sector are low and fragmented. As a result, the Third World sector is here presented as entirely removed from the capitalist world economy, with only survivalist activities or destruction (famine, war, epidemics, crime) as its identity. The rapid expansion of this sector in the urban areas of LDCs, suggests that this could be the emerging hegemony in these countries.

Indeed, as argued by the Post-modern critique, the Third World sector, highly associated with the Todaran type of economy (with risk and uncertainty) *is* becoming to be a

familiar feature of urban locations in LDCs. The parasitic nature of this sector in a sense represents the inability of the urban modern sector to generate employment, and thus the contribution of the modern sector in turning the urban locations into ‘collapsing slums.’ The type of work and lifestyle associated with this sector is not different from rural slums, ghettos, locations, and townships that are besieged with poor quality employment and consumption, and that are visible from Latin America, throughout South East Asia to the whole of sub-Saharan Africa. Although urban slums are not unique to the LDCs and are definitely not a novelty of the global economy, it is the *rate* at which urban slums in LDCs are multiplying that seems to be of most interest to structuralist theorists.<sup>15</sup>

The interesting point about the institutional explanation is that it provides for a broader conceptualisation of the Third World sector by placing it within a progressively more global network. This model is thus suggestively useful in offering a broader conceptualisation of international labour migration in southern Africa, in the sense that it begins to clearly identify the economic impact of restricting labour in a global economy with capital mobility (i.e., the formation of urban slums on the one hand, and the marginalisation of migrants and LDCs on the other hand). Nevertheless, this model also pools extensively from the orthodox methodology and as such this thesis proposes a cumulative approach to the dual labour market and international labour migration in the southern African region.

### **3. 4. Conclusion**

In the context of high urban unemployment in the southern African region, a cumulative approach to the study of international labour migration is highly useful. The functional

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<sup>15</sup> Past policies that addressed the welfare concerns of urban areas, such as the EPZ model of welfare generation, long-term development programmes put in place to restructure the economies of Third World countries, such as the structural adjustment programmes, or informal sector development programmes, have proved to be ineffective in reducing the rate of expansion of the Third World urban sector. The Post-modern explanation of socio-political disorders and fragmentation in the world suggests that the re-emergence of the third world sector at the end of the 20<sup>th</sup> century (through the increased internal and external migration particularly from LDCs) signifies the restructuring of the existing institutional structure and a turning point in the *longue duree* or infinite time (Goss and Lindquist, 1995; Skeldon, 1997).

approach to the study of international labour migration provides for a useful explanation as to why the classical migrant came to exist and dominate in the southern African region. The lack of an historical account into the behaviour analysis of international labour migration within the functionalist approach limits this explanation to that of voluntarism and rational behaviour. However, the reinforcement of the classical migrant labour institutional order even within the post-apartheid southern Africa labour market implies that more than voluntarism and rationality is what is maintaining the existing institutional structure.

Structuralist responses to the functionalist school of thought have opted to integrate the dialogue of sectoral and social production systems that operate within specific institutions and that are constantly shaping the rules and regulations of the global economy. With respect to international labour migration, the structuralist perspective points out that at the turn of the 21<sup>st</sup> century, there is a new international division of labour that is being propelled by the increased mobility of capital in the global economy, and that is producing increased labour flexibility with enhanced degrees of unequal exchange. Countries with low-skilled labour and low capital are more likely to experience a negative flexibility, while countries with high-skilled labour and high capital are more likely to experience positive flexibility. Whereas both types of flexibilities are characterised by increased inequality among special distributions, negative flexibility is further associated with exploitation, vulnerability and low-growth paths. These in turn are likely to evolve into separate entities that become completely removed (as opposed to being marginalized) from the rest of the capitalist production system.

The interesting point that the structuralist provide is the expansion of the reference unit in labour studies to include either a global perspective (developed versus developing) or a local perspective (urban versus rural, males versus females, etc). Nevertheless, the functionalist perspective still proved the utility of interaction even within the structuralist methodology. It is thus imperative to regard dual labour markets from a cumulative stance.

We now turn to Chapter 4, which contains a comparative country case-study analysis that assists in testing the *a priori* assumptions examined in the theoretical model presented above. After which, in Chapter 5, an empirical analysis using the Lesotho example is achieved.

## CHAPTER 4

### COMPARATIVE COUNTRY STUDY ANALYSIS

#### 4. 1. Introduction

This chapter offers a qualitative comparative country study analysis of the economic impact of international labour migration in five selected developing countries. The point here is to demonstrate qualitatively that international labour migration is a dynamic progression that is intricately linked to the modernization of a labour sending country. The aim of the chapter is two-fold. First the chapter aims to show qualitatively that increased economic liberalization in developing countries is resulting in a push out-migration of labour. Second, the chapter aims to qualitatively test the *a priori* assumptions of the cumulative dual labour market theoretical framework discussed in Chapter 3, by applying the assumptions of the theoretical framework to several empirical case studies. A historical analysis of the process of industrial diversification of the selected countries and the study of impact of export-orientation industrialisation (EOI) and structural adjustment programmes (SAPs) on the domestic labour market and on shifts in sectoral employment are the main tools of analysis used here.

The five chosen country studies are Costa Rica, Egypt, Ghana, Sudan and the Philippines. The aim of choosing a diverse group of countries is show the similarities of these countries to the Lesotho case on the dependence on commodity manufacturing (including Costa Rica) and external migration (excluding Costa Rica). All of the above mentioned economies, including Lesotho, followed similar industrialisation strategy of import substitution industrialisation (ISI), followed by a subsequent switch to export orientation industrialisation (EOI) that was preceded by an economic crisis in the 1980s.<sup>1</sup> The implementation of the ISI strategy was accompanied by high growth periods and out-

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<sup>1</sup> Naturally the time of implementation of the ISI and EOI policies differed with respect to each country's political independence. Nevertheless, the ISI policy was usually implemented immediately following the political independence.

migration rates in these economies.<sup>2</sup> The link between the ISI growth and international migration that is central to the analysis of the chapter. The purpose of the comparative country study is to extract lessons for Lesotho and the southern Africa region in terms of international labour migration management and the attainment of a successful export-led industrialisation.

The chapter is divided into five sections. Section one gives the introduction. Section two analyses the ISI industrialisation phase. Section three examines the economic crisis period of the 1980s. Section four analyses the EO industrialisation and SAPs. Section five discusses the impact of EO industrialisation and SAPs on the domestic labour market. Section five gives the summary and conclusions of the chapter. To recap, all these sections the impact of industrial diversification on labour migration is emphasized and the theoretical *a priori* assumptions tested.

#### **4. 2. Early industrialisation phase, 1940s – early 1980s**

The objective here is not to document the process of the import substitution industrialisation (ISI) phase. A lot has been written on that (e.g., Sassen, 1988; Emirij, 1993; Mensah, 1993; Potts, 1990, Date-Bah, 1997) The aim here is to document the links between the ISI phase and international labour migration, therefore a briefing of the ISI phase is carried out in conjunction with the story of international labour migration. To begin with, during the ISI phase, Costa Rica, the Philippines, Egypt, Ghana, and Sudan were all primary commodity exporters and agrarian based economies, with little value-adding production and a high reliance on international prices and markets for their products. Traditionally, these economies were net exporter of coffee, bananas, beef, and sugar (Costa Rica), cocoa and timber, gold (Ghana), coconut, fruits and vegetables, and

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<sup>2</sup> As expected, there will be important differences among the five country studies, in terms of the importance of international migration on the national economy. For example, Costa Rica has the lowest international labour migration among these countries. In addition, Costa Rica is usually cited as a success story (e.g., Diaz and Briquets, 1992; World Bank, 1995). However, as in the other case studies, the path of development in Costa Rica largely mirrors the ISI model, which in this chapter we argue is the root of the economic problems facing these economies, such as high out-migration and rural urban migration rates, and low standard of living and human capital development, that the EOI phase has so far failed to reverse.

sugar (the Philippines), and coffee (Sudan). The economic model of these countries was built around food self-sufficiency, and trade with the neighbouring regional economies. For example, between 1949 and 1960 Costa Rica had one of the top economic growth rates in Latin America, with GDP climbing an average of 9 percent a year (ICG, 1997). Similarly, the Philippines, Ghana, Egypt and Sudan all achieved GDP growth rates averaging between 6 and 9 percent per annum (Beaudry and Sowa, 1994; Pangestu, 2000; Ertur and House, 1993; Shaban et al, 1995).

The focus of the ISI was mainly on unskilled labour-intensive exports that were intended to be “pro-labour” in the sense that large numbers of unskilled labour were supposed to be easily absorbed into employment particularly with low education requirement (i.e., primary school level).<sup>3</sup> Governments in these countries nationalised primary education and engineered a guaranteed policy for graduates in order to achieve the above goal. In addition, in Ghana, Costa Rica, Egypt and Sudan the governments picked winners in agriculture and services (i.e., the comparative advantage sectors) (ICG, 1997; Beaudry and Sowa, 2994; Leonor, 1985. In the Philippines the government competed with the other South East Asian economies in promoting its more comparatively advantageous industries (Pangestu, 2000). As in the Lesotho case, the main motivation of these countries to pursue an ISI strategy were similar in that they all wanted to develop a modern and domestic industrial sector which would produce in the first instance consumer goods and progress towards intermediate and capital goods. All these countries used tariff and non-tariff protection on final goods to promote their local industries.

With the exception of Costa Rica, Egypt, Ghana, the Philippines, and Sudan all relied heavily on international labour migration to boost their economies. Figure 4.1 shows that the world share of remittances from these countries increased steadily during the ISI phase.

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<sup>3</sup> See Link, 1985, Vermaak, 1985, and Som, 1987 for a detailed accounting on social development in Less Developed Countries (LDCs), including southern Africa, during the ISI phase.

Remittances: share of world

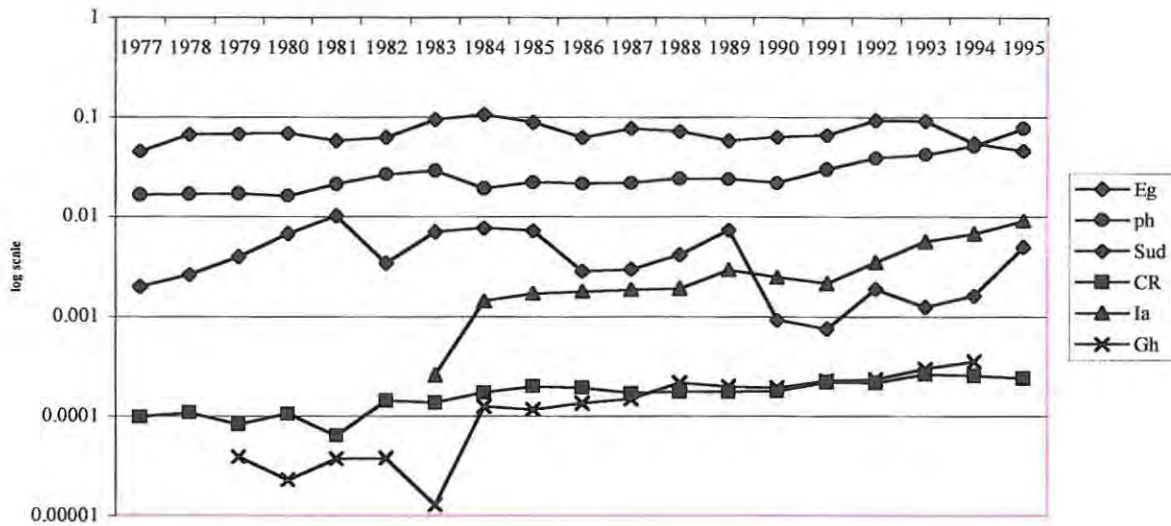


Figure 4.1

Note: a) Data is presented in log scale so as to be able to compare the different shares of remittances.

b) On the legend scale, *Eq* stands for Egypt, *ph* stands for the Philippines, *Sud* stands for Sudan, *Cr* stands for Costa Rica, *Ia* stands for Indonesia, and *Gh* stand for Ghana.

Source: Own calculations based on data from the IMF Balance of Payments Statistical Yearbook (Annual).

Most migration was principally to the oil producing countries in the Middle East (Egypt, Sudan, and the Philippines) and in Nigeria (Ghana). Revenues obtained from external migration, in the form of remittances, were largely spent on services and construction (basic physical infrastructure), as well as on basic education. Even in Costa Rica revenues obtained from intra-regional trade was spent on building among other things, the country's port, roads, public transportation system, and basic education. The ISI phase in these countries was thus usually accompanied by large public sector investment in human and physical infrastructure, particularly primary education, construction, and transport, but without a clearly defined urban focus. Given the small basis of tradable sectors in this country, government expenditure on non-tradable sectors lead to their rapid expansion (and absorption of labour) that deterred the development of the tradable sector.

Thus, the signs of a Dutch disease phenomenon were already visible as early as in the ISI phase.

As in the case of Lesotho, the early growth associated with the ISI created a Dutch disease phenomenon in the five economies, whereby the production of tradable sector suffered to the benefit of the booming non-tradable sector owing to appreciating real exchange rates during the agriculture, gold and oil price boom (Leonor, 1985; Gindling and Berry, 1994; Beaudry and Sowa, 1994; Shaban et al., 1995). Generally, countries that were more successful during this phase adapted a more democratic approach to development by minimizing social and political unrest, and maximizing public services.<sup>4</sup> In contrast, countries that were less successful in their ISI phase displayed a high reliance on external migration and non-tradable sector development, and centrally governing institutions.<sup>5</sup>

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<sup>4</sup> Costa Rica stands out as the most successful case study here. Costa Rica's early phase of industrialisation began well in advance of the other economies, as early as 1948, when the country became a democracy. The government abolished the military governing and nationalised the banks. Over the next thirty years, Costa Rica government eliminated military coups, civil unrest and guerrilla warfare. The government also invested resources heavily in its poorer regions and in energy and transport, and communications infrastructure (ICG, 1997). The government built an extensive and well-run social welfare system that included public utilities, free healthcare, low-cost housing and insurance, and pension and savings programmes. It also established credit and technical assistance programmes for farmers and guaranteed subsidized prices to encourage production of food crops (Gindling and Berry, 1994; ICG, 1997). The programmes provided a strong social safety net for the country's poor and spurred growth of a large middle-class of professionals, entrepreneurs, and civil servants (ICG, 1997).

<sup>5</sup> For instance, Egypt, Ghana and Sudan, non-oil producing countries with unstable political backgrounds, benefited a lot from the oil producing countries during the 1970s oil boom period. More than one million of the male labour force migrated to Saudi Arabia and other Middle Eastern oil producing countries, and to Nigeria, where they became employed in the construction sector of these economies. The governments of the labour sending countries soon after adopted an emigration policy that permitted them to accrue remittances and deferred pay from the international migrants. The share of public investment increased dramatically during the period 1970 – 73 and 1974 – 81 as a result of this policy (Leonor, 1985; Ertur and House, 1993; Beaudry and Sowa, 1994; Marais, 1994; Shaban et al, 1995). Much of the public spending was on infrastructure projects in transport and communication. In Egypt, private investment was also stimulated as the governments embarked on its open-door policy, lifting the ban on private sector participation in foreign trade and encouraging private investment industry (Leonor, 1985). Nevertheless, the non-tradable sector was developing at a faster rate than the tradable sector in these countries, which produced the classical Dutch disease growth associated with immiserising growth and a low development path. Given the lack of coherent democratic institutions in these countries, most of the gains from international migration were "lost" to the immiserising growth (including high levels of corruption by civil servants, crime, crowding out of the private sector, etc) (Ertur and House, 1993; Marais, 1994; Shaban et al, 1995)

As in Lesotho, countries also expressed a classical Lewisian economy, whereby the surplus labour from the poor rural areas became absorbed into the modern sector (agriculture, mining and oil). The Lewisian phenomenon was visible in terms of the incidence of poverty and income inequality.<sup>6</sup> The pattern of international labour migration during the ISI phase in particular corresponded to the Lewis model of dual labour markets analysed in Chapter 3. The next sub-section elaborates on this point.

#### **4. 2. 1. Labour migration during the ISI phase.**

Industrial diversification in these countries was occurring at a time when international labour migration in the global economy was on the rise. The oil and gold boom of the 1970s and 1980s, following the slow down of agriculture exports, resulted in a large demand for temporary labour in the construction and services industries of the oil and gold producing countries. At the same time, the restructuring of Europe and Japan following the end of World War II also generated a large demand for temporary, cheap foreign labour. Most of these temporary migrants came from the less developing economies. The wage differential between the rich countries and the less rich economies was the main motivating factor for international labour migration (Macmillan, 1982). The general pattern of migration was thus a classical pull migration.

Table 4.1 indicates the overall rise in private unrequited transfers from emigrants in the in these economies. The overall trend is a rise in the receipts of these transfers since the mid-1970s up to the early 1980s (see table 4.1). In developing countries in particular, and especially in the case of our five case studies, these transfers were used to finance imports

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<sup>6</sup> For example, in the Philippines, the Filipino poor were located mainly in the rural areas, and they accounted for 60 to 70 percent of all the poor in South East Asian countries (Pangestu, 2000). The initial incidence of rural poverty was higher than urban poverty in the early 1970s. Incidence of rural poverty was twice that of urban poverty (Saith, 1998). Over the 1970 – 76 period, during the oil boom period, the decline in urban poverty was much more rapid than in rural areas, reflecting the urban concentration of construction and ISI activities. However, throughout the remainder of the late 1970s, the trend changed with rural poverty falling more rapidly than urban poverty so that by 1980 rural poverty incidence was lower than urban poverty (Saith, 1998; Pangestu, 2000). The reasons given behind this trend are mainly increased government expenditure on rural development projects and increased remittances from overseas migrant workers to their rural households in the Philippines (Ranis, 1992; Saith, 1998).

and stimulate internal demand. Table 4.1 also indicates that in the 1970s the share of such transfers to imports began to increase, as well as their share of exports, suggesting the importance of international labour migration to the industrial diversification process in the world. Nevertheless, the pattern of migration also had a socio-political inclination. Countries that had shared a colonial history proved to experience greater migration interaction between them. However, as international trade deepened in the late 1970s and 1980s, migration began to expand its base to include movement to countries that had higher incomes but not necessarily the ones with whom the migrants shared a common past.<sup>7</sup>

The diversity of labour exporting destinations from the ISI countries required that the governments established coherent programmes to manage the flow of labour outside the country and the inflow of remittances. As in the case of Lesotho, in the 1970s the governments of the labour sending countries established institutions of international labour migration for the generation of foreign reserves, the control of population movements across its borders, and ostensibly, the promotion of the rights and welfare of international workers (UNRISD, 2000). The signed bilateral agreements with several host countries, including among others, the United Arab Emirates, Saudi Arabia, Iraq, Iran, Jordan (the Philippines, Sudan, Egypt), Algeria, and the Republic of Nauru, and Zambia (the Philippines), and Nigeria (Ghana), in order to attain this goal (Ertur and House, 1993; Beaudry and Sowa, 1994; Marais, 1994; Shaban et al, 1995; Saith, 1998). By the mid-1990s, most of these governments operated their own recruitment agencies and

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<sup>7</sup> For example, traditionally, migrant workers from the Philippines were mostly destined for the U.S. economy, which had been the main political administration in the Philippines during the colonial era (Goss and Lindquist, 1995). Most of these migrants were absorbed in the low-paying jobs in California especially related to construction and domestic work (Menjivar et al, 1998). Most of these migrants also became permanent residents in the United States (Menjivar et al, 1998). Remittances in the form of private unrequited transfers sent to the Philippines were the main link between these migrant workers and the Philippines economy (Keely and Tran, 1989; Menjivar et al, 1998). However, between the early 1960s and late 1980s, the Philippines' export of labour to Europe (Rome) and Japan increased. Most of the migrants were employed in temporary jobs, with one-year renewable contracts (Tacoli, 1999). At the same time, in the late 1970s and early 1980s Filipino male migrant labour to the Middle East and female migrant labour to the East Asian economies, particularly Malaysia and South Korea, also increased following the oil boom in the Gulf oil producing countries and the economic success of the Asian Tigers (Goss and Lindquist, 1995; Martin, 1995). These migrants were also employed in the construction and services sectors of the labour-receiving countries.

maintains labour attaché abroad, as well as licensing and regulating the private sector at home (Skeldon, 1997).<sup>8</sup> It is interesting to note that these bilateral agreements were signed mainly between South-South countries. This is not surprising, given the fact that migrant workers from the South to the North always required visas and proof of valid entrance and reason for entrance, i.e., migrants from the South had traditionally faced stricter unilateral immigration policies from the governments of the North.<sup>9</sup> What is surprising perhaps is the volume of migrants into the South economies as compared to the North. This could be either due to a skill differential, immigration policies, or geographical location. Clearly skill differential and immigration would also impact South-South migration. It is thus interesting to note the effect of geographical proximity on patterns and volumes of migration.

Most of the destination countries cited above more or less belong within the same geopolitical configuration as the labour sending countries. The suggestion here is that even in the ISI phase, social and political relations due to proximity appeared to influence specific sectors of production that seemed to reduce labour inflexibility within the geopolitical composition. This suggests the operation of migration institutions as proposed by the Goss and Lindquist model.

In terms of internal migration, generally, the period associated with world booming oil prices generated a rapid increase in rural-urban migration in the ISI countries, due to both economic and social reasons. Urban areas tended to have better social amenities than rural area, and most non-agriculture modern sector employment was associated with the urban centres (Chitrakar, 1994). Both rural and urban income inequalities increased initially up to the mid-1970s then began to decline. This can also be attributed to the

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<sup>8</sup> The Philippine government explicitly endorsed the international migration of the Filipino as part of the national development strategy (Martin, 1993, 1995). However, unlike in the case of Lesotho, the Philippine Labour Code Act of 1974 set up a proposal for the institutionalisation of international labour migration by state policy. The amendments to the Labour Code of 1974 provide an institutional framework for regulating the rapidly expanding market in foreign contract labour (Goss and Lindquist, 1995).

<sup>9</sup> It is also interesting to note the asymmetry between international migration and foreign direct investment patterns in these countries, but such a study lies beyond the scope of the thesis ( see for example, Chitrakar, 1994).

decision to prioritise development of rural areas and the agriculture sector (Pangestu, 2000). However, urban inequality remained higher by the mid-1980s. This is largely due to the fact that the rise in wages in the modern formal sector was much faster than that of the informal sector, and the fact that the benefits of growth were concentrated within certain groups in urban centres (mostly public lobbyist groups). Living in the urban area was also associated with a higher position in the society, irrespective of actual incomes (Leonor, 1985; Ranis, 1992; Chitrakar, 1994; Saith, 1998; Pangestu, 2000). Thus, during the ISI phase, large numbers of rural dwellers migrated to urban centres within (and outside) the country in search of both economic and social upgrading. Naturally, given the high population growth in these countries during this phase, and the lack of private sector entrepreneurship, migration to internal urban areas soon became associated with migrant-inequality, whereby access to social and economic amenities in the urban areas was determined by social class standing in the rural areas (Gindling, 1991; Cohen and House, 1996). The point being raised here is the emergence of urban segmentation and inequality<sup>10</sup>, as suggested by Mohtadi, discussed in Chapter 3.

In terms of push rural out-migration, it is noted that the oil boom period was also accompanied by a boomlet in non-food commercial agriculture. In countries where agriculture was the pillar of export production, farm sizes were enlarged and small producers were forced to relocate to other parts of the country or to migrate. This translated to the rural areas in the domestic economy shedding workers faster than jobs were being created in the estate farms or the urban areas. As a result, most workers who migrated to the urban areas became landless (given the unequal urban stratification), and either remained openly unemployed or became absorbed in informal activities associated with poor credit and marketing, and no value-adding production<sup>11</sup> (Ertur and House,

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<sup>10</sup> Analysts of the regional dimensions of the ISI period reveal that for example, in the case of the Philippines, urban inequality was worse for urban areas in Manila compared to off Manila (Saith, 1998). The worsening expenditure distribution in urban areas was consistent with the worsening of relative poverty in urban areas. This indicates that the benefits of early growth were enjoyed more by the capital-intensive sectors in urban areas in Manila (Ranis, 1992; Pangestu, 2000), and particularly the government sector and foreign investors (Saith, 1998).

<sup>11</sup> For example, in Costa Rica, during the coffee boom period, coffee farms expanded in size as production continued to grow, and many small-scale traditional food farmers were displaced from their farmlands (Gindling and Berry, 1994). This was accompanied by a rise in the rate of landlessness in the country

1993; Beaudry and Sowa, 1994; Gindling and Berry, 1994; Marais, 1994; Cohen and House, 1996).

Generally, the early growth period in these countries was however short lived. The sharp economic downturn started in the late 1970s with the sudden decrease in the world price of agriculture exports, and the subsequent unexpected decrease in the price of oil (Sassen, 1988; Gindling and Berry, 1994; Beaudry and Sowa, 1994; Shaban et al, 1995; Saith, 1998; Mkandawire and Soludo, 1999; Pangestu, 2000). The sharp declines in real growth were followed by sharp declines in foreign exchange that led to the massive borrowing by these countries in international and local banking systems, which subsequently led to the economic crisis of the 1980s.

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between 1960s and 1970s. International labour migration, although it remained as an option to some of the landless farmers, was not widely pursued in Costa Rica. The United States mission to substitute foreign aid for international migration, and the success of the regional common market area (CACM) contributed to the low rate of international labour migration in Costa Rica (Weintraub and Diaz-Briquets, 1992). Nevertheless, rural-urban migration rose dramatically during the coffee boom period. Early migrants were easily absorbed into the modern formal sector but, since the late 1970s, employment in the formal sector in urban areas became less available to later migrants (ICG, 1997; Saith, 1998). Most were forced into the informal sector employment, while some opted for emigration (Gindling, 1991). San Jose in particular emerged as the main centre for in-migration and informal sector development. The structure of the informal sector was such that some jobs were classified as "protected" in the sense that kinship, family, neighbour, and friendship ties determined entrance into such jobs, and unprotected jobs in which entrance was mostly free and competitive. Women tended to occupy the freer entry informal sector employment sector and men (Gindling, 1991). Due to the relatively large size and diversification of the informal sector since early industrialisation phase, unemployment levels in Costa Rica have remained relatively low in comparison to levels in other developing countries (Gindling and Berry, 1994; ICG, 1997).

Like in Costa Rica, rural-urban migration rose as well as international labour migration due to the cocoa boom. A lot of small producers were pushed out of their land and forced to either settle in the urban areas in Ghana or migrate outside the country. The urban areas lacked employment, particularly the manufacturing sector, and so most of the landless rural dwellers emigrated to neighbouring economies and also to the Middle East. Unlike in Costa Rica, the regional market in West Africa was not developed enough to allow increased trade as a substitute for international labour migration. The oil boom in Nigeria and the Middle East absorbed most of Ghana's low-skilled and highly skilled labour that emigrated in the 1970s (Sassen, 1988; Potts, 1990). The rural poor who migrated to the urban areas were absorbed in the unprotected informal sector, which was largely dominated by "market women" in the stadiums (which operate as market places in Ghana). Entry into the informal sector employment was relatively free (Beaudry and Sowa, 1994) in Ghana in comparison to the situation in Costa Rica.

### **4. 3. The economic crisis of the 1980s**

In all of the country case studies, the economic crisis signified the lack of industrial diversification and the vulnerability of these countries to external economic shocks. Costa Rica was the first country out of our chosen case studies to experience the economic crisis of the 1980s. The economic crisis in Costa Rica arrived earlier than the 1980s. The signs were already obvious by the late 1970s. The economic crisis in Costa Rica was a result of cumulative external factors influencing the local economy.<sup>12</sup> The pattern of diversification (i.e., coffee and exports to CACM) made Costa Rica vulnerable to external shocks.<sup>13</sup>

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<sup>12</sup> The suggestion here is that Costa Rica experienced two economic crises during the ISI phase. The first one, in the late 1970s, was an export crisis associated with the falling price of cocoa crisis. The second one, in the early 1980s was a macroeconomic crisis associated with high government foreign borrowing.

<sup>13</sup> The leftist Sandinistas toppled the U.S. backed Somoza dictatorship in neighbouring Nicaragua and the Reagan Administration took office in Washington (ICG, 1997). The economic down spiral, reported as the worst in the country's history, was triggered by a steep rise in the price of gasoline and other petroleum products, and a rapid fall in the world price of coffee (Gindling and Berry, 1994; ICG, 1997). As the terms of trade shifted, Costa Rica was forced to borrow heavily from foreign banks and lending international financial institutions (IFIs). The situation was particularly acute because half of the country's debt was in high-interest, short-term loans from commercial banks (Sassen, 1988; ICG, 1997). Between 1977 and 1981 Costa Rica's debt service quadrupled, totalling 60 percent of export earnings. By 1980, the country's debt had reached US\$3 billion. At the same time, Costa Rica had one of the highest per capita in the world (US\$2021) and an inflation of 100 percent (ICG, 1997). Under these conditions, President Rodrigo suspended debt payments to nearly all of the country's foreign creditors, predominantly international commercial banks.

However, the international financial institutions (IFIs) were not sympathetic to Costa Rica's situation. Faced with impending financial default from two Latin America giants – Brazil and Mexico, the commercial banks and the IMF were reluctant to negotiate new loans or repayment with Costa Rica, regardless of its relative small debtor country status (ICG, 1997). Instead, the Reagan Administration stepped forward with a bail out scheme, motivated not so much by Costa Rica's internal crisis as by Washington's strategic need to buy its cooperation in the concealed mission against Nicaragua, coupled with the Administration's crusade to push "supply side" economics beyond the U. S. borders (ICG, 1997). Thus began Costa Rica's long association with U. S. food aid and financial aid programmes. Whereas in the late 1940s up to the late 1970s the U.S. government and IFIs viewed Costa Rica as a stable but economically and strategically unimportant, in the 1980s, the U.S. and international opinions regarding Costa Rica's economic position in Latin America had changed. During the 1980s Costa Rica received substantial foreign aid from the U.S. For example, soon after President Luis Alberto Monge took office in May 1982, the Reagan Administration quickly struck a deal with his government. Again in 1983, the USAID assistance in Costa Rica soared to US\$212million, a 27-fold increase over 1978 (ICG, 1997: 23). Thus during the 1980s Costa Rica became the second largest per capita recipient of U.S. economic aid, surpassed only by Israel.

Similarly, the Philippines and Ghana who were also dependent on primary exports and international labour migration were very vulnerable to the external shock that resulted in the early 1980s. The effects of the fall of agriculture relative prices in the late 1970s in the Philippines were offset by the rise in remittances from high oil price in Indonesia and the Middle East (Keely and Tran, 1989; Martin, 1993; Pangestu, 2000). In the Philippines, the economic crisis manifested itself in terms of a financial crisis in the mid-1980s (Pangestu, 2000). During the mid-1980s, the Philippines embarked on a programme of rapid globalisation that was characterised by more aggressive and consistence export oriented strategy. The economy started to shift away from labour intensive exports to more skilled labour and human capital-intensive exports (Pangestu, 2000). At the same time, in the late 1980s, the Philippines liberalized the financial sector (capital account) and attracted larger capital inflows, particularly in the form of Export Processing Zones (EPZs).

However, the economic crisis of the 1980s associated with huge debts in commercial banks triggered a lot of the EPZ factories to shut down over night in the Philippines and left the economy in financial turmoil. The government had borrowed heavily from the local banking sector to finance the necessary infrastructure requirements for the EPZ. When the factories shut down unexpectedly the government found itself in serious debt to the financial sector. The huge borrowing by the government sector squeezed out private financing and created bad credit in the banking system (Chitrakar, 1994; Sachikonye, 1998). By the time the oil prices fell in the early 1980s, the Philippines had been transformed from a country of high economic prosperity to a country of dire economic situation. Over one million migrants were repatriated to the Philippines at once from the Middle East and Indonesia due to declining prices of oil (AWORC, 1999).

In Ghana, the economic crisis of the 1980s manifested in the form of a severe shortage in foreign exchange, a contraction of the manufacturing sector, and several periods of political instability.<sup>14</sup> As in the case of the Philippines, the financial sector in Ghana was

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<sup>14</sup> The price of cocoa began to fall on the world market in the early 1960s. By the mid-1960s, the government borrowed heavily form the local banking system to finance its growing fiscal deficit, which

not developed enough to allow huge borrowing by the government. The high government borrowing from the financial sector led to the crowding out of the private sector borrowing. This further depressed the private sector's chances for growth (Beaudry and Sowa, 19994). As in Costa Rica, government borrowing in Ghana was accompanied by a high monetary expansion that fuelled inflation.<sup>15</sup>

During the period beginning from 1983, the four ISI countries dependent on international labour migration received mass repatriation of their external migrants from the Middle East and Nigeria, at different time intervals. In all these countries, over one million migrant workers were repatriated in the first mass exodus. In Ghana, the mass exodus took place in 1983, when one million Ghanaians were involuntarily returned to Ghana from Nigeria, where most had little prospects of securing a decent livelihood (Mensah, 1993). Similarly, Egypt, Sudan, and the Philippines experienced mass returns of over one

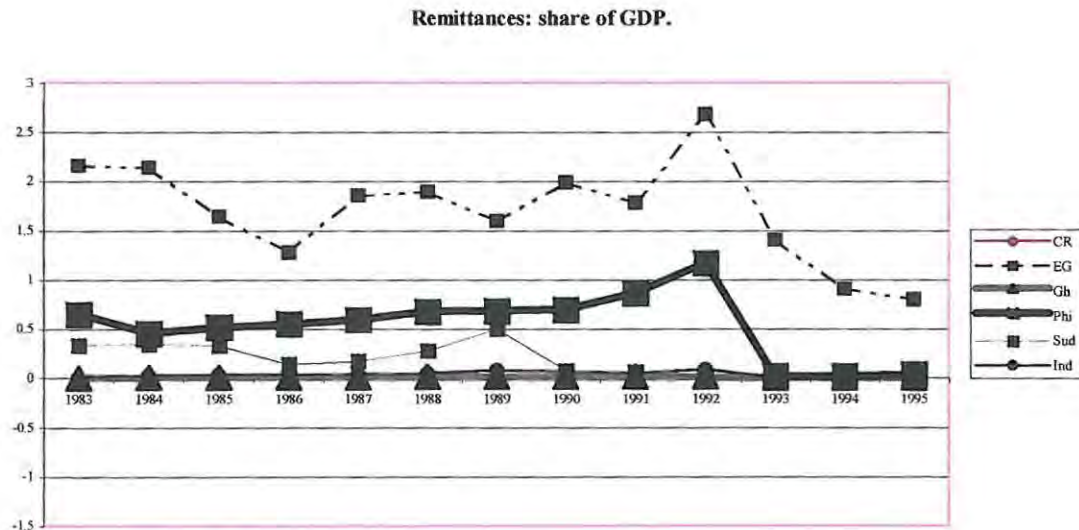
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caused expansion in the money supply. Money supply expansion or contraction was tied to the surplus or deficit position of the balance of payments. During the early growth period the government had avoided indiscriminate expansion in the money supply by holding inflation in check. The expansion in the money supply in the mid-1960s was not matched by growth in production. Thus Ghana shifted from a position of virtually zero inflation at independence to 20 percent by 1965 (Mkandawire and Soludo, 1999). The falling price of cocoa and the bad reserve position meant a foreign exchange shortage.

The first obvious signs of the decline in the economy appeared in 1964, with queues forming in shops and the stadiums for basic imported commodities like sugar, milk, soap (Beaudry and Sowa, 1994). The harsh economic conditions precipitated the 1966 coup that toppled the Nkrumah regime. The subsequent governments that succeeded the Nkrumah regime did not however implement any economic programmes for a long-term solution to the economic problems of weak foreign exchange earnings and sluggish manufacturing growth. Successive governments continued along the path of *ad hoc* economic solutions that satisfied the public's demand for consumables. The lack of a proper economic direction is cited as the main cause that led to the crisis of the early 1980s in Ghana (Beaudry and Sowa, 1994; Mkandawire and Soludo, 1999). Such observations are also visible in Lesotho today. The only difference is that Lesotho continues to enjoy sound growth in its manufacturing sector. The government policies however, remain *ad hoc* (see Chapter 2).

<sup>15</sup> In 1972, when the military regime of the National Redemption Council led by General Archempong rejected some of Ghana's external debt, the country was blacklisted (by IFIs) as not creditworthy. This meant that for most of the 1970s and early 1980s Ghana could not attract external loans. It also meant that Ghana had a relatively small external debt in comparison to other developing countries. In 1970, Ghana's debt service was 1.1 percent of GNP and 5 percent of exports. By 1982 the ratios were 0.2 and 6.8 percent respectively, compared to 13.4 percent of GNP debt service for other sub-Saharan countries (Beaudry and Sowa, 1994: 362). In 1982 Ghana experienced a devastating drought year and wild fires, which destroyed crop farms and crops that resulted to every conceivable item, including electricity, water and food being in short supply (Mkandawire and Soludo, 1999). At the same time, about a million Ghanaians were repatriated from Nigeria. This led to a refugee plight and famine situation in Ghana that ultimately resulted to the introduction of the Economic Recovery programme (ERP) in 1983.

million working age population in the early 1990s from the Middle East, following the Gulf war (UNRISD, 2000). The mass sudden involuntary mass return of such large numbers of the working age populations in these countries translated into immediate population and unemployment growth (UNRISD, 2000). These countries also experienced sudden decreases in the estimated inflow of remittances during this period.



**Figure 4.2**

Note: a) Remittances calculated in millions US\$. Real GDP is calculated from current international prices.

b) On the legend scale, *EG* represents Egypt, *Phi* represents the Philippines, *Sud* represents Sudan, *Cr* represents Costa Rica, *Ind* represents Indonesia, and *Gh* represents Ghana.

Sources: IMF Balance of Payments Statistical Yearbook (Annual); IMF, 1999; Penn World Data, 2000.

Figure 4.2 above indicates that remittances as a share of GDP were very important in Egypt, Sudan and the Philippines, especially in the 1980s. The data however, needs to be viewed with caution. Nonetheless, it is interesting to note from Figure 4.2 the dramatic decline in remittances as a share of GDP in the above-mentioned countries since 1992. This could either be presenting the effect of mass repatriation during the Gulf war of 1990, or, as in the case of Lesotho, it could be showing the collapse of formal recording of remittances in these countries. Nevertheless, it is frequently reported that the early

1990s signified a time of great remittance loss in these countries (Adams, 1991; Mensah, 1993; UNRISD, 2000). The UNRISD report estimated the total loss of remittances to Egypt, Sudan, and the Philippines due to the Gulf crisis to have cumulatively amounted to about 27 percent of the total world remittance during that period (UNRISD, 2000). The UNRISD (2000) migration report, Ghana lost over US\$ 7.5 million in 1983 as a result of the mass expulsion of its citizens from Nigeria.

In term of GDP share, figure 4.2 indicates that remittances inflows into Egypt fell to half their 1992 share by 1993. In Sudan, remittances fell from 5 percent of GDP in 1989 to nothing by 1993. The Philippines shows a case of collapse of remittances as a share of GDP in 1993 from 1992. As noted before, this collapse could as well be a reflection of the collapse in official records of remittances in 1993. The overall effect of the mass repatriation of the early 1980s and early 1990s in these countries was the increased pressure put on economies that were already ailing. The point put across here is that such huge remittance losses resulted in the further weakening of these economies that were mostly dependent on external migration for their growth.

Both short-term and long-term measures were put in place by international assistance and the governments of the migrants, to assist in their reintegration into the domestic economy. The main short-term measures included among other things, the provision of transport from the destination to the home country by the government of the migrants. Programmes and measures related to resettlement of miners were generally less successful. Most migrants felt that they did not have a position in the domestic economy, and many attempted to return to the destination country as soon as they were deported (Adams, 1991; UNRISD, 2000).

Longer-term measures to integrate migrants back into the domestic economy were undertaken within the general macroeconomic policy of export-led industrialisation. Although generally these countries had resisted implementing the structural adjustment programmes associated with the International Monetary Fund (IMF) and the World

Bank,<sup>16</sup> the pressures of rising populations and unemployment led to their eventual concession with the IMF in the early 1980s (Ghana) and early 1990s (Egypt and Sudan).

Thus the overall immediate and long-term consequence of the economic decline of the 1980s and early 1990s in these countries was the general impoverishment of the population. Most indicators point to a decrease in the standard of living.<sup>17</sup> For example, in Costa Rica, the gap between the poor and the increased from 16 times more earnings for the richest 10 than the poorest 10 percent to 31 to one by 1990 (ICG, 1997: 28). Poverty rates fluctuated between 1980s and 1990s. The percentage of households living in poverty increased from 18.5 percent in 1987 to 23.8 percent in 1992. The increase in poverty rates was due to reduction in government social spending and increase in sales tax, in order to reduce its fiscal debt. Thus generally, people's purchasing power decreased in these countries following the economic crisis of the 1980s and early 1990s. Besides the decrease in material standard of living, the general quality of life also decreased (Ertur and House, 1993; Gindling and Berry, 1994; Marais, 1994; Shaban et al, 1995; Pangestu, 2000).<sup>18</sup>

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<sup>16</sup> The Philippines EOI phase was not adapted within the structural adjustment programmes of the IMF and World Bank, although this may have changed later (Pangestu, 2000). Like Costa Rica, the Philippines had already embarked on export-led growth with export-processing zone (EPZ) manufacturing as early as the 1970s (Esquivel et al, 1998; Pangestu, 2000).

<sup>17</sup> In Ghana, both rural and urban poverty increased dramatically during the economic crisis years, despite the earlier higher reduction of rural poverty below urban poverty in the mid-1960s, due to increased government expenditure in rural development projects. The 1980s high rural poverty was a result of under payment of cocoa farmers. The index of food production per capita in 1971 was 100; it dropped to 72 percent in 1982. Poverty increased, with the number of urban people living below the poverty line rising from 30 – 35 percent in the late 1970s to 40 – 50 percent by the mid-1980s. For the rural people, the situation was even worse: the percentage of people living below the line in rural areas rose from 60 - 65 percent in the late 1970s to 62 - 72 percent by the early 1980s (Beaudry and Sowa, 1994: 363). The price distortions that affected the whole economy were particularly harsh in the cocoa sector. The government through the Cocoa Marketing Board determined the price of cocoa based on the world price and the exchange rate of the cedi. During the ISI phase, the cedi was fixed to the pound sterling and was grossly overvalued. This meant that cocoa farmers were grossly underpaid. As the price of cocoa decreased in the late 1960s, Ghana's foreign exchange fell exacerbating the decline in the farmer's earnings. This led to farmers adapting diversifying mechanism, into maize production for instance, as the price of other food crops rose relative to cocoa. Non-farm and non-formal wage employment in the urban areas and even outside the country in particular rose in Ghana in the 1980s (Marais, 1994). Some of the farmers were reported to have smuggled cocoa across the border to Cote d'Ivoire where they obtained higher prices for their produce (Beaudry and Sowa, 1994).

<sup>18</sup> For example, in Costa Rica and Ghana the incidence of infectious disease increased dramatically in late the 1980s. The recorder figures for malaria in Costa Rica jumped from 110 in 1982 to 1142 in 1990 and

Aside from deteriorating living standards, the signs of the ailing economies manifested themselves in several ways. In the Philippines, gender inequality increased, with women occupying low-status and low-paying jobs in cross-border trade and migration with the neighbouring South East Asian economies. Between the period 1970 and 1995, there was little increase in the female labour force participation rate, which rose only from 46.6 percent in 1970 to 47.1 percent in 1995<sup>19</sup> (Pangestu, 2000: 7). This is because many Filipino women were employed outside the country, in the neighbouring economies (AWORC, 1999).

The increased pace of urbanization in these counties in the late 1980s was thus reinforced by the disproportionate attraction of urban centres for the migrants returning from the Gulf oil producing countries and Nigeria (Marais, 1994; Shaban et al, 1995). The rapid increase in urbanization in Egypt in late 1980s correspond to the rapid outflow of migrants to the Gulf over the period 1975 – 85 and the decline in that migration in the late 1980s (Leonor, 1985; Shaban et al, 1995). In contrast, in the case of Ghana, rural dwellers first attempted to find employment in the urban domestic market before pursuing emigration (Beaudry and Sowa, 1994). The suggestion here is that out-migration of an inter-regional migration operated as an approximate substitute for rural-urban migration in Egypt, to the extent that rural migrants headed directly abroad instead of seeking local urban employment, and urban workers migrated abroad as rural migrants moved into local urban centres.

Thus, generally, the 1980s and early 1990s came to symbolize an era of civil wars and human rights atrocities in these counties, with the exception of Costa Rica and Ghana, who were established and new democracies respectively (see figure 4.1). Sudan, which displays the worst-case scenario in our comparative country analysis, witnessed an

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4646 by 1992 (ICG, 1997: 29). In Ghana people developed the protruding clavicles or “Rawling’s” disease (Beaudry and Sowa, 1994). The deterioration of the public’s health reflected the public health service’s inability to cope with the mounting economic pressures.

<sup>19</sup> On a separate note, on average, women’s wages in the Philippines were only half of men’s between 1987 and 1991 (Saith, 1998; Pangestu, 2000). As in the case of Lesotho, this implies that women (whether migrants or otherwise) on average receive lower income than men, which then suggests that women are the ones who bear the grunt of economic deterioration in these countries.

absolute collapse of the domestic economy and the political jurisdiction (Ertur and House, 1993).<sup>20</sup> Workers were the most affected by these outcomes. Most of them fled the country and sought refugee status in the neighbouring economies and in the first world countries (Mkandawire and Soludo, 1999). These workers became known as both economic and political refugees.<sup>21</sup>

The bottom line here is that like in the case of Lesotho, the above-mentioned countries relied on external labour and external trade markets that left them vulnerable to external shocks. The overall outcome of the ISI strategy for the country case studies was a negative bias against agriculture diversity (except the main foreign exchange earners), and inefficient and high cost production of manufactured goods. Growth of the ISI industries also tended to be concentrated in urban areas so that the benefit to labour and poverty reduction were limited. The temporary reduction in rural poverty was largely due to other policies (such as the rural and infrastructure development measures) and remittances from abroad rather than the ISI policy. However, as in Lesotho, these rural development projects were not successful in reducing rural poverty, particularly during the crises era. Rural workers were increasingly forced to give up their lands to larger commercial agriculturalists and most migrated to the urban areas in search of better economic prosperity.

The ISI phase thus symbolized a classical Lewisian economy in these countries, with labour moving from the lower wage rural locations to the higher wage urban locations. Nevertheless, the wage equalization assumption inherent in the Lewisian dual labour

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<sup>20</sup> Chronic corruption also witnessed the collapse of governance and other institutions that were put in place at independence to manage the internal sector of the economy in these countries. Similarly, the decrease in government revenues from migrant workers' remittances led to an end in the provision of social services, such as subsidized education, health care, and social security that had ensured the minimal survival of the poorest and the marginalized groups in the country (Ertur and House, 1993; Shaban et al, 1995). At the same time, government officials after witnessing the collapse of the judicial system began to divide the land holdings among themselves (most of the time under the guise of ethnicity entitlement), and in the process, pushed a mass of the population from areas where they had a livelihood to areas where they had no entitlements and thus were forced to destitution. Other forms of crime also accelerated within these economies during this period of economic crises (Ertur and House, 1993).

<sup>21</sup> Thus, roughly speaking, the 1980s and early 1990s saw the rise in economic refugees from Sudan and other similar developing countries that suffered severe economic crises in the early 1980s and early 1990s (Ertur and House, 1993; IMF, 1999).

market model did not materialize with increased labour migration. On the contrary, increased labour migration led to increased income inequalities between the rural and urban locations. The high rates of poverty and income inequality in the 1980s suggest a non-wage equalization. Most rural migrants in urban areas and non-migrants in rural areas became absorbed in survivalist economic activities (either in the rural areas or in urban areas) that produced only for subsistence purposes. The high rural urban migration that occurred in the 1980s is associated with push factors from the rural economy. These incidents mark the turning point of these economies towards the Todaran economy associated with risk, urban unemployment and push migration from the rural areas. The introduction of the export-oriented industrialisation (EOI) was meant to correct for these negative overshoots of the ISI phase, under the Todaran neoclassical framework of policy.

#### **4. 4. Export-led industrialisation and structural adjustment programmes, late 1980s – present**

During the ISI strategy, particularly following the economic crisis of the 1980s, all five countries began to introduce measures to encourage export orientation industrialisation (EOI), either under the structural adjustment programmes implemented in Costa Rica, Ghana, Egypt, and Sudan; or through more aggressive comparative advantage trade in more higher labour-skill and capital-intensive industries, as in the case of the Philippines. The impetus to promote exports was the limits of the ISI policy, imposed by domestic market size as well as adverse external developments, which underscored the need to earn foreign exchange.

The more successful countries during the EOI phase so far, were the countries that associated with lower corruption and established democratic governance. Once again Costa Rica stands out as the best example here. Nonetheless, Ghana and the Philippines also performed much better during the EOI phase in terms of reducing corruption and the role of public sector in the domestic economy, and improving their private sector participation in the domestic market. On the other hand, Egypt and Sudan, who delayed

the process of government reform and continued to rely on the external labour market and external aid for growth much longer than other ISI countries, have not experienced much change in their economic situation. Both countries still maintain highly centralized and corrupt governments and both have a huge public sector influence in the domestic economy, with the government behaving as the employer of last resorts.

As in the Lesotho case, the initial emphasis of export-oriented policies was on unskilled labour-intensive manufactured, which at the time was in accordance with the poor economic situation of the country and the comparative advantage of the economic base. The measures were to a large extent introduced to offset the export bias created from the protection system that came about from the ISI policy. The government introduced instruments such as duty drawbacks or exemptions for imported inputs, export-processing zones (EPZs/ FTZs/ industrial zones)<sup>22</sup> export subsidies and credit, and investment incentives, to attract foreign investment into the country, and generate domestic investment. In four of these countries, with the exception of the Philippines, the EOI strategy was pursued under the structural adjustment programmes (SAPs) following the insistence of the International Monetary Fund (IMF) and the World Bank.<sup>23</sup>

Structural adjustment programmes (SAPs) in Costa Rica were introduced in 1983 immediately following the economic crisis of 1982 – 1983 (Gindling and Berry, 1994;

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<sup>22</sup> Many different terms have been used to define the zones and some that may seem to apply to a single phenomenon correspond in fact to different regimes and activities (e.g., Chitrakar, 1994; World Bank, 1998; Pangestu, 2000). For the purpose of this thesis, EPZs are understood as geographic zones, including industrial sites/ zones (Free Trade Zones, FTZs) established outside the customs territory of a particular country, where products can be stored, processed and manufactured without the payment of import duties, and with the intention of exporting most of the output (Kanyenze, 1998). The limit of our definition is that the geographical area does not compromise the entire country. This definition therefore excludes Singapore and Hong Kong, where the entire territory is fundamentally an EPZ (Wilkinson, 1994; Esquivel et al, 1998). Furthermore, our definition limits the primary purpose of the zone as manufacturing for export. This requirement implies that the more than 200 free-trade zones that exist in the United States and zones like Manaus in Brazil, more of an “import processing zone” than an EPZ (Esquivel et al, 1998), are also excluded. Although some may argue that this is a rather limited definition, it does include most of the export-oriented regimes in the Costa Rica, the Philippines, Ghana and Lesotho, and we consider it the most appropriate for our purposes.

<sup>23</sup> To be fair to the two international institutions, the IMF and World Bank insisted on the adaptations of SAPs largely because, as discussed earlier, the economic situations in these countries was somewhat desperate, and was creating other constraints in the political and social spheres.

ICG, 1997). The country adopted a gradual phasing out strategy of the ISI policy by initially implementing stabilization measures on the macroeconomic situation and then introducing structural adjustment measures that promote exports of non-traditional agriculture production<sup>24</sup> (Gindling and Berry, 1994). As in Egypt, the public sector in Costa Rica was then the largest employer of the labour force and the employer of last resorts during the global recession period, following the fall in the coffee and oil world price. At the same time, the country had also just signed a deal to receive substantial foreign aid from the US under the USAID-funded private institutions (ICG, 1997). Thus even during the crisis period, Costa Rica could still afford delaying structural adjustment measures. However, when the national inflation level reached 109 and GNP fell a further 7 percent by the end of 1982, the Monge government had no choice but to sign the IMF loan agreements (ICG, 1997). At the same time, the USAID-funded private institutions insisted upon the privatisation of public owned enterprises, including the banking system, a new agricultural strategy particularly geared towards the production of luxury agricultural export crops (known as the “Agriculture for change” programmes) for the U.S. market (mostly at the expense of food production for the domestic market).<sup>25</sup>

In 1985, the Costa Rican government introduced the structural adjustment loan I and II (SAL I and SAL II) programmes from the World Bank, that amounted to over US\$100 million by 1989, to support longer-term changes in the economy. The conditions attached to these loans mirrored those of the USAID-mandate programme: cuts in government spending, privatisation of state-owned entities, and a reorientation of production away from satisfying domestic needs and toward non-traditional agricultural and manufacturing exports, mostly in EPZ-type of production (ICG, 1997). However, Costa

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<sup>24</sup> In 1980 prior to the introduction of the SAPs, Costa Rica’s relationships with the IMF and the World were not very smooth. In that same year President Carazo expelled the IMF from the country following his refusal to comply with the strict measures dictated by the Fund, which included the devaluation of the local currency and drastic cuts in government spending (ICG, 1997).

<sup>25</sup> These institutions, which duplicated the function of state entities and became known collectively as USAID Parallel State, constituted a private agricultural college, an investment company, an export-promotion institution, and a finance company (ICG, 1997). These institutions were reported to have drained resources and authority from the government (ICG, 1997). At the same time, USAID gave little assistance to the country’s social service programmes (ICG, 1997).

Rica's stabilization period was not as successful as anticipated by the government and the IFIs.<sup>26</sup>

In terms of employment, EPZs were set up to generate foreign investment and create employment for the domestic labour, particularly the small farmers who were displaced from their farms during the enlargement of the non-traditional agricultural estates in the late 1960s. The expansion of non-traditional industrial exports had been an integral part of Costa Rica's adjustment programme. The country's "industrial reconversion" programme began as part of the governments 1986-1990 National Development Plan, and was deepened with World Bank support under the SAL II agreement (Gindling and Berry, 1994; ICG, 1997). The industrial reconversion program pushed exports through the promotion of both *maquiladoras* (export-assembly plants) and free-trade-zones (FTZs). As in Lesotho, incentives for the *maquiladoras* and the companies in the FTZs included tax exemptions on income and profits, as well as imports and exports preferential interest rates, the right to transfer capital, and priority in construction of necessary infrastructure (ICG, 1997; Kanyenze 1998). By 1993, Costa Rica had *eight* privately owned EPZs/ FTZs<sup>27</sup> with 134 companies, mainly in textile, electronics and agro-industries (ICG, 1997: 27). These companies employed a total of 24 200 workers (Esquivel et al, 1998: 23). The success of EPZ development was, however, never attained in Costa Rica.

It appears that the costs incurred by the government in setting up and operating the EPZs outweighed all the gains from employment and foreign exchange earnings (ICG, 1997).

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<sup>26</sup> Although macroeconomic stability was attained by the early 1990s, Costa Rica's burden actually increased under the SAPs stabilization. Foreign aid debt rose from US\$2.7 billion in 1987 to US\$3.9 billion in 1993 (ICG, 1997: 25). This rise occurred despite the country's participation in the "Brady Plan" debt-relief scheme under which Costa Rica was to buy back much of its outstanding commercial debt at a discount (ICG, 1997). At the same time, although exports increased under the stabilization period, sharp increases in imports crowded out the benefits of increased exports, and gains from the CACM (Gindling and Berry, 1994). The Costa Rican trade deficit increased from US\$134.9 billion in 1984 to US\$651 billion in 1994 (ICG, 1997: 46). This suggests that the SAPs in Costa Rica never succeeded beyond the stabilization phase of its SAP policy.

<sup>27</sup> The first two EPZ zones in Costa Rica were established in the early 80s in two port cities in the country, Puntarenas and Limón. As with many zones in economically depressed areas of other nations, the two EPZs there were not a success. Only a small number of firms located there and the zones have had continuous legal and infrastructure problems (Esquivel et al, 1998).

To start with, the EPZs were normally situated in the national park lands, in isolated and conserved environmental parks of the country. This led to a high rate of deforestation in Costa Rica in the late 1980s and early 1990s (ICG, 1997). In addition, the EPZs reported a low occupancy rate, with most of the sites being encroached by informal settlements of displaced workers, further diminishing the value of Costa Rica's national parks (that were hailed among the finest in the world in the 1970s). The low occupancy rate involved a higher than normal operational cost (ICG, 1997). Moreover, after the establishment of the EPZs the government expanded the customs bonded warehouse schemes to embrace other areas to encourage the development of manufacturing processing for exports. This measure, however, defeated the incentive to locate industries within a bounded zone (ICG, 1997). Lastly, the availability and quality of labour in Costa Rica decreased in the mid-1990s, in comparison to the initial years of the SAPs. This is due to the fact little value adding and training of workers was being performed in the EPZs in the mid-1990s (ICG, 1997; Esquivel et al, 1998). The assistance extended to the zone enterprises in dealing with various government agencies also decreased between 1983 and 1995 (ICG, 1997).

Consequently, less foreign investors were attracted to Costa Rica in the 1990s as compared to the late 1980s<sup>28</sup> (Esquivel et al, 1998). The industries that were more likely to be found in the EPZs in the 1990s were labour-intensive lightweight manufactures, most commonly textiles and garments, electric and electronic products and components, food processing, metal products and machinery, optical instruments, and sporting goods and toys<sup>29</sup> (Esquivel et al, 1998). Thus, although Costa Rica is usually sited as a SAP

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<sup>28</sup> Nevertheless, the extension of financial and tax incentives to foreign investors in Costa Rica occurred at the same time as the IMF and World Bank were calling for cuts in subsidies and rise in interest rates. The lack of unionisation of labour also led to appalling conditions being inflicted on the labour force of the EPZs, associated with deteriorating wage pays and long hours of work (ICG, 1997).

<sup>29</sup> Costa Rica has the most diversified export-oriented industries in Central America. Nonetheless, as in all other Central American nations, textile firms represent the largest sector accounting for 37 percent of all firms and more than 62 percent of employment in manufacturing. The electronics industry is the second largest sector, accounting for about 15 percent of firms and employment. Many of these electronics firms are relatively new investments, with at least 20 of the 35 established in or after 1995. Machinery/Metal and Pharmaceutical/Medical products are the next largest sectors, accounting for 10.2 and 4.3 percent of firms and 3.9 and 2.6 percent of employment, respectively. The remaining firms correspond to a large variety of

success story among the ISI countries (e.g., World Bank, 1998; Esquivel et al, 1998), the above evidence points out that the success has been shallow and short-term. In general, the situation in Costa Rica, of poor labour skills and low wage employment, is not different from the other ISI examples used in this analysis.

Ghana's export orientation programme was implemented under the SAPs upon the insistence of the IMF and the World Bank. Like Costa Rica, Ghana pursued a gradual SAP plan of stabilization and then adjustment. Stabilization was pursued immediately following the 1983 economic crisis, under the Economic Recovery Programme (ERP). Because the situation was more urgent in Ghana, in comparison to Costa Rica, authorities in Ghana were forced to implement the SAPs in the early 1980s.<sup>30</sup> Unlike Costa Rica, stabilization in Ghana was more successful.<sup>31</sup>

In terms of employment generation, the implementation of EPZs in Ghana produced similar outcomes as in Costa Rica, with initial advantages of availability and quality of labour diminishing over time, as well as the efficiency of administration. In both cases, there were thus no long-run benefits from pursuing the EPZ model of development. The costs incurred by the government in setting up the EPZs and the inefficiency of such industries in generating sufficient employment, technological transfer, linkages with the domestic economy, and foreign investment, offset the gains achieved in foreign exchange earnings through exports. In Ghana in particular, the high costs of imported intermediate

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activities, including services, commercial activities, jewellery, and footwear/leather products (Esquivel et al, 1998: 35).

<sup>30</sup> Political instability and rampant corruption carried over from the early ISI growth period had encompassed the entire economy by the early 1980s (Beaudry and Sowa, 1994).

<sup>31</sup> Between 1983 and 1985 inflation fell from 122 percent to 10 percent per annum. GNP growth per capita rose from -7.1 percent to 1.5 percent annually. Cereal production tripled between 1983 and 1984 and the production of starchy staples rose 40 percent (Beaudry and Sowa, 1994: 365). However, the macroeconomic conditions were attributed to good weather as much as the success of the SAPs. Between 1985 and 1994 per capita GNP grew at annual rate of 1 to 2 percent. Besides growth, the other most notable changes following the implementation of the ERP were the achievement of a trade surplus in 1986 and a government budget surplus in 1987 (Beaudry and Sowa, 1994; Mkandawire and Soludo, 1999). The ERP's lasting effect on inflation has, however, been less impressive. Since 1985 inflation accelerated to reach 40 percent by 1988 (Beaudry and Sowa, 1994). Money supply also increased following the continuous depreciation of the cedi. This translated to price increases particularly in the urban areas.

inputs tended to raise the costs of production in the industrial zones, which had to be met by the government (Marais, 1998). Nevertheless, the latter half of the 1990s witnessed an increase in Ghana's share of mining production out of the total mining production in Sub-Saharan Africa (Marais, 1994), indicating the fact that Ghana has in fact not been very successful in diversifying its industrial base out of the traditional sectors into the manufacturing and services areas.<sup>32</sup> Nonetheless, Ghana's performance during the EOI phase seems to indicate a success story albeit with increasing pressures on low wage employment, lack of job security, and enclave nature of the manufacturing base.

In Egypt and Sudan, SAPs were implemented much later than in Costa Rica and Ghana. Egypt only embarked on structural adjustment measures in the late 1980s (Shaban et al, 1995), and Sudan in the early 1990s (Ertur and House, 1993). The outcomes of both of these programmes are thus not yet clearly defined, although the trend has been towards improving macroeconomic stabilization, particularly reducing inflation and government debt. Money supply has however expanded following depreciations of the local currencies, resulting in higher prices, particularly in the urban areas<sup>33</sup> (Ertur and House,

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<sup>32</sup> As in Lesotho, mining activity in Ghana continues to be externally supported and contributes marginally to local employment (see Beaudry and Sowa (1994) for a further discussion on Ghana's main export and employment sectors).

<sup>33</sup> Since the mid-1980s, the public sector has remained the largest employer and the employer of last resort in Egypt and Sudan (Shaban et al, 1995; Cohen and House, 1996). The public sector also set the wage floor for large enterprises and prevented wages for very scarce skills from rising. Furthermore, the public sector had effects on the general economic climate of the domestic economies, such as, on investment policies which placed emphasis on industrialisation, and on the sort of employment and expectation of employment which these policies created. In the private sector, wage determination was theoretically based on market forces, but was directly and indirectly influenced by the government. The direct influence was through wage legislation which set the minimum wages for industry and agricultural. Indirect influence was the competition of the public sector wage scale. The private sector could attract labour of a certain quality only if its wages were at least equal to public sector wage (including all fringe benefits). Otherwise, the private sector would get its labour requirement at lower wages only when a surplus existed (Leonor, 1985; Cohen and House, 1996).

It is therefore not surprising that public investment played a major role in the growth of aggregate investment in the early 1990s in these countries. However, such investment was not sustainable. In Sudan, investment collapsed all together by the late 1990s, whereas Egypt managed to sustain the trend through foreign aid assistance. One feature of boom investment was the poor response of domestic capital. In the IS years of industrial diversification, such capita did not constitute much. In effect large magnitude of capital flight was the order of the industrial diversification (Ertur and House, 1993; Shaban et al, 1995). One factor was the hostility of indigenous governments to domestic capital, even as they pursued foreign capital. These governments regarded domestic capital as a potential political threat to the ruling elite. Consequently, the potential indigenous investors (many of whom in Sudan for example, had made money

1993; Shaban et al, 1995). The fact that these two economies could delay further industrial diversification measures until the late 1980s and early 1990s implies that these two economies were particularly attuned to the boom-bust growth associated with remittance-induced growth.<sup>34</sup> The availability of remittance income allowed adjustment to be delayed, as in Costa Rica, where adjustment was delayed not due to remittances but due to foreign aid from the United States, or in Ghana, where adjustment was delayed up to the point when the political instability and economic corruption had become too deeply imbedded in the country.<sup>35</sup> It thus appears that the main reason for economic adjustment in these countries was not a direct result of successful industrial diversification, but rather, a response to external shocks, poor political domestic climate, and rampant domestic economic corruption.

The model of EOI development pursued in the Philippines differed from the above four case studies, in the sense that EO industrialisation in the Philippines was pursued under the strategy of comparative advantage development and competition, as opposed to the structural adjustment programme implementation. However similar to the other case studies, the type of export-oriented industries in the Philippines comprised largely of EPZ-type industries associated with light manufacturing, employment of large-scale cheap labour (mainly women), and low-wages (Pangestu, 2000). And like in Lesotho, the Philippines offers an incentive package to its foreign investors that includes low corporate tax, flexible labour regulations, an English-speaking and literate (skilled) labour force and a dynamic consumer market and 100 percent foreign ownership in almost all sectors of the economy (Chitrakar, 1994; Pangestu, 2000).

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through rent seeking and corrupt practices in governments) were forced to keep most of their wealth abroad in safe Swiss bank accounts, for instance (Ertur and House, 1993). A relationship evolved between business and the ruling elite that was characterized by rivalry rather than by partnership. Such a relationship makes the development of indigenous entrepreneurship still difficult in these countries today (Mkandawire and Soludo, 1999; World Bank, 1999).

<sup>34</sup> The boom growth period of the Maghreb countries occurred in the 1970s up to the late-1980s. The bust growth has been happening in the most part of the 1990s.

<sup>35</sup> The accounting on Sudan and Egypt is briefly presented here because these are the most recent cases of EOI.

EOI in the Philippines was basically undertaken within a two-phase process. The focus during the first phase of the Philippines' EOI was on the labour-intensive export oriented industries that were similar to those pursued by the other country case studies under the IMF and World Bank SAPs, such as textiles and garments, and electronics (notable assembly and semiconductors). A number of policies were adopted to encourage export-oriented industries and to attract foreign investment. These include among other things, subsidized export credit; tax incentives and subsidies related to exports; investment incentives; and duty free imports for exporter (Chitrakar, 1994; Pangestu, 2000).

The government also invested in physical infrastructure for industrial development, especially the establishment of industrial estates and Free Trade Zones (FTZs) in several regions of the country. As a result many multinational companies (MNCs) located in the export processing zones designated for export production, such as the Bataan export processing zone (Chitrakar, 1994).<sup>36</sup> The Bataan EPZ was set up in 1971 and has been the most successful in terms of attracting foreign investment. In 1982 only 30.2 percent of firms in EPZs were own by the local Filipino producers. The rest of the firms belonged to Japanese and American foreign investors (Chitrakar, 1994).

In terms of the contribution of the EPZ to the exports from the country, the EPZ are reported to have contributed only 11.1 percent of non-traditional exports in 1994, even though the total non-traditional production from the country was 50 percent in 1982 (an increase from 14 percent in 1973) (Chitrakar, 1994: 206).<sup>37</sup> Moreover, the amount of foreign exchange earned by the firms in the EPZs was relatively insignificant and negative in 1983 (Chitrakar, 1994). Chitrakar (1994: 207) reports that of the total equity, 74 percent was domestic and 26 percent foreign; of the total borrowing, 92 percent was

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<sup>36</sup> In 1994, the Philippines had *seven* EPZs, namely Bataan, Mactan, Baguio City Cavite, Pampanga, Leyte and Tabangao, that were mostly unsuccessful (Chitrakar, 1994). These covered a total area of 1320 hectares. The Leyte and Tabangao were special EPZs as they were set up to promote especially large projects.

<sup>37</sup> In terms of site utilization, the EPZs in the Philippines were less than a quarter full in the 1980s (Chitrakar, 1994).

domestic and only 8 percent was foreign. This is attributed to the economic crisis of the 1980s and the flight from the country by many foreign investors.<sup>38</sup>

In terms of technological transfer, the general trend has been that apart from the transfer of managerial know-how, the net impact of technology transfer was also insignificant (Chitrakar, 1994; Sachikonye, 1998; Pangestu, 2000). This was because of the type of products manufactured and the nature of product process employment (Sachikonye, 1998). As in Lesotho and the other country case studies discussed above, the backward and forward linkages of EPZs in the Philippines were limited. The domestic resource utilization rate of firms in the Philippines EPZs was estimated to be 10 percent of total inputs in the late 1980s (Chitrakar, 1994). Like in Costa Rica and Ghana, most EPZs in the Philippines relied on imported intermediate inputs at the expense of domestic inputs. This made the overall production of exports in these firms rather expensive, with the domestic governments having to finance the difference in terms of financial and labour incentives to the foreign investors (Kanyenze, 1998).

In terms of the need to reduce pressure on urban areas, the main advantage of the EPZs in the Philippines was the fact that they were not located in the congested urban areas. However, in terms of the need to generate employment, the Bataan EPZ for example (and because it is the largest, oldest and relatively most successful) has failed to benefit rural workers because of the relative scarcity of cheap, young female workers in the zone area (Chitrakar, 1994).

Overall, the EPZ model of EO industrialisation has not been successful in any of these countries. Numerous factors contribute to the dismal performance, *inter alia*, wrong location, low occupancy, policy changes, low labour efficiency, inadequate institutional support, and bad timing of EPZ model implementation. In addition, the SAPs and EPZs have drained resources from the governments of these countries in the form of much-

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<sup>38</sup> The estimated loss to the Philippines from domestic borrowings by transnationals (TNCs) in the Bataan EPZ between 1984 and 1990, for instance, was large enough to cancel all of total gains from employment generation and foreign exchange earnings (Chitrakar, 1994).

needed revenues, and increased the rate of imports, particularly food imports to the point that these economies were transformed from net exporters of food to net importers by the early 1990s.

In terms of the dual labour market analysis, the early industrialisation ISI phase and subsequent switch to EO industrialisation did not see wages (incomes) equalizing between rural and urban areas. In addition, rural-urban migration has not slowed down or ceased in these countries. Neither has international labour migration. Conversely, rural urban migration and out-migration have been on the increase since the 1980s, particularly with the deepening application of the EPZ model of development. This implies that income expectations and not actual differentials when the principal functional motivation for internal and international labour migration. Nevertheless, given the fact that poverty levels increased in both rural and urban areas suggests that other push and external factors were driving the migration streams in and from these countries since the 1980s. A deeper analysis of the impact of EOI and SAPs on the labour markets reveals that similar to Lesotho, internal and external labour migration in these countries was in effect not motivated by actual or expected incomes in destination but by deteriorating conditions in rural areas. This is also where the migration story comes out.

#### **4. 4. 1. Labour migration during the EOI phase**

As explained so far, early capitalism (ISI phase) or “lean” industrialisation (Sachikonye, 1998) relied on the reproduction of the peasantry. The post-colonial institutions of the mid 20<sup>th</sup> century in Costa Rica (Gindling and Berry, 1994), the Philippines (Martin, 1993; Goss and Lindquist, 1995), Ghana (Beaudry and Sowa, 1994), Sudan (Ertur and House, 1993; Cohen and House, 1996), and Egypt (Leonor, 1985; Shaban et al, 1995) all supported lean capitalism and the reproduction of the peasantry. Since the early 1990s however, lean capitalism has been increasingly replaced by informalisation of migration and the increasing employment of flexible labour in the domestic market. Flexible labour and temporary employment perpetuate the reproduction of an unprotected informal labour force in the world. The present dilemma is that there are currently no institutions

available to oversee the rights of these workers, neither at the global level nor at the national level. At the national level, past emigration policies are increasingly becoming inefficient in representing migrant workers abroad, and are pushing new categories of migrants into an illegal state. At the global level, there is currently inconsistency regarding labour regulation requirements among the formal institutions (WTO, ILO, World Bank, IMF) and how this is translated to citizenship privilege concerns at the national level, and how this principally implies limited regulation of international labour migration in the global economy. However, concern here is that workers and especially migrant workers are ever more vulnerable in the unregulated global economy.

The implementations of the EPZ model of industrialisation and the SAPs have generally benefited a narrow commercial interest at the expense of the majority domestic labour force, and especially the poor. Given the fact that most of the labour force in these countries was situated in agriculture, the introduction of non-traditional exports impeded the ability of local farmers and producers to compete with the foreign investors, in terms of credit and market availability.<sup>39</sup>

For Costa Rica's small producers, the "Agriculture of change" introduced by the USAID under the SAPs implementation had been a complete disaster. To begin with, the emphasis on export production has led to a deepening dependence on imported food, particularly U.S. food that competes with local production. Secondly, most of the pesticides and other agrochemicals required for the production of the new non-traditional crop exports have adverse environmental effects.<sup>40</sup>

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<sup>39</sup> Traditionally, Costa Rica's national banks had been the main source of credit to farmers. However, between 1983 and 1987, credit for the agricultural sector plummeted from 80 percent to 20 percent of total credit extended by the banking system. At the same time, Costa Rica was persuaded by the World Bank, the IMF and the USAID to cut funding for the National Production Council (CNP), which was the most important institution guaranteeing the country's food self-sufficiency, by fixing the buying and selling prices of basic grains (ICG, 1997). The result of these measures was that small farmers were either forced to work for big producers or to sell their land and migrate to the cities (Gindling and Berry, 1994). Small landholders were transformed into landless labourer located mostly in the cities, particularly in the squatter settlements in the national park zones (ICG, 1997).<sup>39</sup> Consequently, foreign investors and some local elites came to dominate the both the production and export of non-traditional crops (Gindling and Berry, 1994).

<sup>40</sup> For instance, the ICG (1997: 27) report sites that a rural education organization in Costa Rica found that the rate of domestic and wild animal deaths increased in melon production with the increased used of

Thirdly, and more serious consequence of the SAPs programmes has been the generation of low quality employment in Costa Rica. Even though unemployment rates in Costa Rica remain relatively low in comparison to other developing countries (Gindling and Berry, 1994), the quality of jobs currently available could lead the country into a very different kind of development than in the past. According to the ICG report (1997) the 1980s generated a high proportion of jobs of inferior quality, of great instability and low income. The result of this is that by the 1990s, employment levels had risen again (to their pre-crisis levels), but so too had poverty, to its pre-crisis levels (due to the decrease in incomes)<sup>41</sup>. In addition, labour rights in the FTZs have been undermined.<sup>42</sup>

The export orientation in the mid-1980s and into the 1990s in the Philippines was characterised by more rapid out-migration of unskilled labour, intensive exports, into specialized and high shares of high technology goods, and strong trade-investment links

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imported agrochemicals. The implication here is that such chemicals are most likely to be harmful to humans as well, although research regarding the use of the agrochemicals on human remains limited (ICG, 1997). Moreover, the introduction of agrochemicals and large-scale non-traditional export manufacturing was accompanied by a rise in extensive soil erosion, sewage damage and chemical run-offs into rivers, and indiscriminate dumping of industrial waste. At the same time, health standards in urban areas deteriorated with poor households and squatter dwellings being at risk of consuming the contaminated natural waters (ICG, 1997).

<sup>41</sup> The main effect of the SAPs and EPZs in Costa Rica had been the growing gap between the rich and the poor in the country. Furthermore, poverty levels have fluctuated between the late 1980s and the 1990s. For example, the percentage of households living in poverty increased from 18.5 percent in 1987 to 23.8 percent in 1992 (ICG, 1997). In 1994 an attempt to raise the standard of living of the population, the government increased the minimum wage. However, such measures failed to make up for the loss of purchasing power that resulted from the high inflation of the early 1980s and the drastic social expenditure cuts of the late 1980s. The deteriorating living standards have increased the crime rate and the rate of public protest in Costa Rica, particularly in the mid-1990s, which poses a threat to the political stability of the country (ICG, 1997).

<sup>42</sup> The establishment of "*solidarista*" associations funded by monthly contributions from member workers and employers. The associations usually have savings and loan plans and sell consumer goods, as well as offering health services and access to housing, recreation, investment, small-enterprise creation, and pension programmes (ICG, 1997). Though in the future these associations may develop into proper employment security associations and offer similar job benefits and perks as full-time employment, currently, however, such associations deny workers the right to strike by functioning on the belief that workers, management and producers have a common interest. In addition, these associations are not legally permitted to represent workers in collective bargaining. Nevertheless, according to the ICG report, the ILO found that companies had used direct settlement with such groups of workers to undermine unions and collective bargaining agreements (ICG, 1997: 28).

with the South East Asian economies and Japan (Pangestu, 2000). These links constituted a high rate of subcontracting relationships and a high degree of intra-East Asia links, particularly in terms of employment of skilled labour. This meant that like Ghana, the Philippines export structure had become less diversified and more interdependent to external factors, which exposed the country to greater risk of adverse developments in the terms of trade decline and excess capacity. However, given the fact that the Philippines also relied heavily on U.S. MNCs and markets, it was not as adversely affected by the Asian crisis of the 1997 as the rest of the ASEAN economies, in terms of its export share declining during the 1996 – 1998 period (Pangestu, 2000). Thus employment levels in the manufacturing sector in Philippines in the late 1990s were not adversely affected by the Asian financial crisis of 1997/ 98.<sup>43</sup>

Generally, the rapid phase of EOI in the Philippines, which required skilled labour, translated to greater income inequalities. This is because the universal primary education policy pursued by the country led to a scarcity of skilled labour with secondary education and above, which translated to the minority skilled labour force experiencing much more rapid wage increases than the majority unskilled labour force (Saith, 1998; Pangestu, 2000). Despite an increase in government investment in training during the early industrialisation phase, the focus until the early 1990s was on primary education and tertiary education (particular to migrant workers<sup>44</sup>) (Leonor, 1985; Martin, 1993, 1995; Goss and Lindquist, 1995; Saith, 1998). Secondary education was not prioritised for the domestic labour force. As a result even by the late 1980s only 10.5 percent of the labour

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<sup>43</sup> This period of rapid globalisation in the Philippines was accompanied by an increase in income inequality and poverty, particularly in the 1988 – 1991 period (Pangestu, 2000). The rising inequality during this phase of EOI in the Philippines was due to the capital inflow and boom mentality that preceded the 1997 Asian crisis. Given the high level of interconnectedness of the Philippines economy to the rest of the Asian region, the gains from the rapid growth that followed the successful industrialisation in East Asia was translated to the benefit of urban area at the expense of rural locations throughout the Asian region, which led to increased income inequalities in the Asian economies, including the Philippines (Saith, 1998; Pangestu, 2000). The crisis in effect has corrected the inequality in the sense that it hurt mostly those who benefited the most from the boom such as foreign Asian investors and local elites (Saith, 1998; Pangestu, 2000).

<sup>44</sup> The logic here was that by providing migrant workers with higher skills, the Philippines would then have a comparative advantage of skilled migrants over other labour sending countries. Nevertheless, most migrants from the Philippines remained absorbed in jobs for which they were overqualified (Chin, 1997), such as domestic work, etc, in the destination countries in East Asia, the U. S., and the Middle East.

force has a secondary or vocational education (Pangestu, 2000: 26).<sup>45</sup> The labour market in the Philippines is thus divided across skills and wealth. The richer are the ones who can afford to send their children to school and to own land and other social amenities in the urban areas. This feature of a socially stratified urban structure was noted earlier in the ISI discussion (section 4. 2.1). The suggestion here is that urban inequality is unlikely to disappear in the Philippines (and the other ISI countries) even with micro level policy to developing the urban areas. This is because, as pointed out before, the Third World sector in these countries is not a state of transition (as assumed by the functionalist policies) but a permanent entity of the world systems and modes of production, with its own dynamic social relations that reinforce its existence over time.

In contrast, the labour market in Ghana is not divided along skills but is divided along gender lines. The concept of urban inequality is nevertheless similar to the Philippines situation. The only difference here is that the urban Third World are predominantly female. Women in Ghana are mostly associated with petty commodity production. The switch from IS industrialisation to EO industrialisation forced a lot of women involved in consumption-type agricultural production to migrate to the towns, particularly the capital city, Accra, in search of paid employment to complete their agricultural production. In the late 1980s and throughout the 1990s, the rate of female child labour at expense of girl

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<sup>45</sup> A large proportion of the labour force only had primary education and thus earned low incomes. In turn they could not afford to send their children to secondary schools since the cost of education was high relative to their incomes (Leonor, 1985; Pangestu, 2000). In addition, children of secondary age were generally needed to help with farm work or earn additional income (Leonor, 1985). The change in education policy in the 1990s towards secondary education led to a sharp increase of secondary enrolment, but this has yet to significantly affect the labour market. Currently, as demand has shifted to skilled labour in the country, those with secondary school enrolment continue to benefit more in terms of experiencing higher wages than those with only primary school enrolment (Saith, 1998; Pangestu, 2000).

In addition, access and the quality of primary education provided to rural locations in the Philippines deteriorated between 1970 and 1990 (Pangestu, 2000). According to Pangestu (2000), about two thirds of primary school children did not complete their primary education during the period 1970 to 2000. Whereas in Manila nearly 100 percent of students completed their primary education, in Mindanao and Eastern Visayas, less than 30 percent of students completed their primary education during that period (Pangestu, 2000: 27). This has led to the overall level of attainment of basic knowledge to decline in the country, with the school system becoming socially regressive since children to poor families have access to only public schools and suffer all the consequences regarding quality. Despite the fact that it is public education, parents are still expected to contribute up to a third of their child's education (Pangestu, 2000).

education, particularly in rural areas, rose as a result of decreasing household incomes. Young girls were made to work in the household production at the expense of their education so as to increase the overall household income. This has led to the lower education of young girls and women in Ghana, and their subsequent overwhelming occupation of petty commodity production<sup>46</sup> (Beaudry and Sowa, 1994; Marais, 1994).

One effect of living in Accra, the capital city, is that formal employment does not provide a premium for individuals working in Accra, and informal sector workers earn less than elsewhere in Ghana (Beaudry and Sowa, 1994). This indicates a Harris-Todaro type of equilibrating mechanism, where migration decisions are based on the comparison of a probability weighed sum of earnings in the formal and informal sectors. Since the probability of finding employment is greater in Accra, equilibrating migration flows cause the informal sector jobs in Accra to receive less than average earnings. This suggests that informal sector workers in Accra may be among the most disadvantaged (Beaudry and Sowa, 1994: 389).

The lack of job premiums and the disadvantaged position of informal traders in Accra have resulted to the city turning into a major source of migrant workers. This trend is further perpetuated in relation to international labour migration. Between 1982 and 1987, net migration out of Accra accounted for almost 60 percent of net outward migration in Ghana (Beaudry and Sowa, 1994: 399). Ghanaian female emigrants are normally involved in petty commodity cross-border trade (Ward, 1990). This suggests that the most adversely affected by the structural adjustment programmes are the young, informal sector workers in urban areas, particularly those working in Accra. Emigrants from Ghana also includes older workers retrenched from public and protected private sector over the course of adjustment, who have been forced to integrate into the informal sector (UNRISD, 2000).

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<sup>46</sup> Informal workers in Ghana operate under a highly structured network that receives regular consultation from the government. Nevertheless, micro-credit lending to the informal sector has not been successful in Ghana. Most lending institutions regard the market women as a high risk and tend to charge them high premiums on their loans, which has discouraged such workers from seeking formal credit (Beaudry and Sowa, 1994; Marais, 1994).

Since women are less able to influence their immediate economic reality, this implies that they face a reduced set of opportunities in the domestic labour market. Since the informal sector businesses are mostly female-owned and employ mostly women (Beaudry and Sowa, 1994: 400), female-headed households have probably been the most severely affected by the ERP (Marais, 1994).

In Sudan and Egypt, employment in the public sector was not determined by skills but by informal relations and social networks. Although in both economies workers received proper training and education with certificates and degrees, the level of government corruption was so high that it overshadowed all legal employment institutions. The formal mechanisms to employment were particularly absent in Sudan, where war and rampant government corruption were the order of the day. Nevertheless, the presence of war at beginning of the 1990s witnessed large flows of refugees, both economic and otherwise, from Sudan to the rest of the Africa region and to other countries of the world. Sudan is currently attempting to reform its political jurisdiction. However, chronic corruption and inadequate legislation continue to threaten the success of such reforms. Moreover, the earlier civil wars produced visible inequality in the distribution of resource in the country, with the entire southern Sudan region being depleted of all necessary resources to function as a society, and the northern part of the country (which is relatively smaller than the south) having all the available political, economic and legislative and social resources required to function as a society (Ertur and House, 1993).

The general trend and experience with industrial diversification in these economies has been the switch from a Lewisian type economy towards the Todaran economy. The early ISI phase was largely identified by the Lewisian two-sector economy, whilst the structural adjustment era and the EO industrialisation introduced the third sector, the informal urban sector, into the dual labour market and transformed these economies to a Todaran type world. As in Lesotho, the type of migration, both internal and external that occurred was a result of the collapse of the traditional and external sector, and the

inability of the modern sector to generate employment<sup>47</sup>. As in Lesotho, generally trade liberalization here resulted in sectoral shifts in employment, with a reduced agriculture labour force, a reduced public sector labour force and an expanding private sector employment. However, the private sector has developed segmented into “protected” employees and the unprotected informal sector.

The implication from the experiences of the case studies is thus that there is a high rate of labour market discrimination in these countries<sup>48</sup>. Generally, sectoral shift in employment has resulted in increased levels of unemployment in these countries. The reduction of public sector employment led to the shedding of many jobs, primarily those occupied by the lower grade employees, who in the discriminating labour market were mostly women. These workers have been pushed into the unprotected private informal sector, as opposed to being absorbed by the protected private sector. In Ghana, this labour force developed into an organized industry that sells perishable goods at stadiums. Nevertheless, they are normally vulnerable to price and employment adjustments in the domestic labour market (Beaudry and Sowa, 1994). In Egypt and the Philippines, where women are particularly the most protected by the government, they are the ones likely to be most affected by the restructuring process. In the Philippines, such workers opted to emigrate to the NIEs in search of jobs. Most found work in occupations that they were overqualified for, such as domestic work and nursing<sup>49</sup> (Goss and Lindquist, 1995; Lui and Chiu, 1999; Chin, 1997;

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<sup>47</sup> Generally none of the five country case studies had developed comprehensive social security and unemployment insurance schemes to respond to unemployment, disabilities and aging during the early phase of economic growth. Each country had some sort of social security scheme as well as special programs targeted at the poor, and redistribution programmes to address income inequalities. However, such programmes were less effective and often had limited coverage, such as participants of state provident fund in the Philippines (Pangestu, 2000). In other countries, state workers and workers in large enterprises were protected such as in Ghana and Costa Rica. Essentially, and particularly in the Philippines and Ghana, people still relied more on the informal safety nets such as friends, relatives neighbours, and informal credit networks rather than formal schemes. The lack of special social programmes for workers and especially the poor adversely affected by the economic shocks and risks was also felt during the economic crisis of the 1980s. The implementation of the EOI phase thus carried over this weak social security systems in these countries. The failure of the SAPs to identify the needs of the poor and workers is a reflection of the larger lack of social security programmes in the industrialisation policy of ISI phase that is now contributing to pressures in the urban labour market (Beaudry and Sowa, 1994; Cohen and House, 1996; Pangestu, 2000).

<sup>48</sup> According to neoclassical economics, labour market segmentation is directly linked to labour market discrimination (see Sloane, 1981 for a complete discussion).

Martin, 1993). In Egypt such workers became incorporated into the pool of urban unemployed, as these women did not have the same opportunity as the Filipina women, due to religious factors (Leonor, 1985; Shaban et al, 1995). There was not a large demand that would absorb Egyptian women in the regional labour market. Consequently many of them have become involved in urban informal employment or have remained openly unemployed (Shaban et al, 1995).

In addition, the turning point of the economy and trade liberalization also altered the structures of the former regulation institutions in these countries. The most affected were the traditional cultural institutions and systems of governance. Moreover, migrants and women in general have become more marginalized and powerless in these societies. In the Philippines and Costa Rica, land is individually owned (Ranis, 1992; Martin, 1993; Gindling and Berry, 1994; Goss and Lindquist, 1995; Saith, 1998). However, the high incidence of landlessness (Gindling and Berry, 1994; Goss and Lindquist, 1995) implies a monopolization of land tenure by the rich private sector. The high incidence of landlessness is further matched by a high incidence of unemployment. This implies that migrants, who are increasingly landless and amongst the poorest in the society lack power within the society to determining their livelihood. Migration is thus more of a survivalist action than a creative initiative (Goss and Lindquist, 1995; Martin, 1995; Chin, 1997). In Ghana, a matrilineal society, women are the legal owners of land and not the men as in Lesotho (Beaudry and Sowa, 1994). Nevertheless, they lack political influence and usually occupy low-income jobs. The high utilization of female child labour (7 – 16 years of age), particularly in the rural areas is associated with women's lack of education which itself results in the marginal position of women in the domestic labour market (Beaudry and Sowa, 1994; Marais, 1994).

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<sup>49</sup> Domestic worker migrants from the Philippines to Malaysia are usually exploited by employers, despite the Philippines having established a branch of migrant workers rights association in Malaysia. This is because domestic worker migrants from the Philippines originally operated within informal recruitment migrant networks that were located outside the formal government-owned migrant recruitment institution, the Philippine Overseas Employment Agency (POEA) (Chin, 1997). Thus, when the POEA extended its networks (its institutions concerned with improving migrants conditions in the destination areas) to the destination areas, female domestic workers were not considered, because they remained as "illegal" migrants within the formal migration institution (Goss and Lindquist, 1995; Chin, 1997; Tacoli, 1999).

In Sudan, land is involuntarily “owned” by the military government, particularly in the less violent northern region. In the southern region, the on-going civil war has deformed all means of authority and governance (including the market structure). Rebels and government can both claim ownership to land. The civil society faces a collapse of their exchange entitlement (Sen, 1981; D’reze and Sen, 1989), as they are left landless and incapable of performing any form of a livelihood in the region due to the on-going violence (Ertur and House, 1993).

All the cases outline a power structure that is very centralized. Migration pressures thus results from the lack of power (information and opportunities) of the migrants to influence their immediate reality. This implies that the pattern of labour migration of the late 20<sup>th</sup> century is a push migration.<sup>50</sup> The suggestion here is that these countries are experiencing a negative flexibility of labour.

From a theoretical stance, liberalization and the increasing risk and uncertainty associated with international and internal migrations have brought to the forefront of the migration study the importance of social capital in influencing economic development. The partial integration of peasant workers in the market economy of the five country case studies implies that some of the current market economy production and labour has remained permanently embedded in petty commodity mode of production, with distinct social and cultural procedures from the capitalist mode of production and the consumer culture.

Migration in the late 20<sup>th</sup> century is clearly not as entirely individually motivated as assumed by the Lewis model and the neoclassical methodology. There are risks and

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<sup>50</sup> The example of the Patidar caste group in India in the 1930s provides for a good contrast. The poor caste, the Patidar, migrated in order to accumulate rural wealth and the rich did not migrate because it would have costed them their role as leaders in entrepreneurship. Supply-side pressures to migrate here resulted not from the lack of power, choice or information as in the above-mentioned cases, but from the ability to move upward within the caste system, made possible by the functioning of the caste system (i.e., the diffusion of information). As the poorer became less poor, they acquired the social ethics of the caste group above them, who in turn adopted the behaviour of the higher caste group. Ultimately, the highest group became increasingly westernised in their social ethics and etiquette (see Chandra, 1997 for details). This example outlines a pull migration pattern, whereby migration is voluntary and motivated by the availability of economic employment/ “betterment” in the destination.

uncertainties associated with migration that imply that migrants are vulnerable to their socio-economic settings, which then influence migration decisions. Also, under structural adjustment, migration pressures are increasingly supply-side driven, and thus migration is more push than pull migration. Migrants are thus more economic refugees than fortune hunters (Martin, 1995).

Generally, economic liberalization and the switch from the Lewisian-type economy to a Todaran-type economy, associated with risk and uncertainty created a mismatch in skill requirements (demand) and availability (supply) in the domestic labour markets. The large and expanding size of the unprotected private informal sector is an indication of the skill mismatch and labour demand. To address the above constraint, governments in these countries adapted informal sector development schemes, which have so far produced mixed results.<sup>51</sup>

Clearly although the development of institutions and mechanisms to enhance economic and legal capabilities of workers are crucial for the effective development of a country, irrespective of the geographical or occupational patterns of outflows, such types of measures remain mostly unilaterally determined in the current global economy, and thus, do not consistently produce the desired outcomes. The point being put forward here is that unilateral state control over labour immigration and increases costs for both the migrant and countries implementing the unilateral “functionalist” policies, by creating a dual labour market of prospective employees, with employers being less able to distinguish the skill and legal (in terms of external migration) status of migrants. The outcome of the dual labour market has been the increasing numbers of unskilled and undocumented (in terms of external migration) migrants.

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<sup>51</sup> For example in patrilineal societies, such as in Sudan and the Philippines (Ertur and House, 1993; Goss and Lindquist, 1995; Cohen and House, 1996) informal sector development reform programmes have been less successful (Cohen and House, 1996; Chin, 1997; Lui and Chiu, 1999) than in a matrilineal society such as in Ghana (Beaudry and Sowa, 1994).

#### **4. 4. 3. Institutional structure surrounding the changing pattern of international labour migration**

The accountability of gains from emigration is conducted under very rigid legislative systems in these countries. The Philippines example is applied here to demonstrate the above point. The institutional structure in the other labour exporting countries is analogous to this example in the sense such institutions are increasingly pushing international migrants into a position of illegality and criminality. In the Philippines, the direct recruitment of migrant workers by overseas employers is illegal (Martin, 1995). The state determined that migration is better controlled and benefits (i.e., remittances accruing to the state) more likely to accrue to the Philippines if the process occurs through licensing recruitment agencies (Martin, 1993, 1995; Goss and Lindquist, 1995; Saith, 1998). This has created an official sanctioned form of labour migration from the Philippines, whereby overseas employers contact the recruitment agencies who typically send agents overseas for recruitment. The agencies must then receive permission to recruit labour for given contracts from the Philippine Overseas Employment Agency (POEA). Otherwise, employers have to get direct permission from the government to allow the POEA to recruit labour for them. Private recruitment agencies are organizational entities that depend upon access to specific bundles of “allocative” and “authoritative” resources and, most importantly, control over information that allows them to negotiate the modalities of interaction within the migrant institution<sup>52</sup> (Goss and Lindquist, 1995: 337).

Recruitment permits require that private agencies hold sufficient capital to set up their establishments, post bonds required by the state, and sustain contract-seeking and labour-

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<sup>52</sup> Since 1982, labour export has been promoted and regulated solely by the Philippine Overseas Employment Agency. This agency has further established recruiting, legal and licensing and travel accountability agencies and offices in the regulation of emigration (Martin, 1993; Goss and Lindquist, 1995; Chin, 1997; Lui and Chiu, 1999). However, the government has not fared too well in its aim to promote the rights and welfare of migrant workers (Chin, 1997). This is largely due to the application of unilateral decision-making practised by the Philippines and the labour-receiving countries, and the lack of accountability of social gains from migration (Saith, 1998). The spill over from migration that precipitated into the social structure (such as the development of micro-enterprises in rural and semi-urban areas using resources generated by emigration) was largely not accounted for by state policy (Saith, 1998).

recruiting operations. These organizations must then obtain official authorization from state agencies, a process that often requires good political connections, command of the law and the language of legal institutions that regulate recruiting activity, as well as having knowledge of the practices of international employers and regulations of national and foreign governments (Goss and Lindquist, 1995: 338). All these requirements increase the expense of private recruitment agencies. These expenses become passed onto the worker in various fees (Martin, 1993: 643). This led to the evolution of illegal recruitment operations and illegal migration flows in the Philippines particularly in the late 1980s, which undermined the ability of the state to account for all out-flows of populations, and inflows of gains from migration (Saith, 1998).

In an attempt to reduce the levels of illegal migrations and increase its ability (power) in managing international labour migration in the late 1980s, the Philippines government further curbed the number of licensed private recruitment agencies. These agencies, while literally the agencies of overseas employers and subject to state control, also acted as concierges within the migration institution, by managing the modalities that condition access for individuals seeking employment abroad (Goss and Lindquist, 1995). Representative of recruitment agencies thus exercised considerable discretionary power since qualified applicants were usually only one of many in a large pool of migrants and selection depended upon maintaining interaction with these agents (Goss and Lindquist, 1995). Thus, the curtailing of their operations in effect leads to increased illegal channels of emigration, that exploited potential emigrants, and increased the vulnerability of migrants in the destination area, by eroding their representation rights (since such workers, e.g., domestic workers, were not recruited by government officials, they had a lesser chance of being represented by the official government legislative institutions set up in the destination country) (Chin, 1997; AWORC, 1999).

Moreover, illegal recruitment remains a serious problem for the Philippines because of the effects it has on interstate relations and foreign currency earnings (Martin, 1993). The latter is normally perceived, by analyst of Filipino emigration, as the more important challenge since it outlines the principle rationale for state promotion of overseas contract

labour (see for example, Martin, 1993, 1995; Goss and Lindquist, 1995: 339). The Philippines (like Lesotho, Egypt, Ghana, India, and Thailand) has established an organized remittance system and (like Lesotho, South Korea and Bangladesh) imposes a mandatory remittance of a proportion of all overseas earnings through government-approved banks. For land-based workers, this varies from 50 to 7 percent of wages, and for ship-workers, it is as much as 80 percent (Beaudry and Sowa, 1994; Goss and Lindquist, 1995). Nevertheless, recent analysts of labour migration from the Philippines (for example, Saith, 1998; Pangestu, 2000) also point out that the threat to international relations is also critical, as bad relations with other countries may undermine foreign investments inflows to the country. Thus, in the case of the Philippines, the past emigration policy is increasingly pushing migrants into an illegal status.<sup>53</sup>

#### **4. 5. Conclusion**

The chapter has analysed the relationship between international labour migration and industrial diversification in five developing countries. The conclusion arrived at is that unlike the predictions of the neoclassical school of thought international labour migration pressures have not abated with increased industrial diversification in the chosen country case studies. Neither has international flow of labour led to reduced poverty and income inequality. The IS phase of industrialisation was accompanied by higher government

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<sup>53</sup> The United States justifies the maintenance of a unilateral immigration policy within NAFTA (i.e., Mexico) and between its trade arrangements with Latin America, as an insurance taken against the likely deterioration in the American social capital due to interaction with immigrant flows from these countries (Lopez and Schiff, 1998; Schiff, 1998). Nevertheless, most immigrants from the Americas hold a higher social capital symmetry to the U.S.'s social capital than immigrants from Europe or Japan, for example, in terms of their ability to adapt to the immigration country's language, social norms, religion, politics and economic relations. But the U.S. usually prefers less of these workers compared with workers from Russia or Japan, for instance. This is because emigrants from the South (or Latin) American countries are usually perceived to have lower skills (human capital, measured in terms of education attainment level) than their counterparts from Russia and Japan (Berry and Sabot, 1978; Funkhouser, 1997). Ironically, the conventional response by the U. S. under NAFTA agreements has been to promote foreign aid assistance to these countries in order to counter the high immigrations (Weintraub and Diaz-Briquets, 1992), rather than promoting a regional attempt at improving the skills of (these) immigrants (Schiff, 1998; Schiff and Lopez, 1998). Meanwhile, the pace of migration from the Latin America region into the U.S. has not decreased with the application of stricter immigration policies by the United States (Guardian Weekly, 2000). What is different is the fact that the rigidity of the U.S. unilateral stances is increasingly forcing Mexican and Latin America migrants into the United States into an illegal and criminal position.

expenditure on social services, particularly universal primary education, in the hopes to reduce labour skill disparities and thus reduce income inequality. Nevertheless, the IS phase of industrial diversification was also accompanied by greater out-migration of labour to destinations in industrialized or oil-rich countries. The remittances obtained from this emigration established real revenue gains and foreign exchange availability for the sending governments. Most governments in turn pursued emigration as an integral part of the development policy, with the exception of Costa Rica. At the same time, the non-tradable sectors in these countries also benefited from the remittance revenues, but almost always at the expense of the tradable sectors. As a result, a Dutch disease phenomenon was also witnessed. During the world economic crises of the 1980s and early 1990s, these countries were forced to borrow heavily from IFIs to finance their growing fiscal deficit. This eventually led to the switch from ISI towards EOI and trade liberalization. However, increased economic liberalization led to increased migration, particularly rural-urban and out-migration, with greater income and poverty disparities between the rural and urban migration. This suggests that these countries are currently caught in a low-growth path associated with immiserising growth and negative flexibility of labour. The important point here is that so far EOI and SAPs have not as yet produced the expected results.

The qualitative analysis given in this chapter provides for a dynamic theorisation of migration that contrasts the static neoclassical theorisation. The analysis given above denotes the study of migration as a part of the global systems of production. Whereas the pre-crisis out-migration was largely driven by external forces (or the industrial diversification of developed countries), the post-crisis out-migration is largely due to internal industrial diversification (particularly the switch from IS to EO industrialisation) and increased informalisation of employment in the domestic labour market. International labour migration during the EOI and structural adjustment phases is largely accompanied by increased segmentation of domestic labour markets. Labour market segmentation is in turn a result of cumulative forces of market imperfections and inappropriate political institutions that in turn are influenced by the historical IS industrialisation adapted at independence. In terms of the dual labour market theory, the development of segmented

labour markets during the EO phase of industrialisation and the shifts into informal type of employment arrangements and increasing temporary labour migration implies that there is a high risk factor associated with shifts in sectoral employment inherent in the industrial diversification process. This differs from the classical analysis under the Lewis model, which does not include a risk factor in the analysis of shifts in sectoral employment and labour migration.

As indicated above, economic liberalization produced migration push factors in the rural areas. The switch from traditional agriculture production, principally for domestic consumption purposes, to non-traditional agricultural and non-agricultural production for export, led to increased rate of landlessness of peasant farmers who were pushed out of their lands by the expanding large industrial estates. These farmers were forced to find paid employment in the urban areas either within the domestic market or in the neighbouring economies, where most became absorbed into the foreign industries associated with the Export Processing Zones. The risks associated with out-migration include the informalisation of migrants as well as increased unemployment of migrants and returning migrants. Employment in the EPZs is generally short-term in the sense that the industries producing in the manufacturing sector are mostly the “fly-by-night” type. During the economic crisis of the 1980s (that lasted up to the late 1980s) most of the EPZ industries shut down and forgone the economies that were experiencing the crisis. Income inequality and poverty rose in these countries, so too did migration, as a response (survivalist) strategy to the domestic employment crisis. Nonetheless, EOI has not managed to reduce the rates of poverty, income inequality or migration. In effect, deeper EOI has led to deepening poverty, income inequality and out-migration. The employment associated with the EPZs growth has been largely of low-skill and low-income employment, which poses serious implications as to the type of growth path these countries are currently embarking upon. More importantly, deeper EOI has led to the feminisation of manufacturing production and increased informalisation of urban employment. Since the early 1990s, returning migrants are increasingly either forced to join the informal sector or become openly unemployed. The transfer of skills acquired

while abroad has been marginal and the prospects of finding employment in the domestic labour market diminishing.

The point put across here and the main lesson for Lesotho is that international labour migration needs to be analysed within the larger context of the macro policy framework and also within a regional, if not global perspective. The lessons for here are the need to recognise that the process of industrial diversification in a labour-sending country clearly and directly influences international labour migration, as much as remittance-induced growth influences the diversification process in the labour-sending country. This suggests that external and internal migration need to be analysed from a regional perspective, given the new international division of labour, which influences the macro policy framework. Both the ISI and EOI phases in our five country case studies led to greater internal and external labour migration, and increases in income disparities and the poverty incidence. Chapter two identified a similar diversification pattern for Lesotho. It has already been established in this chapter that EPZ industrialisation has been the principal path for EOI development and has so far proven costly for the countries that adapted it. Chapter five will now investigate, using quantitative data analysis, the relationship between EO industrialisation and international labour migration in Lesotho, noting in particular the emerging patterns of unemployment and migration.

**Table 4.1**  
**Private unrequited transfers as shares of imports and exports, 1970 - 1985.**

**Private unrequited transfers (millions of U.S. dollars), 1970 - 1985**

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Lesotho *	*	*	*	*	*	1	1	1	2	2	2	3	2	2	2	2
Ghana	-10	-9	-3	-6	-4	24	-4	-6	-5	-3	-3	-4	-1	-2	21	33
Sudan	-1	-1	4	6	5	2	37	37	66	116	209	323	107	146	277	249
Egypt	33	38	110	123	310	455	842	988	1824	2269	2791	2230	2116	2481	3683	3216
The Philip	29	34	80	94	123	165	148	146	194	230 *	*	*	*	*	*	*

**Ration of unrequited transfers to imports, 1970 - 1985.**

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Lesotho *	*	*	*	*	*	0.071	0.056	0.067	0.061	0.043	0.033	0.039	0.054	0.065	0.071	0.091
Ghana	-0.0023	-0.0027	-0.008	-0.01	-0.006	0.03	-0.005	-0.007	-0.006	-0.003	-0.003	-0.006	-0.002	-0.005	0.037	0.052
Sudan	-0.004	-0.003	0.012	0.014	0.013	0.005	0.063	0.056	0.117	0.226	0.303	0.407	0.267	0.284	0.534	0.563
Egypt	0.04	0.045	0.135	0.123	0.185	0.29	0.523	0.501	0.941	0.936	0.724	0.558	0.527	0.672	0.953	0.838
The Philip	0.027	0.03	0.07	0.05	0.046	0.073	0.059	0.047	0.057	0.05 *	*	*	*	*	*	*

**Ration of unrequited transfers to exports, 1970 - 1985.**

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Lesotho *	*	*	*	*	*	0.071	0.056	0.067	0.061	0.043	0.033	0.039	0.054	0.065	0.071	0.091
Ghana	-0.023	-0.027	-0.008	-0.01	-0.006	0.03	-0.005	-0.007	-0.006	-0.003	-0.003	-0.006	-0.002	-0.005	0.037	0.052
Sudan	-0.004	-0.003	0.012	0.014	0.013	0.005	0.063	0.056	0.117	0.226	0.303	0.407	0.267	0.284	0.534	0.563
Egypt	0.04	0.045	0.135	0.123	0.185	0.29	0.523	0.501	0.941	0.936	0.724	0.558	0.527	0.672	0.953	0.838
The Philip	0.027	0.03	0.07	0.05	0.046	0.073	0.059	0.047	0.057	0.05 *	*	*	*	*	*	*

Note: Worker remittances listed under unrequited private transfers in the balance of payments accounts consists of income earned by migrants who have been abroad for more than one year. Lesotho thus reports lower records of unrequited private transfers in comparison to the other countries, because Lesotho is largely involved in oscillatory labour migration.  
Source: Keely and Tran, 1989: 508 - 522

## CHAPTER 5

### EMPIRICAL ANALYSIS OF THE EMERGING MIGRATION PATTERNS: LESOTHO, 1986 – 1998

#### 5. 1. Introduction

This chapter conducts the empirical and quantitative analysis of the emerging pattern of both internal and external migration in Lesotho, between 1986 and 1998<sup>1</sup>, and how these emerging patterns relate to the changes in employment opportunities in the modern and external sectors of Lesotho's economy. To recap the employment story in Lesotho, Chapter 2 established that migrant mine labour employment opportunity largely determined external migration in Lesotho, while modern sector employment opportunities determined internal migration patterns. Chapter 2 also recognized that modern sector employment is largely footloose. Moreover, Chapter 2 found that Lesotho faced a significantly large and growing informal sector within the urban areas and a growing youth unemployment problem. From Chapter 2 it was established that 335900 population of the working age population was residual (i.e., neither employed inside or outside the country) out of a total working age group population of about 1.4 million.

This chapter picks up the story from Chapter 2's unemployment portrait and argues that the high unemployment level in the country is contributing to the emergence of push migration. The data for migration and unemployment used in the chapter is drawn from Lesotho's population census reports, labour force surveys, and employment reports that are conducted by government officials and international development organizations.<sup>2</sup>

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<sup>1</sup> I would like to acknowledge the supervision of Mr. David Fryer in conducting the relevant statistical tests and other computational analysis of the chapter. The use of statistical computation analysis in the chapter was conducted in order to give a quantitative representation of the migration story and not to display the ability to conduct statistical computations. I reserve the rights to any errors in presenting the statistical computations.

<sup>2</sup> In Lesotho, labour force surveys are dependent on donor funding. Between the late 1980s and 1990s, only two comprehensive labour force surveys have been conducted. These were for the years 1986 and 1997.

The aim of this exercise is to determine the relationship between the high unemployment in the country and emerging pattern of push migration. This is in agreement with the proposition given in Chapter 1, which stated that external and internal migration in post-1986 Lesotho is a push migration with a Third World development path.

The chapter is divided into five sections. Section one gives the introduction. Sections two deals with the unemployment story. Sections three and four relate the emerging pattern of push internal (section three) and external migration (section four) to the unemployment story. Section five gives the summary and conclusion of the chapter.

## **5. 2. Unemployment pattern**

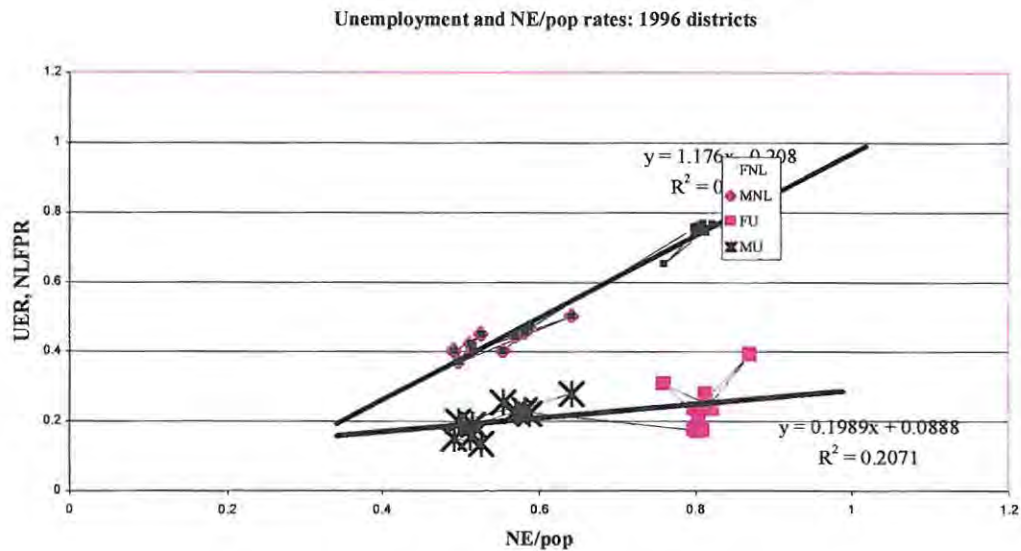
The unemployment story in Lesotho is not very clear. Official documents tend to record only open unemployment.<sup>3</sup> But as indicated in Chapter 2, there is a lot of hidden and disguised unemployment,<sup>4</sup> especially in the rural areas.

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Population census reports in Lesotho are also dependent on donor funding. However, unlike the labour force surveys, the population census reports have been undertaken every ten years since 1976. Data comparison is thus limited by this factor.

<sup>3</sup> The labour force survey for 1986 (Bureau of Statistics, 1990: 40 - 50) attempted the documentation of hidden and disguised unemployment, by reporting on the multiple activities of the unemployed labour force and inactive population (particularly students and homemakers). However, such an exercise proved to be somewhat too ambitious for a Lewisian economy with classical surplus labour supply. The reporting of multiple activities required the use of the current status (week of reference) indicator, which was not compatible with the main usual status (past 12 months) accounting conducted in the labour force survey and other labour force reports (e.g. Ministry of Labour and Employment, 1997).

<sup>4</sup> In this thesis, hidden unemployment is defined as the economically active population (also known as discouraged workers) that is neither officially unemployed nor employed, but that shows up among the economically inactive population. Disguised unemployment is defined as the economically active population that is engaged in the survivalist projects associated with the informal sector. Economically active population or the labour force is the population that is ten years and over that is officially reported as either employed or unemployed. The government of Lesotho officially defines the economically inactive population (Bureau of Statistics, 1982, 1990, 1996; Ministry of Labour and Employment, 1997, 1998) as the population ten years and over, that is either involved in studies, homemaking, retirement/ disability, or other. The other category is ambiguous, implying the existence of hidden unemployment.



**Figure 5.1**

Note: The employment/ unemployment and labour force participation rates are measured from the 1996 population that was 10 yrs and over.<sup>5</sup>

Source: Own calculations based on data from Bureau of Statistics, 1996c: 53

Figure 5.1 above indicates the rate of unemployment against the non-employed share of the population by district and gender. The NE/ pop graph is the proportion of the population (of the gender district graph) reported as not having any work. Firstly the graph and MU shows how unemployment rate (UER) varies with NE/ pop. The point labelled FU shows the district unemployment rates respectively. The graph also tells the story of the non-labour force participation rate (NLFPR), which indicates the rate of

<sup>5</sup> The economically active population in Lesotho for 1986 was 12 years and over and in 1996, it was ten years and over (Bureau of Statistics, 1990; 1996c). The increase in the young population involved in economic activity indicates either the measurement of such activities as herding, or the possible increase in child labour in the country. In any case, the trend in economic activity between 1986 and 1996 has been a decrease in the traditionally male-dominant activities (such as farming) and a rise in new activities such as manufacturing, and services that are more female-oriented. Economic activity in construction is largely male-dominated, but the numbers of employed males in formal construction remains relatively small (Ministry of Economic Planning, 1997b; Ministry of Labour and Employment, 1998c). This implies that perhaps the type of construction activity witnessed in the country is largely associated with consumption (e.g., home construction, etc).

dropouts from the labour force at high NE/ pop levels. These are represented by the points labelled FNL and MNL respectively.

The official records for unemployment in 1996 for example, indicate that total unemployment rate (UER) on average was 22 percent, while the average female UER was 24 percent for females and the male average UER was 20. Overall, women tended to record a higher UER rate than males. The district that recorded the highest UER was Mohale's Hoek, with 31 percent total UER, 28 percent male UER, and 39 percent female UER. The district with the least UER was Mokhotlong, with 15 percent total UER, 14 percent male UER, and 17 percent female UER. However, the average rate of the not employed population for Mokhotlong was 67 percent, with males recording a high of 53 percent, and females over 80 percent of total population. The non-labour force participation rate (NLFPR) for Mokhotlong was on average at 60 percent, while the male NLFPR was 45 percent and the female NLFPR was 76 percent. The low UER rate for Mokhotlong and the high NLFPR could imply that this district was very rural in the sense that a lot of the population was predominantly occupied in subsistence economic activities, (e.g., livestock herding, firewood collection, fetching water, etc.) and therefore not recorded as officially unemployed. But at the same time, it could also indicate high unemployment in rural areas (the NE/ pop and UER graphs), suggesting that these workers were not included in the official unemployment records.

The NLFPR graph describes the working age population that is not economically active. In the official labour force records, this category includes students, homemakers, retired/ disabled, and other. In this analysis, we are most interested in the homemaking and other categories. According to the NLFPR graph in figure 5.1 above, the rate of rural female labour force participation is very low. Two hypotheses are proposed for in explaining this observation. The first hypothesis explains that the low rural women labour force participation could reflect the involvement of rural women in traditional subsistence economic activities, associated with surplus labour and the Lewisian economy.

But, why is the rural/ female unemployment rate so high, and why is, for example, urban male labour force participation so low? An alternative hypothesis proposes that rural females are not traditional, but simply have low employment probabilities leading to a discouraged worker effect. There are fewer employment opportunities (NE/ pop increases), unemployment does increase, but not proportionately. The graph shows that increasing NE/ pop has a *stronger* effect on non-participation than it does on unemployment. This suggests a hidden unemployment phenomenon, whereby in a situation where there is low or no official employment opportunities, greater numbers of workers are likely to drop out of the labour force where, we assume, some are likely to engage in non-official economic activities.

For example, the fact that women recorded a high of 76 NLFPR for Mokhotlong implies that many appear to be homemakers involved in subsistence production activities, but the official unemployment record does not necessarily indicate that this is a choice for women. The empirical evidence contained in figure 5.1 seems to suggest that, on average, Lesotho has a higher rate of hidden and disguised unemployment than open unemployment, especially among female workers. Overall women tended to record higher NLFPR than the total NLFPR, indicating that women in Lesotho are predominantly occupied in homemaking activities. However, the high figures of female participation in homemaking seem to be because there are (still) few jobs for women in Lesotho (Chapter 2 section 2.5) It seems as if women are “staying out” of the labour force not because they are homemakers or subsistence farmers in the traditional sense, rather women are homemakers because they face fewer job opportunities in the labour market.

The NLFPR and NE/ pop graphs indicate that if the NE/ pop rate (i.e., by increasing jobs), the rate of unemployment does not fall proportionately. This suggests that if one extra job is created in the modern sector, it does not lead to one less unemployed worker in Lesotho, even though official records may indicate otherwise. Putting it another way, it would appear that if one extra worker is laid off in the job market, it does not lead to one extra unemployed in the official records. The implication here is that these workers

dropped out of the labour market. This is suggested by the gradients of the NLFPR and NE/pop graphs. Figure 5.1 allows us to make inferences from the cross-sectional data, which we would not have been able to do if the economy was still traditional.<sup>6</sup> The fact that both the male and female NLFPR lie on the same gradient of the NLFPR graph suggests that if there were more jobs available in the country, there would be as many women as men willing to enter the labour force. This implies that workers choose to stay outside the labour force because of lack of jobs. Thus, figure 5.1 seems to suggest the discouraged worker effect, whereby workers drop out of the labour force due to the lack of employment opportunities in the domestic labour market. Most become absorbed into low quality consumption production outside the official economic activities.

Moreover, according to figure 5.1 above, the urban male labour force participation rate seems to be low, with, for example, about 40 percent of working age men in Maseru staying out of the labour force. This indicates that the high rates not employed population also occurs in the urban areas. This phenomenon could either be due to the fact that there is generally traditional “subsistence” employment, which does not get officially recorded as employment, or once again, that there is very high hidden unemployment in the country. For example, for females, at NE/pop is equal to 80 percent, the official unemployment rate (UER) range is about 18 to 36 percent. This suggests very hidden unemployment in rural areas. This is not surprising, given the revelation in Chapter 2 that rural areas are shedding workers. It is likely that hidden unemployment in rural areas generated increased rural urban migration in the Lesotho in the 1990s. However, the lack of job opportunities in the modern sector, as suggested by the high urban male NLFPR and UER implies that this type of migration is likely to be a push migration.

Unfortunately, figure 5.1 above is limited to the analysis of discouraged worker and hidden unemployment. One cannot infer any other manifestations of a collapsing economy, such as the emergence of the informal sector (i.e., disguised unemployment) from figure 5.1 above. Nevertheless, the Central Bank of Lesotho and the Ministry of

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<sup>6</sup> The idea here is not to take the projections of the calculations too literally. There are obviously bound to be marginal errors related to the computation of figure 5.1. Nevertheless, the main point of figure 5.1 remains clear.

Labour and Employment in Lesotho have recently become concerned with the rise in informal economic activity, particularly in and surrounding the urban areas of the country, that are largely situated outside the formal economic activities (Foulo, 1996; Ministry of Labour and Employment, 1998c). In addition, a recent survey conducted by the Sechaba consultant group on rural economic development reported that the majority of rural dwellers in Lesotho drop out of the labour force and settle into the rural slums with little or no marketable economic activities (Sechaba Consultants, 1994). These revelations, together with the analysis of discouraged worker effect, suggest that the majority of the non-labour force participation population in Lesotho is situated in informal economic activities, or the so-called “survivalist” activities generally associated with the Third World economy. The observed rise in rural-urban migration, suggested in Chapter 2, is thus likely to be a push migration. The fact that both rural and urban areas seem to project low labour force participation implies that the urban areas in Lesotho are likely to develop into urban slums, or become an extension of the rural slums.

The important point explained by is a discouraged worker effect. The discouraged worker effect suggests that in a labour market where there are no or decreasing employment opportunities, more workers are likely to drop out of the labour force as one worker gets laid off. This is because the laid off workers have little incentive to look for work, when the employment probabilities are so few. The overall impression from this exercise is that the employment crisis in Lesotho is much more worse than official unemployment statistics suggest.

### **5. 2. 1. Youth unemployment**

The variables (graphs) used to reveal the complete unemployment story in figures 5.2a and 5.2b include the following: the official unemployment rate (Urate) graph; official unemployment including the category of other (U incl. Other rate) graph; the not employed, student, retired/ disabled, or homemaker population (NESRDH/ pop) graph; and the not employed population (NE/ pop) graph.

The picture for male and female unemployment by age groups seems to mirror the above district unemployment story. Figure 5.2a and 5.2b indicate that on average, male workers record lower official unemployment rates than female workers. This suggests that women face fewer job opportunities in comparison to their male counterparts. For example, at the prime working age groups of 25-44 and 45-59, only 21 and 15 percent of male workers were recorded as officially unemployed. On the other hand, considering the same age categories for women, there were 24 and 16 percent women officially recorded as unemployed.

In addition, figures 5.2a and 5.2b indicate greater female hidden and disguised unemployment (for instance the unemployment plus other graph for female lies above that for males). Figure 5.2b below also indicates that open unemployment (Urate graph) appears to be higher for female workers between the age groups 15-19 and 20-24 than for male workers. This implies that either more young male workers are involved in official employment (and therefore have a higher child labour official record) or that young women workers tend to be involved in informal types of jobs associated with the homemaking activities that do not officially get included as employment.

The not employed/ student/ retired/ disabled/ homemaker (NESRDH/ pop) graph for male workers increases sharply between the ages 15 – 24 and peaks at 34 percent, while for females is a gradual rise that peaks at 22 percent. Similarly, the unemployment rate (urate), unemployed plus other (U incl. other) graphs for males have sharper gradients compared with the female graphs, which have more gradual inclinations. This suggests that young males in Lesotho face a higher unemployment problem than older male, but women in general face the highest unemployment. The implication here is that male workers have traditionally had better employment opportunities in Lesotho. This is changing however, witnessed by the rise in male youth unemployment. The recent generation of EPZ employment is increasing the numbers of female workers, although generally, male workers still dominate the employment scene in Lesotho.

Male “prime age” unemployment is low because of the mining in South Africa and old manufacturing in Lesotho. With the decrease in mine employment in South Africa, we can expect a rise in the prime age of male unemployment. This suggests that in the near future, unemployment is likely to impact more directly on men, who in the past were protected by mine employment.

Open and hidden unemployment: men, 1996

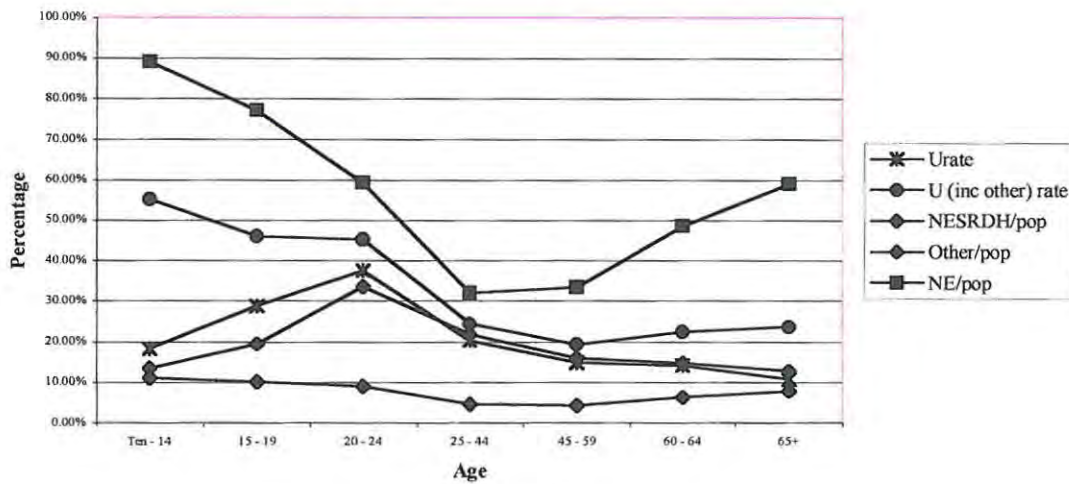


Figure 5.2a

Open and hidden unemployment: women, 1996

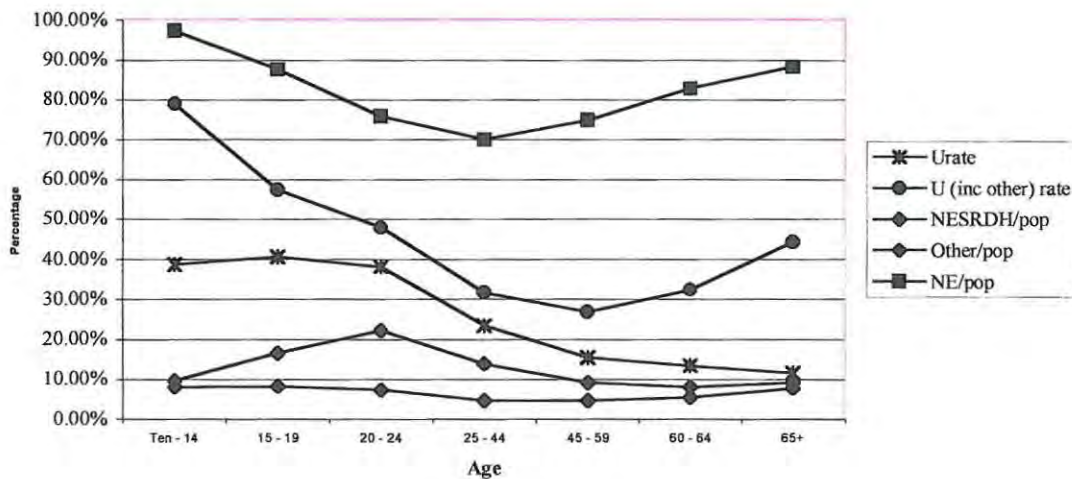


Figure 5.2b

Source: Own calculation based on data from the Bureau of Statistics, 1996c: 53

It can also be inferred from figure 5.2 above that official recording for unemployment in Lesotho generally only captures open unemployment and tends not to capture hidden and disguised unemployment. The story being told by the overall unemployment analysis is that the increase in joblessness is resulting into a push migration that, as we shall see later, is distinctly rural-urban (internal and external urban) migration. The increased male youth unemployment, especially in urban areas, and greater female hidden and disguised unemployment is direct evidence of the lack of jobs in Lesotho, and is also leading to a gender specific migration pattern, whereby women tend to dominate the internal migration, while male dominate the external migration. Official labour market analysis reveals in Lesotho maintains that even though on average more women tend to migrate internally than men, they appear to do so for non-economic reasons, such as marriage, as they tend not to participate in the labour force (e.g., Bureau of Statistics, 1990; Ministry of Labour and Employment, 1998c). However, our analysis indicates otherwise. Both figures 5.1 and 5.2 (a and b) above suggest that the low labour force participation by women workers is a direct result of the lack of employment opportunities for women in Lesotho. Thus, it would appear that even in the 1990s, women in Lesotho still face fewer employment opportunities than men.

### **5. 3. Internal migration and urbanisation**

There are three measures of internal migration in the study of labour migration. These are net, gross and place-to-place migration rates. Net migration is calculated from the difference between the place-to-place migration rates, while gross migration is calculated from the sum of place-to-place migration rates.

#### **5. 3. 1. Net and gross migration**

The simplest measure of migration, with which we start, is  $NMa,d$ , net migration from all other districts ( $a$ ) into the specific destination ( $d$ ). This is calculated as  $Ma,d/Mo,a$ , where  $Ma,d$  is migration from all other districts ( $a$ ) into the specific destination ( $d$ ), and  $Mo,a$  is migration from the specific origin to all other destinations ( $a$ ).

**Table 5.1**  
**Net migration (NMa,d) from all other districts (a) into a specific destination (d),**  
**1986 and 1996.**

<i>In and Out mig by district, 1986 and 1996</i>	1986	1986	1986	1986	1996	1996	1996	1996
	<i>In- mig</i>	<i>Out- mig</i>	<i>In/out</i>	<i>Urb/pop</i>	<i>In- mig</i>	<i>Out- mig</i>	<i>In/out</i>	<i>Urb/pop</i>
	<i>Ma,d</i>	<i>Mo,d</i>			<i>Ma,d</i>	<i>Mo,d</i>		
Butha- Buthe	8903	10345	0.860609	0.0612	9870	11120	0.88759	0.112863
Leribe	28304	21225	1.333522	0.0547	36180	21353	1.694375	0.171467
Berea	19845	21256	0.933619	0.1446	39894	22116	1.803852	0.201858
Maseru	50456	31408	1.60647	0.2943	67978	38017	1.788095	0.352454
Mafeteng	21300	24167	0.881367	0.0553	22834	27817	0.820865	0.101557
Mohale's hoek	17390	19549	0.88956	0.041	17502	21139	0.827948	0.095963
Quthing	5317	13035	0.407902	0.0319	7088	12697	0.558242	0.075622
Qacha's Nek	5087	10069	0.505214	0.0655	5462	8855	0.616827	0.06397
Mokhotlong	4191	11066	0.378728	0.0258	3774	12322	0.306281	0.045911
Thaba- Tseka	11429	10102	1.13136	0.0173	10574	45720	0.231277	0.034129
Total			-	0.102			-	0.168

Source: Ma,d and Mo,a are reported in Bureau of Statistics (1996b: 74), for 1996 and 1986 data.

For example, in 1986, 19 845 people living in Berea had moved in from other districts of Lesotho, and 21 256 had left Berea for other districts. This means that Berea was experiencing net out-migration, which is reflected by the *in/out* figure having a value less than one. It is interesting to note that by 1996, Berea was experiencing significant net in-migration. It is also interesting to note that the ranking has changed little between 1986 and 1996. Maseru, Leribe and Thaba-Tseka were the three main districts experiencing greater in- than out-migration (all had an *in/out* ratio of greater than 1) in 1986. Unsurprisingly, but with the exception of Thaba-Tseka, districts with an *in/out* ratio of greater than 1 in 1996 were again, Maseru and Leribe. Berea had also gained more people in 1996 than in 1986. This is probably associated with the fact that Berea shares a transportation corridor with Leribe and Maseru, a point to which we will return to later. It is interesting to note that Thaba-Tseka had lost more people to other districts in 1996 as compared to 1986. To an extent, this is to be expected. Thaba-Tseka was constructed in

1979 as a pilot project for rural development, with the aim of developing the rural areas so as to decrease pressure on migration to the three main town districts of Maseru, Leribe and Berea (Tsietsi, 1996b). Unsurprisingly, the project has so far failed, indicated by the high out-migration rate of probably rural dwellers from Thaba-Tseka. Unsurprising because, as indicated in Chapter 2, rural development in Lesotho has so far tended to follow a “mish-mush” of top-down and bottom-up approaches that nevertheless exclude the participation of the local rural dwellers in the planning and implementation stages. Most rural dwellers thus remain irresponsive to any initiatives by the district officials to developing the rural areas. A good example of this is the 1994 failure of the LHDA to relocate displaced people from the Lesotho Highlands Water Project (LHWP) rural locations into other locations in the Lesotho. This resulted in unplanned settlements into the border of Maseru and particularly along the “transport corridor” (Coverdale and Pottinger, 1996). The implication for the possibility of reintegrating returning migrants is that such a project is unlikely to succeed in Lesotho. Although this may sound pessimistic, if the experience of the LHWP relocation programmes is any thing to go by, then there is a need to reconsider reintegration policy of displaced and migrant populations in Lesotho.

In terms of urbanisation rate<sup>7</sup>, the most urban districts by 1986 were Maseru and Leribe. But these districts recorded low urbanisation rates of only 29.43 percent and 14.46 percent urban respectively. Moreover, the third most urban district by 1986 had an urbanization rate of only 6.55 percent urban, with the remainder of the districts having urbanisation rates of between 5 and 1 percent. The total country urbanisation rate for 1986 was 10.2 percent. This suggests that Lesotho was predominantly rural in 1986. This is consistent with “Lewisian” story.

Even in 1996, total country urbanisation rate was still only 16.8% urban. There was also little change in the ranking. All districts appear to have experienced significant increasing urbanisation with the exception of Qacha’s Nek, which experienced a decrease in its urbanisation rate. This pattern suggests people are moving out of rural areas, many out of

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<sup>7</sup> To calculate the urbanisation rate, district urban population was divided by total population of the district.

the district, leaving the residual more urbanised. This is why (for example) Thaba-Tseka is becoming more urban, despite an *in/out* ratio of 0.2. It is thus interesting to note that there is a strong relationship between *in/out* and urbanisation rate. The picture for 1996 suggests that internal migration was more of a rural-urban migration than in 1986 (where the urbanisation rates were weak). From our results, it is clear that Maseru, Leribe and Berea are the most urban district in Lesotho, and the only districts experiencing net in-migration (*in/out* is greater than 1). This is unsurprising, given the fact that most of the modern sector's EPZs are situated within these towns (Chapter 2). What *is* surprising is the low rates of urbanisation recorded by each of these urban districts, particularly Maseru.<sup>8</sup> If our results are to be taken as a clear indication of what is happening in Lesotho, then it is likely that the rates of urbanisation are higher than what we have estimated.

The "urban corridor" around Maseru, associated with EPZ industrialisation and urban slum formation is likely to contribute to the rapid expansion of Maseru (to other adjacent districts) in 1996 as compared to 1986. It is thus not surprising that Mafeteng is urbanising rapidly, but was still only 10.16 percent urban in 1996, so, the probable dominating factor is rural out-migration, (hence *in/out* less than 1). Mafeteng is also adjacent to Maseru and does not have EPZs. It is likely that the corridor between Maseru and Mafeteng is developing into a "rural slum" area, situated outside municipal boundaries. This raises the question of whether boundaries have "kept up" with the observed patterns of migration and urbanisation, given linear, "outward" pattern of peri-urbanisation in the country.<sup>9</sup> The suggested emerging migration pattern is analysed in detail in figure 5.3 below.<sup>10</sup>

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<sup>8</sup> A possible explanation for the perceived low urbanisation rates could be due to an error contained in the original government data. This could be due to different measurement of the district areas between 1986 and 1996 (see for example, Bureau of Statistics, 1996c: 26).

<sup>9</sup> The 1980 Lesotho government gazette reported the Maseru urban area was 135 square kilometres while for Maputsoe (urban town of Leribe) it was 10 square kilometres. By 1995, the Maseru urban area comprised 354 square kilometres, while that of Maputsoe, was 54 square kilometres (Bureau of Statistics, 1996c: 26). This could be due to either underestimation in 1980, or due to modern sector activity expanding to the adjacent districts from Maseru. Chapter 2 pointed out that the main industrial sites in Lesotho are situated in Tsetsane, Maputose and Ha Nyenye, all accessed by tarred road and with installed power, water, sewerage and telecommunications facilities. Clearly then the effect of modern sector

Net migration between districts, 1986 and 1996

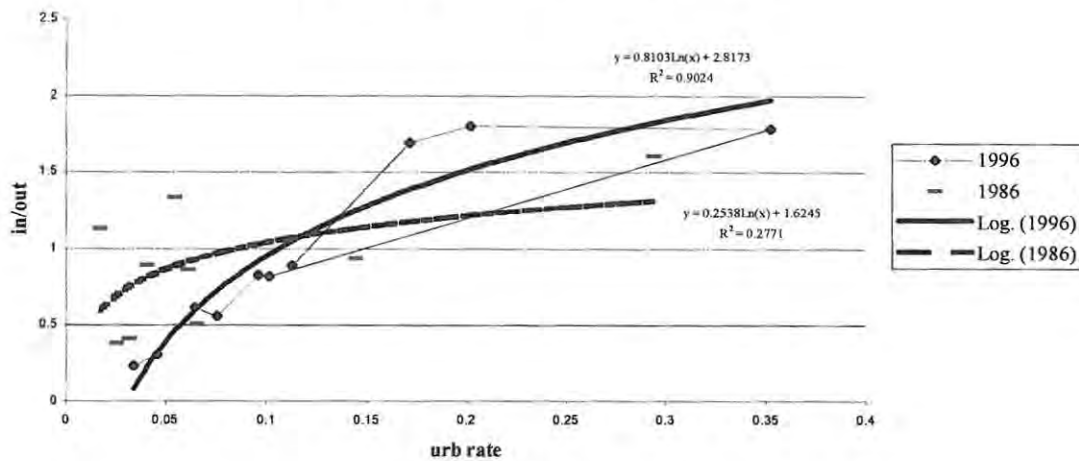


Figure 5.3

Source: Own calculations based on data from Bureau of Statistics, 1996b: 74.

Figure 5.3 displays the relationship between urbanisation rate and net migration for 1986 and 1996. The Y-axis depicts the in-migration rate over the out-migration rate. The X-axis depicts the urbanisation rate. Using the same unbroken line on the graph (despite the differentiation of the 1986 data by broken lines on the legend), we can infer the difference of net migration in 1986 (the shorter line) and 1996. In 1986 and before, Lesotho was very rural, with most of the population largely involved in “subsistence” and “classical” agriculture production. According to figure 5.3 above, the pattern of migration

industrialization has been concentrated in the main urban districts of Maseru, Leribe and Berea. People are more likely to migrate into these towns in search of better social as well as economic amenities, such as transportation and communication, health and education services, housing with proper water and sanitation systems, etc. This is probably why in the migration story we are seeing higher numbers of in-migrants and urbanization of particularly Berea and Leribe in 1996 as compared to 1986. The implication here is that internal migration in 1996 was largely influenced by the EOI and employment opportunities in the EPZs. This is probably also why we see time and time again government and other official records and research on urban development in Lesotho reporting greater female internal migration in the 1990s, (for example, Bureau of Statistics, 1996b; Ministry of Labour and employment, 1998c; Sechaba Consultants, 1994, 1995).

<sup>10</sup> A recent study on the dynamics of urbanisation (Marais, 1993) in Lesotho also suggests that the reported level of urbanisation in the country is probably underestimating the process. Complementary to our analysis, this study points to the artificial maintenance of the land tenure system as the root of the apparent low urbanisation records in Lesotho. The suggestion here is that official city boundaries are thus not keeping up with the changing reality in the country.

in 1986 is more of a rural to rural migration. The 1986 data displays a lower  $R^2$  value than the 1996 data, of 0.23 compared with 0.9 in 1996.

Using the 1996 data in figure 5.3 above, we can see a clearer rural to urban migration – the 1996 gradient is stronger than the 1986. Thus in 1996 Lesotho was witnessing the emergence of urbanisation and urban regions. Figure 5.3 also indicates that in 1996, Thaba-Tseka, Mokhotlong and Qacha's Nek were the most rural districts, with urbanisation rates of 3.41, 4.59 and 6.44 percent respectively. Maseru, Berea and Leribe were the least rural districts, with urbanisation rates of 35.25, 20.19 and 17.14 percent respectively. This implies that Maseru experienced the most net migration between 1986 and 1996. Maseru is also the fastest urbanizing district in Lesotho. As pointed out before, this is not surprising given the fact that Maseru is the hub of Lesotho's modern sector activities. What is surprising is the low urbanisation rank in Qacha's Nek produced a faster out-migration rate for 1996. The data suggests that between 1986 and 1996, there were more people who left Qacha's Nek than who moved into that district. This suggests that as a result, the district has become slightly more rural in 1996.<sup>11</sup> The story is reversed for Leribe district, where there was a high urbanisation rank that is associated with a larger in-migration rate for 1996. These results are not surprising and are in agreement with the general overall population analysis outlined in Chapter 2 which indicated that more households were moving into the lowlands and away from the mountain regions (Qacha's Nek and Thaba-Tseka are mountainous districts).

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<sup>11</sup> The outcome could be related to the fact that Qacha's Nek is adjacent to Thaba-Tseka, the project district, and the high out-migration could thus be due to the relocation of Qacha's Nek birth population into Thaba-Tseka. Also, during the functioning of the classical migrant labour system, migrants were recruited from the most rural districts (Sechaba Consultants, 1995; Mochebelele and Nelson-Winters, 2000). Most relocated their families next to the borders soon after that (Ministry of Labour and Employment, 1998). It is also reported that the households of migrant mineworkers in Lesotho are the most mobile households within the country (Sechaba Consultants, 1995; Ministry of Labour and Employment, 1998c).

Moreover, the emergence of a clearer urbanisation picture in 1996 indicates the turning point of the Lesotho economy from a Lewisian surplus economy towards a Todaran economy, with urban unemployment.<sup>12</sup>

We also used the same data to calculate Gross migration between two pairs (for example Leribe and Berea) is  $(M_{L,B}+M_{B,L})$  and net migration between pairs is  $(M_{L,B}-M_{B,L})$ . There are 45 cells in the gross and net migration matrices. However, this analysis did not yield further insights, so we do not report it here.

Next we calculated the place-to-place migration (or in-and out-migration rates). The data for this analysis came from matrices determined using the same data as in table 5.1 and figure 5.3 above. The matrices show detailed place to place-place, designated  $M_{o,d}$  (where  $o$  stands for origin and  $d$  for destination). For example they show, as separate observations, the number of people born in Leribe who moved to Berea ( $M_{L,B}$ ) and the number of people born in Berea who moved to Leribe ( $M_{B,L}$ ), where  $L$  and  $B$  represent the origin and destination in each flow. There are ten districts, so there are 90 migration cells. Also, we have 1996 and 1986 data, and female and male data for 1996. Unfortunately we did not have gender breakdown for 1986. We then pooled the data and ran regressions. Pooled data had 180 cells.

### **5. 3. 2. Place-to-place migration**

It is critical to precisely define what we mean by *rates* of place-to-place migration. More specifically, it is important to choose carefully the population base with respect to which the rate is calculated, that is, the denominator. This is considered to be the population universe that is "at risk" of migrating. For the out-migration rate from district  $d$ , the existing population is clearly the appropriate one to use:  $gomr_d = GOM_d / Pop_d$ . However, as Goetz (2000) points out, when calculating rates of in-migration, the existing population is already in place and, therefore, does not qualify as being "at risk" of

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<sup>12</sup> The lack of job opportunities in the urban areas analysed in section 5.2 also suggested the emergence of a Todaran economy in Lesotho, with a large structural unemployment problem, particularly in the modern sector.

migrating into the region. Instead, the population outside the region should, theoretically, be used as the base. This detail is usually ignored in applied studies, and instead the same population is used in the calculation rate for in-migration as for out-migration:  $gimr_d = GIM_d / Pop_d$ .

To compare the rate of in-migration between 1986 and 1996, estimated equation 5.1 using OLS with pooled data for 1996 and 1986.

$$\ln M_{o,d} = \alpha_0 + \alpha_1(Adj) + \alpha_2(1996) + \beta_1(\ln Po) + \beta_2(\ln RU) + \beta_3(1996.RU) + \beta_4(Adj.RU) + \beta_5(Po.1996) \dots (5.1)$$

$M_{o,d}$  is the number of migrants leaving the origin district ( $o$ ) for the destination ( $d$ ).  $Pd$  and  $Po$  are the populations of the destination and origin districts respectively,  $Adj$  is a dummy variable that takes value 1 if  $o$  and  $d$  are have a common boundary.  $1996$  is a dummy that takes value 1 for 1996 data and 0 for 1986 data.  $RU$  is a variable that captures the difference in urbanisation between the destination and origin.<sup>13</sup>

Table 5.2 show what  $\alpha_1$  (the effect of adjacency) is positive and significant at the 1% level. This means that, all other things held constant, there is much more migration between adjacent districts than non-adjacent districts.<sup>14</sup> Also, unsurprisingly,  $Po$  (origin population) has a positive and significant effect.

We can use the estimated parameters from 5.1 to derive separate equations for 1996 and 1986, by setting the dummy variable “1996” equal to 1 for 1996 and 0 for 1986. Thus, setting 1996=1 yields the function for 1996.

$$\ln(M_{o,d}/Pd) = \alpha_0 + \alpha_1(Adj) + \alpha_2 + (\beta_1 + \beta_5)(\ln Po) + (\beta_2 + \beta_3)(\ln RU) + \beta_4(Adj.RU) \dots \dots \dots (5.1_{1996})$$

Both  $\beta_2$  and  $\beta_3$  are positive and statistically significant. The sum of the parameters is 0.7. In 1996 people were more likely to migrate from rural to urban than between urban or between rural pairs. The rural urban variable represents a host of economic factors, such

<sup>13</sup> Calculated as  $\ln(U_d/Pd) - \ln(U_o/Po)$  where  $U_d$  and  $U_o$  are the urban populations of the destination and origin districts respectively.

<sup>14</sup> Other studies use distance by road (Goetz, 2000). Given the lack of road maps in Lesotho, we used adjacency to measure the flow of population between districts.

as wages differences, employment probability differences, access to services, access to transportation, the lure of the “bright lights,” etc. Setting 1996=0 yield the function for 1986.

$$\text{Ln}(M_{o,d}/Pd) = \alpha_0 + \alpha_1(\text{Adj}) + \beta_1(\text{LnPo}) + \beta_2(\text{LnRU}) + \beta_4(\text{Adj.RU}) \dots \dots \dots (5.1_{1986})$$

In 1986 we can see that although *RU* had a significant and positive effect (0.2), it was much weaker than in 1996. We can explore whether the observed change in patterns of migration are statistically significant by considering the difference between these last two functions.

$$\text{Ln}(M_{o,d}/Pd) = \alpha_2 + \beta_3(\text{LnRU}) + \beta_5(\text{LnPo}) \dots \dots \dots (5.1_{1996-1986})$$

We can see that  $\beta_5$  is positive and statistically significant (at the 1% level).  $\beta_3$  is significant (at the 1% level) and positive. This means that, in 1996, migration was much more strongly rural urban (note also that population has a significantly stronger effect in 1996). The negative coefficient on  $\alpha_2$  indicates that there was significantly more migration in 1986 that is not explained by other factors. Taking these observations together, we can conclude that there was similar volumes of migration in the two years, but that in 1996, the migration was much more “specific” and better explained by the model.

Equation 5.2 considers out-migration [ $\text{Ln}(M_{d,o}/Po)$ ]. The only significant determinants of out-migration are Adjacency and destination population. It appears that in-migration is much better explained by the “economic” variables underlying urban-rural difference than out-migration.

Equation 5.3 considers the effect of gender on internal migration. Unfortunately data is only available for 1996. *M* takes value 1 for males and 0 for females. Note that males are significantly less likely to be engaged in internal migration. The interactive variables (*RU.M* and *Adj.M*) were not significant, suggesting that there is no difference between the *pattern* of male and female migration, only the *level*. If female migration was

significantly effected by such social factors, we would expect many women to be migrating between rural areas. We would thus expect female migration to be significantly less effected by *RU* difference (*RU.M* would be positive and significant). Although the coefficient is negative, the effect is extremely weak and insignificant.

**Table 5.2**

**Regression performed on dependable variable:  $\text{Ln}M_{o,d}$**

<i>Parameter</i>	<i>5.I1996</i>	<i>5.I1986</i>	<i>5.I1996 - 1986</i>
$\alpha_0$	-15.4** (-7.31)	-10.6 (-4.71)	-20.9** (-13.6)
$\alpha_1(\text{Adj})$	1.76** (16.7)	1.81** (14.7)	1.81** (12.3)
$\alpha_2(1996)$	-6.49* (-2.14)	-2.06 (-0.62)	- -
$\alpha_3(M)$	- -	- -	-0.32* (-2.51)
$\beta_1 \text{Ln}(Po)$	0.80** (4.57)	- -	1.27** (9.90)
$\beta_2 \text{Ln}(RU)$	0.20* (2.48)	-0.05 (-0.57)	0.42* (5.38)
$\beta_3(1996.RU)$	0.50** (4.58)	0.16 (1.24)	- -
$\beta_4(\text{Adj}.RU)$	-0.18 (-1.84)	-0.02 (-0.21)	- -
$\beta_5(Po.96)$	0.54* (2.13)	- -	- -
$\beta_6 \text{Ln}(Pd)$	- -	0.40* (2.14)	- -
$\beta_7(Pd.96)$	- -	0.17 (0.62)	- -
$\beta_8(RU.M)$	- -	- -	0.07 (0.72)
$\beta_9(\text{Adj}.M)$	- -	- -	-0.06 (-0.28)
$R^2$	0.70	0.60	0.72
$N$	180	180	180

Note:  $n$  denotes the number of observations. Original data for the above analysis is from the Bureau of Statistics, 1996a: 205. T-statistics are given in parentheses. \*\* indicate significant at the 1% level. \* indicates significant at the 5% level.

As indicated earlier in figure 5.3, the most urban districts in 1996 were Maseru, Leribe and Berea, whilst the most rural districts were Thaba-Tseka, Mokhotlong and Qacha's Nek. These results are expected. As indicated in Chapter 2, modern sector employment opportunities in Lesotho, although limited, are largely located in urban areas, in particular, Maseru and Leribe districts. It is thus not surprising that these two districts are rapidly gaining population from the other districts. At the same time, rural areas are shedding workers, especially to Maseru, Leribe and Berea. From the projection given in Chapter 2 and the above analysis on emerging pattern of migration, it is clear that internal migration in Lesotho is largely fuelled by expectations of better economic livelihood in urban areas as well as push migration (lack of economic activities) in rural areas. The implication here is thus that Maseru, Leribe and Berea are most likely developing into slum urban centres, given the low job opportunities and high in-migration rates.

The place-to-place migration analysis also tells us that there is greater rise in rural-urban migration in the 1990s as compared to the 1980s. This is not surprising, as Lesotho is changing from a completely agrarian into a Third World economy. Similar observations were indicated from the comparative country analysis of Chapter 4, where the Philippines, Ghana's and Costa Rica's switch from ISI was identified with increased rural-urban migration. And like in the above-mentioned country case studies, greater rural-urban migration in Lesotho is being accompanied by increases in unemployment and underemployment.

### **5. 3. 3. Urban poverty**

Urban poverty in Lesotho is often measured on the basis of either access to shelter or other urban services (Sechaba Consultants, 1995; Ministry of Labour and Employment, 1998c) or in terms of the actual incomes and expenditures.<sup>15</sup>

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<sup>15</sup> In theory, the assessment of the access to shelter and other urban amenities indicates the extent to which the urban population is "deprived" of certain basic urban services. It is generally assumed that deprivation indicates the number of poor (in relation to those below a certain level of income or the poverty line) because deprivation is deemed to result from lack of access to basic needs or purchasing power (Sen, 1981; Lisk, 1985).

Evidence in support of worsening living conditions in the wake of urbanization in Lesotho is striking.<sup>16</sup> Already in the 1976 over half the districts in the country were estimated to have more than 40 per cent of their population in slums and squatter settlements (Chapter 2).<sup>17</sup> In 1997, over 20 percent of the urban households were estimated to be living without proper housing, sanitation or water resources (Ministry of Labour and Employment, 1998c). Moreover, over half of the urban population in 1996 was reported not to participate in the labour force (Chapter 5). The causes underlying the above trends have been attributed to one major factor: the “corridor development” that resulted in the unprecedented growth in urban population, especially in the Maseru

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On the other hand, considering supply side pressures, the theoretical assessment of actual incomes and expenditures indicates deprivation as a result of the failure of the supply side. For example, where housing supply of adequate quality is not forthcoming even those above the poverty line may have no choice but to live in substandard housing. Under this perspective, if the aim of development is to raise the level of real incomes of the population to a certain minimum level (i.e., poverty line defined in terms of income) at which they can afford the minimum acceptable quality of shelter and other services then what matters is poverty measured in terms of actual income or expenditures. A headcount of number of persons (or families) having incomes below this level would indicate the size of urban population lacking the basic services (Lisk, 1985).

One problem in using this approach should be noted at the outset. The data sources from various household surveys in Lesotho do not adopt a common measure of poverty line. This makes comparability between two household survey sources impossible. In fact, most household surveys have data only on the distribution of population or households by income (or expenditure) (for example, Bureau of Statistics, 1988; 1997). If one had an estimate of minimum income necessary per person (or household) to be able to afford the minimum quality of shelter and other services, then one could use it with the above data and obtain an estimate of the urban poor. Moreover, most available data in Lesotho, tend to use a very conservative definition of poverty i.e., income necessary to buy the minimum food (in terms of calories per person per day) plus other non-food items (usually estimated as a fraction of what is spent on food) (for example, Bureau of Statistics, 1988). This measure of income being much lower than what one would consider necessary to obtain minimum acceptable quality of shelter and other urban services. Clearly, such a poverty line measure would yield a conservative estimate of the number of urban poor.

<sup>16</sup> Among the various factors that influence the urban environment in Lesotho are included: industry and households in densely inhabited areas; toxic and non-toxic wastes (from industrial and other sources) that degrade land and water resources; poor and insufficient waste disposal systems which inflict serious health risks and increase the threat of epidemics (particularly TB, HIV and AIDS); heavy reliance on biomass materials as the main energy source for domestic needs, especially by the poor, which is held responsible for a variety of health problems (particularly among women); increasing share of urban population living in marginal and environmentally vulnerable locations largely due to scarcity of land and inappropriate human settlement policies; inadequate water supplies of acceptable quality pushing households to draw water from sources that are increasingly polluted; and poor city maintenance causing a variety of atmospheric pollution and traffic congestion (Sechaba Consultants, 1995; Bureau of Statistics, 1996b; Ministry of Labour and Employment, 1998c; The Gold Crisis Team, 2000).

<sup>17</sup> The incidence of rising landlessness in the 1970s suggests that pressure to migrate to urban areas is a direct result of the collapse of the traditional rural development.

district. Urban population in Maseru increased most rapidly between 1986 and 1996. Most of this population came from other districts, especially in the more mountainous rural locations, as well as returning mine migrants. Given the inevitable switch to export-oriented industrialisation (EOI) policy in Lesotho, it is therefore not a coincidence that government officials sought to slow down if not arrest the growth of urban population in the past, through the land tenure system, but without success. Some authorities may have deliberately decided not to act for fear of worsening the urban situation, as it would attract more migration from the countryside (Marais, 1999; Chapter 2).

“Functionalist” policy makers are increasingly reporting that Lesotho is currently faced with a serious welfare challenge resulting from rapid urbanization (e.g., IMF, 1996; Ministry of Economic Planning, 1997b; Ministry of Labour and Employment, 1998c). As was suggested earlier, the pace of urbanization in the country has indeed accelerated significantly between 1986 and 1996. The consequences of urbanization in terms of deteriorating living standards are in fact already visible (Chapter 2). In most districts, investment in infrastructure including housing has failed to keep pace with the growth in population, which has a direct negative consequence on the living conditions as well as productivity of labour and other resources. The result has been the accelerating pace of urban slum, mainly along the transportation corridor of the three most urban districts, Maseru, Leribe and Berea. The need to improve the coping strategies and make the urbanization process more efficient and equitable through urgent action cannot be overemphasized

Thus, given increasing urbanization, Lesotho is faced with a new challenge: how to arrest the decline in urban living conditions and urban slum formation? The situation is likely to get worse because of population growth and migration. As pointed out in Chapter 2 the urban population in Lesotho is expected reach three times the figure of its 1976 level. As mentioned in Chapter 2, much effort has gone into building capacity within the

government to cope with the problem of rapid urbanisation.<sup>18</sup> This suggests that urban Lesotho is soon likely to become the source of external migration.

#### **5. 4. External migration**

As mentioned in Chapter 2, past external migration in Lesotho was largely driven by individual migration. Men left their families to go for temporary contract employment in the South African mining industry. At the same, an insignificant number of women were engaged in external migration. To analyse the emerging pattern of external migration in Lesotho between 1986 and 1996, we conducted a cross-sectional examination of the characteristics of migrants in 1986 and 1996. The data used was obtained from the labour force survey of 1986 (Bureau of Statistics, 1990) and population census reports of 1996 (Bureau of Statistics, 1996a, 1996b, 1996c). To standardise for the difference in the population accounting of the two sources, we calculated the shares of the independent variables from the given total population and based our examination on these outcomes.

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<sup>18</sup> Although the share of urban population is relatively small in Lesotho, urban poverty seems to have risen rapidly in recent years, not only because of growth in urban population but also as a result of the worsening employment situation discussed earlier in the thesis. What is even more disturbing is the fact that urban poverty in Lesotho is expected to increase, and increase more rapidly than in rural areas in the near future. More importantly, the prospects of reducing urban poverty do not look too encouraging in Lesotho, given the implementation of structural adjustment programmes.

**Table 5.3**

**Migration status, 1986**

<i>Categories</i>	<i>Internal migrants</i>		<i>External migrants</i>	
<i>Age</i>				
<b>12-19</b>	13894	(28%)	2650	(2%)
<b>20-34</b>	22429	(45%)	89117	(54%)
<b>35+</b>	13298	(27%)	73877	(45%)
<i>Employment status</i>				
<b>Not completed education</b>	32849	(66%)	134667	(81%)
<b>Contract employment</b>	9577	(19%)	125724	(76%)
<b>Net cash income (&lt;M250)</b>	4863	(10%)	51516	(31%)
<b>Remittance (&lt;M250)</b>	4565	(9%)	60626	(37%)
<b>Total</b>	49621		165644	

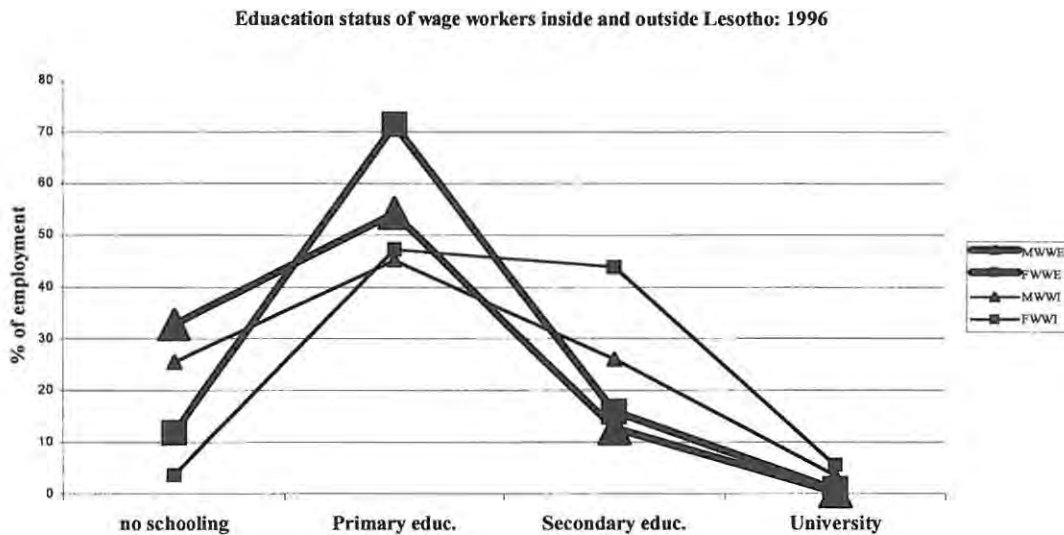
Note: Shares presented on table 5.3 are for the share of age and employment status of migrants out of the total populations of internal and external migrants.

Source: Own calculations based on data from Bureau of Statistics, 1990: 56.

Table 5.3 indicates that in 1986 there were generally more external migrants than internal migrants. Most external migrants were involved in contract employment that was likely linked to mine labour employment in South Africa. Generally 31 percent of external migrants earned incomes of greater than M250.00<sup>19</sup> compared with only 10 percent of internal migrants. This is again likely due to mine labour employment in South Africa. In addition, migrant mineworkers display a higher ability to remit cash than internal migrants. Out of the total employed Basotho mine migrants in South Africa, about 81 percent had not completed any form of education. In contrast, only 66 percent of employed internal migrants had no formal education. Thus in 1986, uneducated or semi-educated male migrant mineworkers dominated external migration in Lesotho. The availability of mine employment opportunities for males with low education seems to have affected the male incentive to stay in school. The rise in Basotho mine labour recruitment in South Africa had a negative on the male incentive to stay in school, in the sense that younger males came to expect employment in the mines and thus did not acquire the need to obtain complete formal education (Ministry of Labour and Employment, 1998c).

<sup>19</sup> Lesotho uses both Maloti and Rands. These have the same value (Chapter 2).

In terms of human capital (skill) of migrant workers, the picture for 1996 seems to have changed a lot, particularly for male external migrants working for wages.



**Figure 5.4**

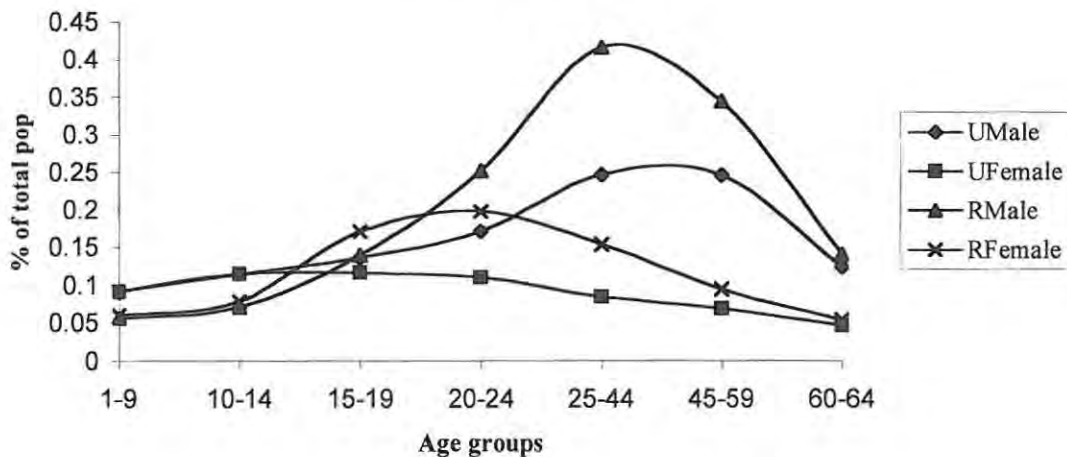
Source: Own calculations based on data from Bureau of Statistics, 1996a: 133 – 134, 1996c: 66.

Figure 5.4 displays Lesotho's working population, both inside and outside the country, by education status and gender. The legends MWWE and FWWE depict external male and female wage earners. MWWI and FWWI depict male and female internal wage earners. According to figure 5.4 above, about 71.4 percent of total female external migrants working for wages (FWWE) had only primary education level compared with only 54.3 percent of total male external migrants working for wages (MWWE). More interesting, a higher share of external male migrants working for wages had primary education (54.3%) in comparison to males working for wages internally (45.1%). Similarly, the share of female wage earners outside the country with primary education was higher 24.3 percent than the share of female wage earners inside the country. The fact that female workers record a higher education attainment level than male workers (whether employed inside or outside the country) seems to depend on female workers facing fewer low-skill employment opportunities than male workers in the southern African region, which then generates the incentive for their continuation of education.

Nevertheless, the most important information from figure 5.4 above is the fact that external wage earners seemed to have lower education attainment in comparison to internal wage earners. It is striking that over 50 percent of external male migrants had only primary education while only about 12 percent had secondary education. Only 1 percent of external male migrant wage earners had university education. Similarly, over 70 percent of female external wage earners had only primary education, while only 17 percent had a secondary education, and 2 percent had a university education. Moreover, more than 30 percent of the external wage male wage earners have not gotten any form of schooling, compared with 27 percent of internal male wage earners. Similarly, 12 percent of the external female wage earners had not gotten any form of schooling, compared with only about 3 percent of internal female wage earners. It is thus striking that external wage earners have lower education than internal wage earners, and yet, and in particular for the males, they (external wage earners) face better employment opportunities (and receive higher incomes) compared to the internal wage earners.

In terms of age of migrant mineworkers, the picture for 1996 seems to have changed significantly.

**Absenteeism: age and sex, 1996**



**Figure 5.5**

Source: Own calculations based on data from Bureau of Statistics, 1996b: 104.

Figure 5.5 indicates the 1996 absenteeism rate of the working population in Lesotho by rural and urban locations and gender. The absenteeism rate is the number of the working population that is currently not in the country divided by the total working population. In 1986, it seems likely that external migrants came from rural areas, because the country was essentially rural. According to figure 5.5, *rural* males of the age group 25 – 44 and 45 – 59 still have the highest absenteeism rate in the country.<sup>20</sup> Furthermore, urban males of the same age groups display the second highest rate of absenteeism in Lesotho. This implies that even in 1996 mine labour employment was still significant to the employment of male wage earners in Lesotho, particularly for the older and rural males.

With respect to the “younger” and more urban, the overall profile suggests that there is *little* recruitment of mine migrants (so existing migrants are moving through the age distribution). With respect to the female absentees, the overall profile suggests that the “new” migration is probably increasingly feminised given that unemployment is youth-biased.

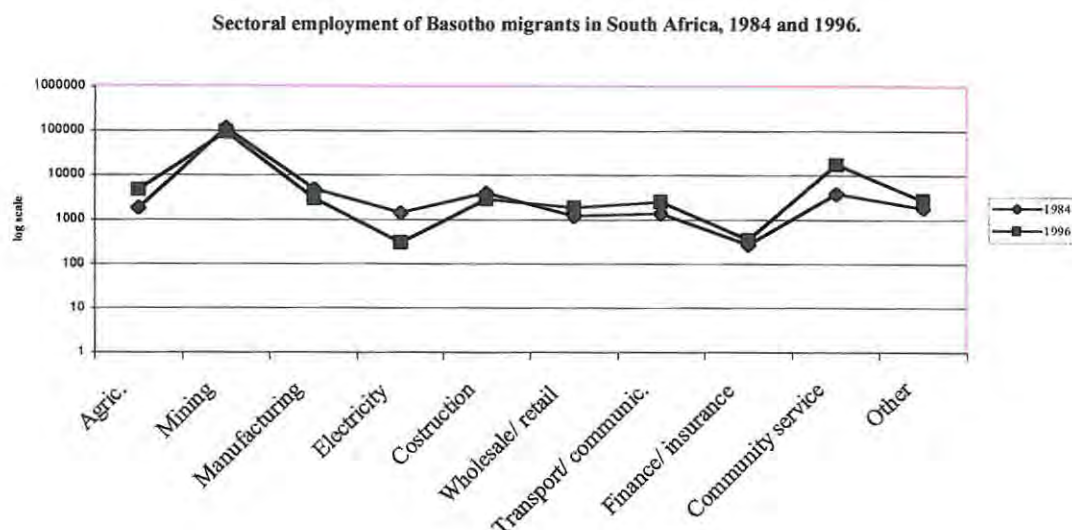
Figure 5.6 displays the sectoral employment opportunities for Basotho migrants in South Africa for 1984 and 1996, roughly ordered in more “classical” sectors (left) to more “new.”<sup>21</sup> Comparison of external sector employment opportunities for Basotho migrants between 1984 and 1996 indicates a rise in less formal employment in 1996 that is largely less male-dominated<sup>22</sup>. The Y-axis displays the log scale of the numbers of external migrants in Lesotho. The X-axis displays by sectors, the employment opportunities available to Basotho external migrants.

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<sup>20</sup> It is unfortunate that the data does not allow a more detailed breakdown of age groups.

<sup>21</sup> “Classical” in the sense that these sectors were associated with the ISI phase (i.e., mining and agriculture), and “new” in the sense of EOI, i.e., 3-D services (Saith, 1998), and “Third World.”

<sup>22</sup> Note that the lines cross, indicating that “classical” is generally decreasing and “new” is increasing.



**Figure 5.6**

Note: Community service in 1984 comprised mostly of domestic work. The data for 1996 has excluded the category of first-time jobseeker in the above analysis so as to be able to make the comparison with the 1984 data. Thus, the total on the above chart does not include first-time jobseekers.

Source: Own calculations based on data from the Swaziland Central Statistical Office, 1986: 9.10; and the (Lesotho) Bureau of Statistics, 1996c: 64.

Figure 5.6 indicates that mine labour employment in both 1984 and 1996 was a significant employment opportunity for Basotho migrant workers. It is also interesting to note that there were more Basotho migrants engaged in the services and less formal employment in South Africa in 1996 than in 1984. This seems to suggest that there has been a relative decrease in formal employment opportunities for Basotho migrants in South Africa in the 1990s as compared with the 1980s. For example, according to figure 5.6 above, there is about 10 percent decrease in the numbers of Basotho migrants employed in the electricity and gas sector in South Africa in 1996 as compared with 1984. At the same time, the numbers of Basotho migrants employed in the community service sector in 1996 appears to have increased by 22 percent since 1984. Rearranging the data for 1996, as done in table 5.4 according to the female share of employment shows that the emerging external employment opportunities in the less formal service sector<sup>23</sup> are mostly female-dominated, or at least less male dominated.<sup>24</sup>

**Table 5.4**  
**External migrant population by gender and industry, 1996**

<i>Industry</i>	<i>External migrant population by gender</i>			<i>Female share</i>
	<i>Males</i>	<i>Females</i>	<i>Total</i>	
<b>Mining</b>	93463	727	94190	1%
<b>Transport/ Communic.</b>	2453	70	2523	3%
<b>Construction</b>	2729	162	2891	6%
<b>Elec./ Water</b>	278	20	298	7%
<b>Other</b>	2137	587	2724	22%
<b>Agric.</b>	3379	1251	4630	27%
<b>Jobseeking (1st time)</b>	1724	873	2597	34%
<b>Manufacturing</b>	1667	1332	2999	44%
<b>Finance/ insurance</b>	187	157	344	46%
<b>Community service</b>	6284	11244	17528	64%
<b>Wholesale/ retail</b>	567	1318	1887	70%
<b>Total excl. mining</b>	21405	17014	38421	40%
<b>Grand total (incl. mine)</b>	114868	17741	132611	14%

Source: Own calculations based on data from Bureau of Statistics, 19965c: 64.

Note: Female share is obtained by dividing the female population by the total population of external migrants for 1996.

Table 5.4 indicates that generally in 1996 Basotho women tended to dominate in the less “classical” and less formal employment opportunities in South Africa. This confirms the earlier deduction that the services sector in South Africa is mostly feminised.

According to table 5.4 above, 34 percent of all first time job seekers in South Africa from Lesotho were women. Given that the grand total of female external migrants is 14 percent, this suggests either that more Basotho females are migrating to South Africa because of the rise in service sector employment opportunities. Alternatively, it could be that most Basotho female external migrants in South Africa are faced with unemployment, given the fact that mine employment still dominates in the country.

<sup>23</sup> Associated with Saith’s (1998) 3-D (dirty, demeaning/ degrading, and dangerous) service sectors, including domestic work, “Third world”, and immoral.

<sup>24</sup> Note that the ordering is similar to the “classical”–“new” discussed above, with feminisation increasingly associated with the “new.”

Although the share of female external migrants remains small relative to the share of male migrants (including mining), there is a clear picture of a rapid increase in the share of female migrants in the 1990s compared with the 1980s, particularly in the non-primary and non-traditional sectors. The domination of female migrant workers in non-traditional employment opportunities in Southern Africa is similar to the feminisation of domestic work and community service employment observed in Chapter 4 in the Philippines (South Asia) and Ghana (West Africa).<sup>25</sup>

The overall external migration story so far seems to imply that male migration is decreasing due to the decrease in mine employment in South Africa, while female migration is on the rise, although it is still relatively small in comparison to current male migrants. The overall picture for emerging trends of labour migration both internal and external in Lesotho is that individual migration is decreasing while household migration is increasing. The implication here is that there are more uneducated/semi-educated/ low-skilled workers outside the country than inside, especially males. Yet male workers in general still tend to face better employment opportunities and earn a better income than female workers, both inside and outside Lesotho (Chapter 2 section 2.5 and table 5.4 above).

## **5. 5. Conclusion**

The switch from import-substitution industrialization (ISI) to export-oriented industrialization (EOI) in Lesotho has been accompanied by increased rural-urban migration and external migration. Outside the country, there has been a general decline in mine employment opportunities for Basotho workers in South Africa, but this has been offset by emerging employment opportunities in the service sector, particularly less formal or casual job opportunities that are also more feminised. Inside the country, the main employment sectors in the modern sector are the manufacturing and construction sectors. The rapid expansion in exports of manufacturing (EPZs) and construction (the

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<sup>25</sup> It is also interesting to note that unlike the EPZ sector in Lesotho, South Africa's manufacturing sector still employs more male than female Basotho workers.

LHWP<sup>26</sup>) production witnessed in Chapter 2 has generally not been matched by similar a pattern in employment in the two sectors. Currently the modern sector in Lesotho appears to display little ability in absorbing the rapidly expanding labour force. New entrants into the labour market are to a large extent greeted with unemployment. For men, the most immediate problem is youth unemployment. Unemployment for the age group 25 – 45 for male is 38 percent compared with 32 percent for females of the same age group.

At the same time, rural dwellers are becoming pushed out of agriculture, indicated by the stagnation in employment in this sector in the 1990s. Thus, despite a lack of urban jobs, there appears to be a greater rural-urban migration, with females making more moves than males. This is perhaps because there are still more male migrants outside the country than female migrants.

Most of the female working age group, however, does not participate in the labour force. This implies that many women either remain as homemakers or continue to study longer due to the lack of employment opportunities for them in the domestic market. But, according to our analysis, the main difference between males and females, and rural and urban in Lesotho is the general lack of job opportunities. Evidence given above has suggested that if there were more job opportunities in the country, both males and females would participate more in the labour force. This implies that non-labour force participants in Lesotho are more likely discouraged workers than traditional subsistence labourers.

For those women who migrate outside the country, they are mostly absorbed in the less formal service sector employment, regardless of their education attainment. In general in the southern African region, female workers face fewer employment opportunities than male workers.<sup>27</sup> This is not a unique situation to the southern African region. As seen

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<sup>26</sup> Lesotho Highlands Water Project.

<sup>27</sup> For example, in 1994 in South Africa, females represented only 30.4 percent of formal employment (Statistics South Africa, 1997).

earlier in Chapter 4, recent Filipino migrant workers tend to be educated (skilled), female workers who become absorbed in jobs in which they are overqualified.

In contrast, male workers both internal and external report a lower education attainment level in comparison to female workers. Yet male workers in general (whether employed in Lesotho or South Africa) have access to more employment opportunities and record higher income earnings and have less education in comparison to female workers. This is particularly relevant for external male workers who report higher earnings than their counterpart internal workers. This is because mine employment still represents an important employment avenue for male workers in the southern African region.

The fact that low-skilled workers still face better employment opportunities than high-skilled workers suggests that EOI in Lesotho has not been very successful in generating employment and improving the standard of living in the country. This situation is similar to the current situation in Costa Rica, where deepening structural adjustment has resulted in low-skilled employment, little technical transfer of skills, and deteriorating standards of living. Similarly, structural adjustment in Ghana and the Philippines has not been accompanied by higher skills and higher standards of living. Instead, in all the above cases, including Lesotho, the results of structural adjustment and EOI have been the feminisation of manufacturing and service production, in which the workers are poorly paid and easily exploited; a rise in female external migrants and increased rural-urban migration with few employment opportunities for new entrants into the domestic labour market.

This implies that the emerging migration pattern, together with emerging informal sector and even unemployment in these countries, is a push migration generated by contracting traditional and external sector employment, and more importantly, the inability of the modern sector to absorb retrenched workers (from the external and traditional sectors) and new entrants into the domestic labour force. As a result, a Third World sector appears to be mushrooming, dominated by underemployment and hidden unemployment. In

Lesotho, this sector is becoming female-dominated, while in Egypt and Sudan it is male dominated (particularly by older former external male workers).

In summary, the story being suggested here is that it is likely that since 1996 things are likely to have deteriorated in Lesotho. Chapter 2 reported that 21 percent of Baostho migrant mineworkers were retrenched in 1998 alone, with a further 11 percent in 1999, and 12 percent in 2000. This suggests that the mass retrenchment in southern Africa seems to have begun in 1998. However, for Lesotho, this suggests a possible deterioration in the current employment situation in the country. One of the evidence for this hypothesis, given in Chapter 2, is the reported frequency in political instability in the country since 1998. Moreover, the fact that urban poverty seems to have increased significantly in the 1990s also supports the hypothesis that Lesotho's current economic situation is likely to worsen. Given the small size and enclave nature of the EPZ manufacturing, and the decreasing employment in the traditional and external sectors, the suggestion here is that Lesotho is likely developing into a slum economy, with urban areas becoming the source of external migration.

The point here is then that international labour migration is thus not likely to decrease in the southern African region, regardless of increased trade liberalisation and openness within the domestic economies. This then suggests that current classical institutional structure and unilateral regulation of international migration in southern Africa are thus likely to push migrants into illegal and criminal status. Chapter 6 explores the institutional structure surrounding international labour migration in southern Africa. Although the discussion is limited to the study of institutional structure surrounding mine labour migration between Lesotho and South Africa, references to some of the other southern African regional economies suggest similar inferences.

## CHAPTER 6

### INSTITUTIONAL STRUCTURE SURROUNDING INTERNATIONAL MINE LABOUR MIGRATION BETWEEN LESOTHO AND SOUTH AFRICA

#### **6. 1. Introduction**

This chapter will analyse the institutional superstructure surrounding international mine labour migration between Lesotho and South Africa. The aim of this chapter is three-fold. First, the chapter aims to document the changing institutional structure supporting international labour migration and its benefits between Lesotho and South Africa. Second, the chapter intends to demonstrate that power relations rather than development goals inappropriately determine the legal institutional infrastructure. Third, the chapter points towards the suggestion that even a rational migration policy cannot work in isolation in managing international labour migration between Lesotho and South Africa.

There are three main types of institutional structure surrounding international mine labour migration between Lesotho and South Africa. These are financial, legal and recruitment institutional structures. Organizations involved in the management of migrant mine labour between Lesotho and South Africa, such as the Employment Bureau of Africa (TEBA), and the Chamber of Mines (COM) play dual roles of financial and recruitment institutions. The formal recruitment organization is TEBA, which is run by the COM and which represents the legacy of a monopsony. The main legal institutions revolve around the legal agreements of the classical migrant labour system; the union representation of mineworkers, mainly NUM; and the recent SADC Protocol on the Free Movement of Persons within the Southern African region.

The chapter is divided into four sections. Section is this introduction. Section two analyses the financial and recruitment institutions. Section three examines the legal institutions, and section four offers the summary and conclusion of the chapter.

## **6. 2. Financial and recruitment structures: the COM and TEBA institutions**

Organizations involved in the management of migrant mine labour between Lesotho and South Africa, such as the Employment Bureau of Africa (TEBA), and the Chamber of Mines (COM) respectively play dual roles of financial and recruitment institutions. COM is the parent institution of TEBA. Under the classical migrant labour system, the dual nature of these institutions worked to the detriment of migrant mineworkers. Migrant mineworkers were subjected into non-negotiable yearly contracts and had to participate in the classical deferred pay scheme. The dual roles of these institutions largely benefited the ruling class of Lesotho and the employers and government officials in South Africa. Nevertheless, with the current sustained decrease in the price of gold and the increase in small-scale mining production in South Africa, the dual roles of these institutions are beginning to focus more on the needs of the mine workers and less on the needs of the government officials. Basotho migrant mineworkers are increasingly benefiting more from the dual roles of these two institutions, particularly the TEBA institutions, at the expense of the ruling class in Lesotho. Nevertheless, the dual role of COM continues to favour the interests of the South African government officials over those of mineworkers. COM and its networks are also the only formal financial and recruitment institutions of the mining industry.

### **6. 2. 1. Recruitment structure**

The South African mining industry consists of six major mining houses and a number of independent (marginal) mines. The six major mining companies which control almost the total mineral production are the Anglo American Cooperation, Gencor, Barlow Rand, Anglovaal, Gold Fields of South Africa, and Johannesburg Consolidated Investments (COM, 1999). Most of these companies maintain significant holdings in other sectors of the South African economy. Stocks in these companies are traded in the Johannesburg Stock Exchange and international stock markets. Currently, ninety-eight mining companies belong to the South African Chamber of Mines (COM). COM is an employer organization which was formed in 1889, and which represents mining houses and mining

companies. Its membership consists of independent mining finance corporations, individual mines and mining houses. Together they account for over 85 percent of South Africa's mineral output (COM, 1999). In 1999, out of the 560 000 employees in the mining industry, 522 000 were members of COM (COM, 1999). In 1999, 37 percent of all COM employees were foreign workers (COM, 1999).

COM provides an extensive advisory service function to its members as well as the industry on cooperative basis, in areas such as industrial relations (negotiating contracts with labour unions); education and training (particularly conducting research); security (especially promoting safety in the workplace) and health care (running hospitals and clinics for mineworkers); technical, legal, and communication services; and the provision of statistical data (COM, 1999).

In 1996, all non-core activities of the Chamber were consolidated in the COM Services Company, in an attempt to reposition the Chamber to concentrate its activities on policy advocacy and advisory support to members (COM, 1999). The Services company provides services to the South African mining industry, which benefits COM members and non-members, and to the community outside the mining industry, mainly in training and examination administration; publicity promotion, safety management; and visitation to operational gold-mines. The Services Company of COM also provides supporting infrastructure, including staff and accounting services to various organizations such as the Mining Industrial Engineering Trades and Training Board and various pension funds. These institutions are the latest subsidiaries to the COM. COM also has networks with refinery companies, such as the Rand Refinery, the world's largest gold refinery; NUFCOR, one of the world-s largest continuous producers of uranium oxide; as well as the principal medical facility of the mining industry, the Selbypark Medical Centre (COM, 1999).

Chapter 2 outlined a recent trend towards streamlining production in the mining industry. With the recent growing expectations in wage increase within the national union of mineworkers (NUM), greater costs to the mining industry are likely, and more shedding

of workers is a possible outcome. Industrial analysts (for example, Philip, 1991; Head, 1995; COM, 1999; Mbendi, 2000), predict that rising wages in the mining industry is likely to increase discrepancies between NUM and COM. In order to cope with these new developments, the role of COM has recently changed towards more of a financial and policy advisory. Beneficiation is one of the avenues that COM is currently pursuing as a means to reduce such discrepancies within the mining industry (Philip; COM, 1999). The current policies of COM are for the stabilization in the mining industry, related to longer contract terms, and in the long run, a stable workforce living close to the mines (Philip, 1991). This implies that COM is gradually moving away from the recruitment of migrant labour and more towards recruitment and management of domestic and urban labour.

The main subsidiaries of COM is TEBA and TEBA Cash, which provide recruitment services and efficient and cost-effective banking services to mineworkers' compensation benefits for accidental injury or death arising out of, and in the course of employment. TEBA is a South African labour recruitment agency (broker) that was previously known as the Witwatersrand Native Labour Association (WENELA). TEBA recruits mine workers from the southern African regional economies for the South African mining houses, essentially for underground and surface work (TEBA, 1999). The TEBA recruitment organization is a division of COM and was historically set up so as to prevent competition for labour and its upward pressure on wages (Head, 1995). The Black Labour Act of 1964 stipulates the framework within which TEBA is to recruit mineworkers. According to this Act, the terms of employment "shall be at the discretion of the employer, and may change from time to time" (TEBA, 1999: 1). Employers in the mining sector using temporary workers have traditionally been able to exert sufficient power over the regional state officials to avert large-scale prosecution for their use of temporary labour. Historically, the employers exercised little concern in enquiring about the origins of their temporary workforce as long as the labour was cheaply available. Currently, employers are more concerned about the skill of their labour force (Head, 1995; Crush, 1997; COM, 2000). In the past, mineworkers recruited by TEBA, were provided with cheap, substandard but free single hostel accommodation upon their arrival

in the industrial sites. Currently TEBA offers cheap rented accommodation to miners, which is to be paid by the miners (Philip, 1991; Head, 1995).

Under the classical migrant mine labour system, migrant mineworkers were subjected to involuntary one-year contracts. The contracts also dictated the types of work migrant mineworkers were hired to perform in the mining industry. Clause 11 (a) (ii) of the Black Labour Regulation Act of 1964 stipulated that in the situation where a miner may wish to do other work other than surface and underground labour, the miner was entitled to apply in writing to another mining company. In the case where the offer was rejected or there was no such alternative, the mining contract of that miner then became terminated (TEBA, 1999). In addition, the clause also stated that the contract of a miner could be terminated by the employer if for any reason the employee refused to perform the work he had undertaken to do (TEBA, 1999: 2). In terms of the days and hours of work, miners were required to work the seven days of the week and on holidays, upon the instruction of their employers. The employer also determined the hours of work per day. Mineworkers were also paid for overtime (TEBA, 1999). Such arrangements left mineworkers dependable upon the “goodwill” of their employers and do not give them much legal representation in the mines.

The role of TEBA has evolved significantly since the evolution of the classical migrant labour system. Whereas in the past TEBA was the sole recruiter of all foreign labour, currently the organization is one of the numerous brokers of mine labour in the southern African region, although it is still the only formal recruitment agency of foreign mine labour (Head, 1995; Crush, 1997). Moreover, TEBA is no longer simply the recruiting arm of the COM. The survival of TEBA today depends not on the industrial subsidies, but on payments paid for services rendered. Its labour processing activities are thus only one of its functions. This function is also diminishing in importance, given the rise in small-scale mine production (COM, 1999). TEBA also runs the Manpower Data Centre, an archive of computerized records on the structure and composition of the mine labour force that the COM and individual mines confer with for a fee (Head, 1995). TEBA is hoping to extend this service into the formal administration of personnel management for

individual mines in the future (Head, 1995). According to Head (1995) such formalization of mine management through TEBA would guarantee the continued existence of TEBA as it will make it both indispensable to the mining industry.

TEBA is also looking into transforming itself into a development agency. Here, the organization hopes to use its developed physical and human infrastructure located across the southern Africa region to implement development aid funds at the community level (Head, 1995). Such a role would make the organization one of the few pioneering agencies in the area of a regional grass-root development initiative (that is currently left to the SADC organization). This implies that the monopoly of TEBA in mine labour recruitment is likely to continue in the 21<sup>st</sup> century.

Nevertheless, and to large extent, the key function of TEBA in conjunction with the bilateral labour treaties is the deferred pay scheme.

#### **6. 2. 2. Financial structure: the classical deferred pay scheme**

In Lesotho, the deferred pay scheme was set up in 1974 to ensure that a defined amount of money paid to the migrant mineworkers was invested in the domestic economy (Ministry of Labour and Employment, 1998c). The deferred payment scheme was thus in theory “a vehicle to maximize the benefits of migrant work for Lesotho” (Sparreboom et al, 1997: 12). The scheme was also meant to increase the appreciation for savings among mineworkers. The principal reason behind the emigration policy in Lesotho was the generation of wealth at the national level, particularly through the deferred pay scheme. Nevertheless, the classical deferred payment scheme, although it mainly benefited the ruling class at the expense of the migrant mineworkers, did not produce the stated outcome.

According to the Lesotho Act No. 18 of 1974, section 5 9(a) and (b), cited in Sparreboom et al (1997), the Deferred Pay Fund was administered by a Board of Trustees responsible for: “investing Fund resources on the advice of the Managing Director of the Lesotho

Bank in such a manner that the securities shall be available on demand; make arrangements for interest accruing from the moneys invested to be paid as soon as practicable to employees at a rate equal, or approximately equal, to the rate payable by the Savings Bank of the Lesotho Bank on normal deposits made therein” (Sparreboom et al, 1997: 8).

The Principal Secretary of Labour and Employment chaired the Board of Trustees. Presently, the Board is also made up of representatives from the Lesotho Bank, the Ministries of Labour and Employment, Agriculture, and Finance of Lesotho, and the Ministry of Labour of South Africa (Sparreboom et al, 1997). Employers are sometimes allowed to make statements in the meetings of the Board of Trustees, and employees are also represented, on an individual basis and not through union.

A revision of the Deferred Pay Act in 1979 stipulated that 60 percent of the basic wage should be deposited at the Lesotho Bank, with the exception of pay during the first thirty days of the contract. However, it was also stipulated, under section 5 (3) of Act No. 1 of 1979, that, in the case of an emergency: “the employee may make a written request to his employer that the sum of money, to be specified in the request, shall be paid from the deferred pay standing to his credit to the person named in that request” (Sparreboom et al, 1997: 8).

Deferred pay (Amendment) Order No. 1 of 1989 specified that moneys in the Fund that were not immediately required for payment should be invested in treasury bills or other securities issues or guaranteed by the government (Sparreboom et al, 1997). A subsequent Order of the Amendment, Order N 18 of 1990, decreased the percentage deferred pay to thirty percent of the wage, following complaints from migrant mineworkers (Sechaba Consultants, 1995, 1997; Foulo, 1996). Under this Amendment Act, employees could voluntarily agree to a percentage up to fifty percent to be paid to the Fund. No deductions were allowed in respect of the first and the last thirty days of contract. At the same time, two withdrawals per contract period were permitted, each not exceeding fifty percent of the deferred pay standing to an employee’s credit. The Board

decides on the interest rate payable on the accounts at the Lesotho Bank (Sparreboom et al, 1997). As we show below, the highly restrictive and involuntary nature of the Fund however, usually ended up hurting the interests of mineworkers and their families whilst it attempted to promote that of national wealth accumulation. As we demonstrate below, the money collected is deposited into the TEBA Cash account, from which miners have conditional access but from which the Lesotho Bank has full control and access.

### **6. 2. 3. Financial practice of the deferred pay scheme in Lesotho**

In principle, Lesotho miners recruited by TEBA receive their income on an individual savings account with TEBA in South Africa, known as TEBA Cash. TEBA Cash is a private commercial South African savings bank to which TEBA offices in Lesotho serve as agents. Withdrawals from the accounts can be made at the mines. According to Sparreboom et al (1997), interest rates paid on the accounts compare well to those on savings accounts of other commercial banks in South Africa. Most miners remit part of their wages to TEBA offices in the different districts of Lesotho at their own initiative. If need be, relatives in Lesotho can make a request for a remittance at a TEBA office (Sechaba Consultants, 1997). TEBA then informs the miner, and at his consent money is transferred to the relative at a commission fee rate paid to TEBA (Sparreboom et al, 1997).

The mining companies then transfer the required 30 percent of their total wage bill to a collective account (the Fund) at the Lesotho Bank. The rest of the money remains in TEBA Cash. Employees can make a maximum of two emergency withdrawals before the end of their contract from the Lesotho Bank. The purpose of the withdrawal has to be stated on a form, and approved at the discretion of the mining companies (Santho and Sejanamane, 1991), while the “emergency” content of the withdrawal has to be checked by the Lesotho Bank (Sparreboom et al, 1997). At the end of their contract, miners receive a deferred pay certificate from the mine. This they take to TEBA, who then identifies the miners and gives them an interest certificate. Two TEBA employees at each TEBA office carry out this task. TEBA assumes the costs of this process. With this

certificate, miners can go to the Lesotho Bank and withdraw the remaining balance of their incomes.

After 1990, the interest paid on deferred wages became subjected to substantial changes. In 1997, the interest paid was 8 percent (Sparreboom et al, 1997). In practice, miners did not receive all their income on an account with TEBA Cash under the classical deferred pay scheme.

#### **6. 2. 4. Potential benefits of the deferred pay scheme in Lesotho**

According to Sparreboom et al (1997), the size of the Deferred Fund is the measure of the effectiveness and efficiency of the scheme in mobilizing resources. Sparreboom et al (1997) report that in 1993, total income of miners amounted to R1.5 billion. 30 percent of monthly wages were deferred, but no wage was deferred in the first and last month of a contract. This means that 10/12 times, 30 or 25 percent of yearly wages should have been deferred, i.e., in 1993 a total amount of R388 million should have been deferred. Assuming that all deferred pay is withdrawn at the end of the miner's contract, on average, only half of the deposits, or 12.5 percent of the total miner's income would be available in the Fund, i.e., an amount of R194 million (Sparreboom et al, 1997: 9). However, miners are entitled to two emergency withdrawals per year. Assuming all miners make full use of this provision, Sparreboom et al (1997) calculate that on average only 6.7 percent of yearly wages would be available as resources in the Fund, that is R104 million (Sparreboom et al, 1997:10). However, the Ministry of Economic Planning (1997b) provides figures on the size of the Fund that are much lower (figure 6.1 below) and declining, as are withdrawals.

**Figure 6.1**

**Size of the Deferred Pay Fund and interest rates, 1990 – 1994**  
**(Deposits, withdrawals, accrual and fund in Million Maloti)**

<b><u>Year</u></b>	<b><u>Withdrawals</u></b>	<b><u>Fund</u></b>	<b><u>Average</u></b> <b><u>Interest</u></b> <b><u>Received</u></b>	<b><u>Interest</u></b> <b><u>paid</u></b>	<b><u>Interest</u></b> <b><u>commercial</u></b> <b><u>savings</u></b>
1990	239.9	78.7	---	13.0	15.5
1991	160.3	57.0	---	13.0	13.0
1992	137.8	53.3	11.5	13.0	7.1
1993	169.6	51.6	7.7	13.0	6.0
1994	121.8	47.3	---	8.2	6.0

Note: Data on withdrawals refers to the third quarter; interest rates refer to the first quarter. The interest paid is less than the interest received at the first quarter. This is because the interest paid is a fixed charge by the Bank, while interest received is the gains to the Fund from the Bank. Sources: Ministry of Economic Planning, 1997b: 6; Sparreboom et al, 1997:10.

A number of factors may explain the discrepancy between the estimate by Sparreboom et al (1997) and the actual figures of the Fund. Firstly, the lower deposits and withdrawals may be partly due to the fact that a considerable number of mineworkers did not participate in the Fund, which indicates a lack of enforcement in the classical deferred payment scheme. A recent study by the Sechaba Consultants (1997) on response of mineworkers to the deferred payment scheme indicated that over 50 percent of migrant mineworkers interviewed did not to participate in the classical scheme. Moreover the numerical accounting of mineworkers involved in the scheme by Sparreboom et al (1997) is not consistent. On their first estimate mentioned above, the authors report that about 9000 mineworkers were involved in the classical deferred pay scheme. However, on another occasion, the authors report that approximately 8000 mineworkers were involved in the scheme in 1994 (refer to section 6. 2. 2. 3 below). Yet we have evidence that there are more than 9000 mineworkers recruited by TEBA from Lesotho (refer to section 6.3. 1

below). The discrepancy in the accounting of the numbers of mineworkers contributing to the Fund is a reflection of massive non-compliance by mineworkers.

Secondly, the discrepancy in the accounting by Sparreboom et al (1997) and the official Central Bank records might be due to high operation costs of the classical scheme, which reduced fund balances. Unlike the Lesotho Bank that administers individual accounts for non-mine and non-migrants, the Fund of the Lesotho Bank manages a collective account of migrant mineworkers. As the number of yearly transactions per miner is limited to three (two emergency withdrawals and one final withdrawal), the administrative costs involved in withdrawals are fairly low for the Fund. However the operational costs are higher in a collective account. A second source of costs is likely linked to the control and follow-up of non-compliance fraud. According to Sparreboom et al (1997), currently, it is not determinable as to whether all mining companies that employ Basotho miners participate in the scheme. Sparreboom et al (1997) report that the last payment of deferred pay by mining companies is usually a major cost item for the Fund in terms of foregone interest. A third possible source of costs is the interest differential on deferred pay. Sparreboom et al (1997) explain that since the Board of Trustees meets only a few times per year, the rate applied to miners may lag behind the rate earned on government securities during a period of decreasing interest rates. The Fund would then incur a negative interest increase.

Given that the stock of capital employed by the Fund is relatively small, and the costs associated with the operation of a collective account are high for the Lesotho Bank, it can be deduced that the potential benefit of the classical deferred pay scheme to Lesotho is quite limited.

#### **6. 2. 5. Criticism of the classical deferred pay scheme**

From a fiscal point of view, the Lesotho government viewed the deferred pay as an implicit tax on migrant miners (Sparreboom et al, 1997). Given the uncertainty of the gains to be maximized from the regional trade arrangements, such as the SACU

arrangement, and the small contribution by incomes tax, the Lesotho government relied on the taxing of migrant labour as a convenient way to broaden its tax base. In addition, the scheme was a source of loans for the government (Foulo, 1996; Ministry of Economic Planning, 1997b).

Nevertheless, the savings opportunity offered by the classical scheme was only temporary, since miners were expected to withdraw their savings at the end of their contract. Furthermore, the savings opportunity offered was not necessarily attractive, in the sense that miners could not adjust the size and terms of their savings to suit their circumstances. Neither could they withdraw from the Fund if they found a more suitable opportunity elsewhere (Sparreboom et al, 1997; Sechaba Consultants, 1997). Moreover, there was no mechanism to ensure that the interest paid on deferred pay was competitive, particularly regarding the emerging investment opportunities in South Africa.

Theoretically, the deferred pay scheme was created for a larger proportion of miner income to be invested in the domestic economy. More local investment was one possibility to improve the overall economic situation in Lesotho. The small-scale sector appeared to have much more potential for the use of local inputs and labour (Foulo, 1996) through their involvement in local business enterprises. Nevertheless, currently no mechanisms exist to ensure that the Fund is in fact used for investment in the private sector (Sechaba Consultants, 1997). Although discussions on facilitating miners or returning miners to start a business have been going on for some time now (see for example, Philip, 1991; Matlosa, 1991; 1998; The Gold Crisis Team, 2000), presently there is little support for them to set up or develop a business in the private sector, with their own savings. Savings from remitted income and investment in the local economy are key concerns for the maximization of benefits from migrant labour in Lesotho (Foulo, 1996). However, the classical deferred pay scheme makes only a limited contribution to domestic savings and investment.

Moreover, judging from the protests of the National Union of Mineworkers (NUM), to which most Basotho migrant mineworkers are members, the classical deferred pay

scheme is not particularly popular. Its abolition was one of the infamous showdown negotiations that occurred between NUM and the mining companies in 1991<sup>1</sup>. The union's main grievance with the classical scheme is the obligatory and inflexible nature of the system (Philip, 1991). The union also feels that the scheme is discriminatory in the sense that only migrant mineworkers, and particularly from Lesotho and Mozambique, are subjected to this type of regulation (Sparreboom et al, 1997). In comparison to the other labour sending countries, Lesotho's and Mozambique's participation rates in the scheme appear to be much higher than those in Botswana and Swaziland. For example, the deferred pay in June 1995 in Botswana was R138 thousand with 84 participants; in Swaziland the deferred pay was R97 thousand and the number of participants was 49; while in Mozambique the deferred pay was R19119 thousand with 4479 participants; and Lesotho's deferred pay was R12526 thousand with 8951 participants<sup>2</sup> (Sparreboom et al, 1997: 11). This is because the number of mineworkers involved in deferred pay scheme in Botswana and Swaziland were fewer in comparison to the numbers of Basotho and Mozambican mineworkers. However, the amount deferred by Tswana and Swazi mineworkers was larger than the amount deferred by Basotho and Mozambican mineworkers.<sup>3</sup>

It is also frequently reported that with regards to the Lesotho case, miners do not actually know what the deferred pay is used for (Sechaba Consultants, 1995; 1997; Sparreboom et al, 1997). This is due to poor communication between the miners and the government officials. On the one hand, miners realize that they are not the ones who have access to loans from the Fund; their spouses are supposed to be the main beneficiaries (Sechaba Consultants, 1997). On the other hand, the Lesotho Bank is reported to have "a conservative lending policy and does not generally lend for the purpose of consumption or investment in small businesses" (Sparreboom et al, 1997: 11).

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<sup>1</sup> About 60 percent of Basotho miners were fired during the course of the negotiations, after which the mining companies re-hired most after reaching an agreement of a set wage (Foulo, 1996).

<sup>2</sup> Note the discrepancy in the accounting of Basotho mineworkers involved in the Fund. The figure of 8951 participants is different from the earlier estimate of 9000. Refer to section 6.2.2.2 above.

<sup>3</sup> Contribution of miners from Botswana on average was R 1600 each compared to R 1400 each for Lesotho.

The above analysis points out that the lack of accountability of the classical deferred pay scheme and the non-transparent nature of the revenues and costs involved have led to the increased loopholes and non-participation in the Fund, of Basotho migrant mineworkers. Given the fact that the deferred payment account is a collective account, it is reported that some senior miners find loopholes to avoid participation in the scheme, while “illegal” mineworkers are excluded (Sparreboom et al, 1997). Mining companies also try to avoid participation in the Fund. Most companies are reported to be always late when it comes to making payments to the Fund (Sparreboom et al, 1997).

#### **6. 2. 6. New developments in the deferred pay scheme**

In 1997, in an attempt to make the scheme less costly and more effective, the Lesotho Bank, TEBA, and the government of Lesotho, together implemented the replacement of the collective account with individual accounts for each miner in the mines (Sparreboom et al, 1997). This was a move towards decreasing the costs of enforcing the deferred pay scheme by ensuring the participation of all Basotho miners. In addition, in theory, the individual accounts were supposed to facilitate the prevention of fraud by means of easier detection of unwarranted withdrawals. Individual accounts were also viewed to be more attractive to miners as they would theoretically abolish the need for a miner to withdraw the remaining balance at the end of his contract. The Lesotho Bank could thus in theory, retain miners as clients even after the completion of their contracts in the mines (Sparreboom et al, 1997).

In October 2000, TEBA (Cash) was awarded a banking license, which allows the Fund to be transformed from an informal banking service into a full-term and formal commercial bank (Bank Monitor, 2000). Nevertheless, the number of TEBA registered miners from Lesotho has been on the decline since the early 1990s (Foulo, 1996). It is thus currently not clear as to how effective these new developments will be.

### **6. 3. Legal structure**

The main legal institutional structure surrounding international mine labour migration between Lesotho and South Africa revolves around the legal agreements of the classical migrant labour system, the mineworker union (NUM), and the SADC amnesty initiatives which fall under the broader SADC Protocol on the Free Movement of Persons.

The classical legal arrangements include the bilateral governmental agreements between the Lesotho ruling class and the South African officials, and the Aliens Control Act of South Africa. Migrants to South Africa are thus normally subjected to a “two-door” policy that refers to the dual nature of functions of the above-mentioned legal institutional representation. The effectiveness of this dual system appears to be diminishing, resulting in an increase in the numbers of undocumented migrants.

At the same time, NUM perspective and the SADC alternative lack a comprehensive methodology of ways to adjust the classical legal institutional representation of international labour migration within the region, to the extent that the two instruments currently exist as visionary alternative solutions. This implies that actual legal representation to migrant mineworker seems to be lacking in the region, as the former agreements are increasingly pushing migrants into a position of illegal status, while the available alternatives remain subdued in nature.

#### **6. 3. 1. The bilateral labour treaties**

In the 1974 a series of bilateral labour agreements between the Department of Foreign Affairs in South Africa and the government of Lesotho were implemented (Ministry of Labour and Employment, 1998c). These accords granted the mining industry privileged recruiting access to Basotho labour outside the terms of the Aliens Act Control, but within section 4l of the Aliens Control Act. The bilateral agreements regulated the terms of employment and conditions of access to the South African labour market, including recruitment procedures, wages, mandatory remittance procedures, and the appointment of

labour officials to oversee and protect the interests of the foreign workers (Lucas, 1987). In addition, migrant mineworkers employed by mining firms in South Africa were protected from being randomly expelled from the country by the bilateral government agreements. The entire process was implemented by the privately run TEBA.

As far as the bilateral agreements go, they are still operated and practically set the terms and conditions of access to South Africa's mine industry. Since the beginning of the 1990s, the mining industry has increasingly employed sub-contractors (also outside the TEBA organization) to organize production sections and to do specialized tasks. These sub-contractors have a legal yet informal organization of labour recruitment. Usually the sub-contractors will recruit labour from within South Africa but also from the former labour reserves countries, especially Lesotho and Mozambique (Rogerson, 1999; Fontana, 1997). In Lesotho, sub-contractors recruit labour with or without TEBA assistance (Foulo, 1996).

Unlike in the other modern sectors in South Africa, temporary employment in the mine sector is still largely governed by the bilateral agreements and the contract system of the mining industry. Nevertheless, like the other modern sectors in South Africa, the mine sector is currently witnessing the explosive growth of informal labour broking. Whereas in the past labour broking was conducted under the formalized organisation of TEBA, currently the type of broking is usually informalised and left to the discretion of the employers. For example, in 1994 in Lesotho, out of a total of 112722 employed mine workers, 89076 temporary employees were hired through the formal broker, TEBA. The remainder, about 21 percent of the total Basotho mine labour employed in 1994, were hired through other informal channels.<sup>4</sup>

Like the formal TEBA broker, informal labour brokers have networks that extend beyond the borders of South Africa, where they either perform the recruitment process

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<sup>4</sup> As it has been established earlier on in the chapter, TEBA is the only formal recruitment agency of international mine labour migration from Lesotho and South Africa. All other recruitment outside the TEBA organization is thus classified as informal. But, presumably TEBA itself uses some of these sub-contractors (Head, 1995).

themselves or they sub-let to recruiters (Crush, 1997). Although informal labour recruitment is legal, it makes the distinction between formally and informally recruited migrant labour difficult for government officials both in Lesotho and South Africa, particularly in terms of legal status of migrant workers, which in turn impacts upon the growing stream of undocumented migrant workers between the two countries.<sup>5</sup>

Although the mining sector does not as yet display a large informalisation of Basotho labour in comparison to Mozambican labour for example, the recent rapid growth of informal sub-contracting in the mining sector is likely to impact on the still-formal Basotho labour recruitment.

The current low numbers of informally recruited Basotho mineworkers in the mining industry suggest that the bilateral accords are most likely still functional in the recruitment of Basotho miners. However, given the fact that the remittance and deferred pay scheme are collapsing (refer also to chapter 2), this may suggest that it is only a matter of time before the bilateral accorded recruitment also collapses. The recent rise in the number of non-TEBA Basotho mineworkers suggests that like in the agricultural and construction sectors, temporary employment in the mining sector in South Africa is increasingly becoming disorganized and informalised. The temporary employment scheme regulated by the bilateral accord is thus of declining significance in the mine sector. Even in this sector, informal access to temporary employment is becoming the order of the day.

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<sup>5</sup> For example, in the agriculture and construction sectors, recruiters in Lesotho, and labour brokers in South Africa, usually supply migrant workers to groups of farmers for seasonal contracts. The use of farm workers from Lesotho does not fall under the bilateral agreements and therefore remains exercised under the Aliens Act. In the past, various special arrangements, permissible under section 41 of the Act (known also as the Article 21), were put in place by the former Department of Home Affairs (DHA) to regularize the status of undocumented migrant farmworkers by allowing post-hoc registration and the issue of temporary residence and work permit. However, currently such special arrangements are becoming overridden by the informal recruiters. Most migrant farm workers from Lesotho are therefore individual temporary workers outside any formal management scheme (Crush, 1997). The story is the same for Mozambican construction workers (Rogerson, 1999). The ILO continues to detect the growing informalisation of construction labour, through labour broking and own-account work in southern Africa (Crush, 1997; Rogerson, 1999).

### **6. 3. 2. The Aliens Control Act**

The Aliens Control Act is the principal government legislation controlling all facets of individual immigration to South Africa (Crush, 1997; Reintzes, 1997). The traditional Aliens Act of 1969 provided specific exemptions, which made legal and administrative room for labour treaties with the regional labour reserve countries, and temporary employment schemes for non-South African migrant workers. The Act, however, did not prescribe or regulate the temporary employment schemes. Rather, it remained passive in its intent, allowing the mining industry, particularly the Chamber of Mines (COM) to apply their own discretion in the recruitment of migrant labour, through the use of the regional brokers, particularly TEBA.

The conditions for exemptions were loosely defined, as long as the exemption was: a) accompanied by bilateral agreements with the government of a neighbouring labour supplying country; and b) in accordance with a “scheme of recruitment” approved by COM (Philips, 1991; Crush, 1997: 5). These clauses thus allowed the mining industry an exemption from the Aliens Control Act and the right to employ non-South Africans under separate terms and conditions than those prescribed by the Act. The mine employers were also the ones with considerable political power in South Africa, thus they were the ones able to exploit this privilege the most, mainly by imposing involuntary employment conditions on migrant mineworkers. Since South Africa became democratic, the Aliens Act has undergone several alterations in an attempt to reduce the exploitation of migrant workers and decrease the growing numbers of undocumented migrants.

Under the Aliens Control Act of 1991, the South African authorities could repatriate to their countries of origin anyone who: i) entered South Africa clandestinely; ii) failed to leave the country when their temporary residence permit expired; and iii) breached the conditions of their visas by, for instance, taking up employment while classified as a holiday visitor or a student (Crush, 1997: 8).

In 1995, the South African parliament approved a series of amendments to the Act that were designed to tighten and control the conditions for entry and reasons for visiting the country in the existing legislation (The Commission Report, 1999). The subsequent amendment implemented in 1996 explicitly envisaged the continuation of the status quo, particularly the historical exemption clauses of the Aliens Act and the bilateral labour agreements between the governments of South Africa and the labour supplying regional countries (Reintzes, 1997; Mokoena, 1999). The only difference between the Aliens Act of 1995 and the historical Act is the categorization of the terms of entry and reasons of visitation (Reintzes, 1997). As mentioned earlier, the exemption clauses and bilateral accords allowed particular employers the right to recruit non-South African labour for temporary employment from the regional countries, which automatically qualified the migrant worker for the temporary residence status. Under the amended Act, there are new categories for temporary residence, which include a work permit, workerseekers' permit, visitor's permit, business permit, study permit, and medical permit (Crush, 1997).

The purpose of the entry requirements now makes it illegal for someone to enter the country for one-purpose (e.g., study or holiday) and switch categories of reason for visiting after arrival (e.g., take up employment). The Department of Home Affairs (DHA) justifies the amendment on the two grounds. Firstly, DHA argues that there are "large numbers" of people who wish to work in the country who enter on study or holiday visas and apply for work permits once inside. Secondly, DHA claims that such people are prepared to work for lower wages and that employers prefer to employ them to the disadvantage of the local labour (Crush, 1997: 3). Thus temporary workers currently entering South Africa legally as individuals from the regional countries do so outside the sphere of the Aliens Control Act.

Temporary workers in South Africa largely remain at the bottom of the job market. Nevertheless, DHA and Immigration Board of South Africa are not convinced by the justification given by employers that there are no South Africans who can do the jobs performed by migrants. As a result, neither temporary migrants nor their employers choose to engage in the official application for entry process, which is in any case, not

likely to produce their stated outcomes. Although, DHA claims that it is possible to calculate the total number of undocumented migrants as a simple multiplier of the overstay figure, the available research on the issue of the numbers of undocumented migrants in South Africa indicates that the approximate quantification of undocumented is highly problematic if not all together impossible (Crush, 1997; Fontana, 1997; Carim,1995 ).

To a large extent, the legal legislation under the Aliens Act has always treated the role played by employers very lightly in the matter of temporary work and undocumented labour in particular. Admission of guilt fines and payment for the deportation costs of the employees are the common charges passed to employers in the absence of legal prosecutions (Crush, 1997 Rogerson, 1999). According to Crush (1997:13), section 32 of the Aliens Act permits employers to argue that they acted in good faith when circumstances “were not of such a nature that they could reasonably be expected to suspect that the alien was in the Republic ” in violation of the Act.

In 1994 DHA declared that it would “start cracking down on employers,” who use so-called illegal migrants. However, the specific measures to be applied remain unsaid by DHA. Local DHA offices have reported not to going “out of their way” to imposing fines or round up “illegal” workers. They believe that such a task “ is for the politicians” (Crush, 1997: 13). Crush explains that:

“The Aliens Amendment Act contains “stringent provision” for employing “aliens” or entering into business with them or harbouring them. The Act provides for fines of up to R 40 000 and imprisonment for up to five years for providing work or aid to an “illegal alien” and makes employers liable for costs of repatriation.” (Crush, 1997: 13).

In reality the implementation of the legal provisions against employers remains to be seen. Current reports on the shameless manipulation of the Aliens Control system by employers dominate the research discourse on the topic of illegal migration (for example, Fontana, 1997; Reintzes, 1997; Rogerson, 1999). One of the most common ploys cited by

researchers is the hiring of migrant workers on a monthly basis, without registering them and just before payday, the employer makes a phone call to the police (Fontana, 1997; Crush, 1997; Rogerson, 1999). Such notorious practices are particularly rife in the construction and farming sector, which historically fell outside the Aliens Control system.<sup>6</sup>

The result of the amendments to the Act has thus been increasing inconsistent application of the formal legislation between DHA and increasing informalisation of international migration. Employers and temporary migrant workers find the current regulation of modern sector employment in South Africa cumbersome and increasingly choose to bypass the formal regulations. Crush (1997: 4) points out that “migrants enter for non-work related purposes and then take up or resume employment once there.” Regularizing the temporary employment status was possible under the past Aliens Act, and often simply required a letter of proof of employment from an employer (Head, 1995). Crush (1997) explains that to a large extent, increasingly migrants find it less convenient to officially change the purpose of entry and simply work illegally. Thus the effectiveness of the Amendment Act in eliminating the possibility of a temporary migrant worker to alter their purpose of visit has remains doubtful in South Africa. Crush (1997) explains that it is clear that in the case of temporary worker, the purpose of entry clause makes little different to a *de facto* situation. The clause is more likely to affect professional and skilled migrant workers.

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<sup>6</sup> For example, in the Western Cape, in 1996, it is reported that, “police raided several farms in the Boland and Ceres area and uncovered evidence of an organized trade in undocumented farm workers from Lesotho. Farmers allegedly “fetch” large numbers of migrants from the border with Lesotho and transport them down to the Cape where they are employed at wages of less than R 10 a day. Five Ceres farmers were charged with “aiding and abetting illegal immigrants” (Crush, 1997: 11). On this particular example, it appears as if the police are cooperating to break an illegal and exploitative trafficking of humans. However, most research continuously documents accounts of collusion between employers (especially farmers) and the local DHA. One recent case is in the Free State, where DHA officials and the police were reported to have “sold” Lesotho immigrants to farmers, who in turn were buying bonded labour and immunity from prosecution for employing immigrants. The farmers pay for the documents, which legalize the status of the migrant workers *and* bonds the migrants to the farmers as the farmers maintain the ownership of such documents. In this situation, if the workers leave the farms, they can be arrested, “dealt with as illegal” and deported, as they have no documentary proof of their legal status. The farmers on the other hand, easily evade prosecution as employers of illegal immigrants, as they can produce the documentation to prove the legality of workers (Crush, 1997: 11). The collusion between employers and the local DHA is similar to the old apartheid labour practices.

Under the amended Aliens Control Act, workers who have overstayed their temporary status and clandestine entrants are both classified as illegal aliens. They are not distinguished in the published or unpublished figures issued by the South African authorities (Crush, 1997). Consequently, as noted above, once inside the country, undocumented migrants seeking employment and the employer hiring them make a conscious decision to avoid the Act and its services (Rogerson, 1999). Temporary work, especially in the metropolitan locations, is thus increasingly becoming an underground work scheme. The illegal nature of migrants makes them susceptible to the goodwill of their employers. This defeats the purpose of the amendments to the original Act that were designed so as to reduce the exploitation of migrant workers.

Given the fact that the amendments to the Aliens Act are taking place in conjunction with the continuing operation of the bilateral treaties in South Africa, the effectiveness of the amendments to the Act are less, while the possibility of such amendments to push migrants into an illegal status are high. Table 6.2 indicates the number of Basotho illegal immigrants repatriated between 1988 and 1995. There is no clear trend displayed by the table, which could indicate the current inability of DHA in keeping with accurate accounting of international labour migration.

**Table 6.2**

**Repatriated illegal Basotho immigrants from South Africa, 1988 – 1995**

<b><u>Year</u></b>	<b><u>Repatriated illegal Basotho immigrants</u></b>
1988	4400
1989	4728
1990	3832
1991	4440
1992	6235
1993	2090
1994	4573
1995	4687
<b>Total</b>	<b>34985</b>

Sources: Crush, 1997; Matlosa and Pule, 2000.

Given the growing bottlenecks encountered by the amendments of the Aliens Control Act, contemporary efforts to eliminate the employment of undocumented migrants as temporary workers South Africa, and particularly the mine sector, are largely organized by the National Union of Mineworkers (NUM) and SADC protocol on the Free Movement of Persons. The growth of temporary work in the mines through sub-contracting, especially of non-core workers has led to NUM and SADC to declare a silent battle against temporary work. Given the fact that the new amendments of the Aliens Act are more likely to push migrant workers into an illegal position, and the fact that the classical bilateral labour treaties are likely to be less representative of non-TEBA migrant mineworkers, NUM and SADC organizations see it best to put an end to the temporary employment of migrant workers as a means to reduce the marginalisation and exploitation of such workers.

### **6. 3. 3. The National Union of Mineworkers (NUM)**

The national union of mineworkers (NUM) came into existence in 1982. NUM is the largest recognised collective bargaining agent representing migrant workers in the Mining and Electrical Energy Industries in South Africa and the largest affiliate of COSATU. NUM also represents the mine and energy workforce within all the South African provinces (NUM, 1999). Internationally NUM is affiliated with the international federation of chemical, energy, mine and general workers' union (ICEM). ICEM is in turn affiliated with the international labour organization (ILO), which is the international institution responsible for maintaining workers' rights in the world (NUM, 1999). Accordingly, the main concerns of NUM with the classical migrant labour system and the growing informalisation of migrant labour involve the iniquities performed on labour by the coercive approach of the system. For example, the degradation of adult male through the hostel system; the separation of families; the use of ethnicity to "divide and rule"; the computerized records of TEBA that mean that an active shaft steward could easily be blacklisted; the dumping of permanently disabled migrant workers back into the rural locations of the sending country with little economic prospects (Philip, 1991: 84); and the growing informalisation of migrant labour recruitment (Crush, 1997), are some of the common issues raised by NUM in its desire to see the termination of both the classical migrant labour system.

The biggest concern of NUM with the current mine labour migration management between Lesotho and South Africa, however, revolves mainly around the larger issue of temporary employment and the annual, renewable contraction of migrant mineworker, with little or no job security. According to NUM perspective, the current one year contract recruitment of foreign mine labour degrades the value of human life and excessively exploits mine labour, which contributes to the growing trend in poverty generation, than wealth generation, between Lesotho and South Africa (Philip, 1991; COM, 1999; Mbendi, 2000). This, the NUM perspective holds, is evident in the positive relationship between the decrease in the price of gold and the rise in economic crisis in Lesotho (Philip, 1991).

In addition, NUM is also concerned about the rise in sub-contracting in the mining industry, and the threat such a move poses on the unionisation of mine labour. In 1995 NUM and COM agreed that all subcontractors would, in future, be compelled to comply with applicable legislation, as a move towards the complete removal of all legal barriers to joining the union. However, since the *raison d'etre* of sub-contracting seems to be to subvert unionisation, sub-contractors discourage involvement in unions and set their own wages and employment conditions (Crush, 1997). From the South African side, NUM has sought, and so far unsuccessfully, to be involved in all mine decision-making about sub-contracting (Crush, 1997). The union has also issued a set of guidelines on contracting out. The union wants each mine to provide reasons for contracting and to provide an explanation for why the work cannot be done by regular employees. It asks for details, on a mine-by-mine basis, of the numbers involved; the type of work; the extent of unionisation; and level of compliance with collective agreements. NUM also demands that wage rates and conditions of services should be no worse than those of ordinary employees and that sub-contractors be barred from hiring undocumented migrants (Philip, 1991; Crush, 1997). However such demands are not likely to be feasible given the general rise in informalisation of international labour migration in the world (refer also to chapter 4). Thus, on the South African side of the equation, NUM is more concerned with the maintaining the power of unions and the unionisation of labour.

From the Lesotho side, NUM is also concerned about the implication the gradual phasing out of the classical migrant labour system will have on the development of Lesotho, particularly given the recent rise in informal migrant labour recruitment in the region. According to NUM, the current proposal of stabilization in the mining industry, by COM, and SADC amnesty of granting permanent migration status to older-serving migrant mineworkers, do not offer a positive alternative for Lesotho in terms of economic development. To begin with, NUM perspective points out that the stabilization of the mine labour would lead to greater retrenchments of foreign workers and a deepening economic crisis in Lesotho, and greater numbers of undocumented migrant workers from Lesotho. Secondly, NUM argues that the permanent removal of the economically active labour force from Lesotho, brought about by the amnesty, would erode the country's

active manpower and thus undermine current development initiatives (Philip, 1991; Head, 1995; Crush, 1997). It seems that on the Lesotho side of the equation NUM is more concerned about the legal status of mineworkers<sup>7</sup> and the long-term implications of the new developments in the mining industry on Lesotho's development.

According to NUM perspective, the crucial factors regarding development-creation that surround the current official desire to terminate the classical migrant labour system should not be the long-term goals of its removal but rather the short-term consequences. NUM points out that the abrupt termination of the classical migrant labour system without any formal alternative being put in its place would lead to greater informalisation of migrant labour recruitment, greater numbers of undocumented migrant workers, and greater insensitivity being subjected to migrant workers (Philip, 1991). Accordingly, NUM calls for the promotion of a comprehensive policy package that would address *inter alia* concerns on adequate housing; change in the involuntary deferred payment; mine remuneration; mine compensation in case of accidents, illness, etc (Philip, 1991; Crush, 1997).

NUM perspective also acknowledges that parallel to the immediate concerns with the increasing demise of the classical migrant labour system is the need to address longer term concerns of resource inequalities as a result of the inception of the migrant labour system. Here NUM acknowledges the need to implement comprehensive land reform policies both in Lesotho and South Africa, that are more worker-friendly, particularly regarding the issue of adequate housing (both in Lesotho and in South Africa) (Philip, 1991; Head, 1995; Crush, 1997; Ministry of Labour and Employment, 1998c).

Nevertheless, NUM perspective remains passive in proposing a comprehensive methodological approach on how such longer-term goals should be implemented. Thus, although this perspective maintains a pro-labour approach, it currently stands as a

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<sup>7</sup> To a large extent this is expected. As mentioned in chapter 2, the NUM has been actively involved in the reintegration of returning Basotho mineworkers in the Lesotho economy, by setting the legal institutional structure of operation. However, these initiatives by the NUM have not been successful in Lesotho (refer to chapter 2).

visionary alternative to the two extremes of complete informalisation of migrant labour on the one hand and the (declining) legal and formal representation of the classical migrant labour system on the other.

#### **6. 3. 4. The SADC Protocol on the Free Movement of Persons**

The most radical and far-reaching vision for the transformation of Southern Africa's migration regime is embodied in the recent SADC Draft Protocol for the Free Movement of Persons within Southern Africa. The Protocol, which was designed in 1996, proposes progressively freer movement for all people, including work-seekers, within the Southern African Development Community and the eventual elimination of all border controls within a period of ten years (SADC, 1996). According to the Protocol:

“Member States may, under this Protocol or in an appropriate protocol on employment and labour, make provisions for the transferability from one Member State to another of benefits and rights acquired by virtue of employment, with a view to promote the freedom of movement of workers,” (SADC, 1996).

If adopted, such a plan would have three main implications for temporary work by non-South Africans within the country. First, it would mean open access to the South African job market for those from SADC states seeking temporary work in South Africa. Second, it would decriminalize the activities of undocumented temporary workers and bring temporary work above ground. Third, it would end the need for bilateral accords and temporary employment schemes since, in effect, there would be a single regional labour market open to all. However, SADC member states are deeply divided on the Protocol (Sachikonye, 1998). Crush (1997) reports that the South African government, in particular, is not in favour of the "open borders" concept behind the Protocol.

### **6. 3. 5. The 1996 SADC amnesty and the permanent residence status**

In 1996, the South African government extended the permanent residence status to about 90 000 foreign miners who had been employed in the mines since 1986 (Matlosa, 1998). This decision was the result of lengthy negotiations between NUM and SADC, particularly in 1994 and stemmed directly from SADC amnesty proposal of 1996 (The Commission Report, 1999). The general SADC amnesty approved by Cabinet in February 1996 was handed to the South Africa DHA for implementation. According to this amnesty:

“Anyone is eligible to apply for permanent residence who:

- a. Is a citizen or permanent resident of an SADC country;
- b. Has lived continuously in South Africa for longer than 5 years;
- c. Has no criminal record;
- d. Has been gainfully employed or self-employed since 1991; and
- e. Has a spouse or children born in South Africa.” (Crush, 1997; Matlosa, 1998).

Crush (1997) argues that although the decision by the South African officials to grant the amnesty proposal appears to cut across the logic and thrust of an existing policy to isolate and deport all "illegals" irrespective of how long they have been in the country, what the amnesty does mean, at least in theory, is that long-time undocumented migrants reliant on temporary work can now come above ground, regularize their status in the country and seek employment without fear of harassment, arrest and deportation. Whether this will spell the end of illegal temporary work is doubtful, particularly since the decision does not affect migrants who have come to the country since 1991. But what it could mean is that policing will now be more intensely targeted at these post-1991 immigrants to South Africa. The amnesty could therefore have positive consequences for some undocumented temporary workers at least in as much as they will move outside the sanction of the Aliens Control Act. In addition, the amnesty could also in theory be signifying the initial steps towards attaining the goal of the free movement of people within SADC member countries.

### **6. 3. 6. The response of Basotho migrant mineworkers to the permanent residence status**

According to the South African Identification Act of 1986, all persons from foreign countries who wish to become permanent residents of South Africa have to apply for an identification document (ID). Once a person is in a possession of an ID, that person is regarded as a permanent resident of South Africa. An ID entitles its holder to a wide variety of privileges and benefits not normally available to persons residing in South Africa under an ordinary resident permit. Permanent residents can vote in the local, provincial and national elections.<sup>8</sup> They can stand for public office at local and government level. They qualify for a wide range of government social programmes, such as subsidized medical treatment, school fees for children and welfare programmes (pensions). They can also seek work in other industries in South Africa (Foulo, 1996: 18). Theoretically, a miner once in a possession of a South African ID can take his family to South Africa. His wife and children automatically qualify for permanent status. They can live in South Africa without the problems of having to apply for study permits, for example. Although some of the social programmes are available in Lesotho, they are nevertheless not as lucrative as those offered in South Africa. Thus, theoretically most Basotho mineworkers may wish to get access to the social programmes by becoming South African permanent residents.

In reality of course, there are more constraints on the miners' side to allow him to automatically take up permanent residence status in South Africa. Most of these are of short-term costs, related to general migration costs. But, some, particularly those linked to the provision of social security benefits extending to permanent residents are more longer term and related to changes in state policy in South Africa.

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<sup>8</sup> This has led to some authors to speculate on the true motives behind the Mandela regime in granting permanent resident status to foreign citizens without the prior consent of the governments of these foreign citizens (Sachikonye, 1998; Matlosa, and Pule, 2000)

The availability of adequate family housing in South Africa is a major determining factor in influencing effective permanent migration from Lesotho. Given the fact that the mining industry no longer has any legal obligations to provide accommodation to its employees, the costs of housing are entirely left to the mineworkers. Most mineworkers have displayed little interest in moving their families to the former mining hostels (Foulo, 1996). It has already been reported that if adequate housing is not available in the destination location in South Africa, miners who wished to depart for an indefinite period have had to postpone their departure until they had secured suitable housing for their families (Sechaba Consultants, 1997: 30). In addition, 63 percent of intended migrants in 1996 reported the desire to move if only they had ownership of a home in South Africa. 22 percent reported that they would settle for rented accommodation (Foulo, 1996: 22).

In addition to factors such as age, ownership of fields and dwellings, in influencing the decision to move for a migrant, the employment status of spouse is another very crucial consideration. Theoretically, if spouse is employed in the country of origin, the decision to move may mean that the family would have to survive on the income of only one member for some time. This could be a setback, particularly if the family does not have sufficient savings, or has long-term debt commitments. On the other hand, if only one family member has been employed, the decision to move may be encouraged by employment prospects of additional family members, *ceteris paribus* (Shields and Shields, 1990; Foulo, 1996). Interestingly, a lot of employed spouses in Lesotho expressed a desire to move to South Africa, regardless of the fact that they would be leaving their posts in Lesotho (Molapo, 1998). This is because wages in South Africa are relatively higher than in Lesotho for the same type of jobs, and thus, most emigrants are attracted by the income differential (Foulo, 1996). Additionally, as mentioned earlier in the thesis, women tend to be discriminated against in the Lesotho labour market. This is also likely to raise their choice for emigration if the opportunity should present. Nonetheless, in 1998, the Ministry of Labour and Employment (1998c) reported that most Basotho emigrants in South Africa not only have difficulty switching employment categories, but have difficulty finding higher grade jobs, and so most end up holding jobs

in which they are more than qualified, such as clerical work, casual labour and farming (Ministry of Labour and Employment, 1998c).

Ownership of a home in Lesotho appears to discourage migrant mineworkers from settling permanently in South Africa.<sup>9</sup> According to a recent survey report by the Sechaba Consultants, miners who live in their own homes have indicated no desire to emigrate indefinitely to South Africa (Sechaba Consultants, 1997). On the other hand, migrants who live in their parents' premises indicated that they would move (Foulo, 1996: 24; Sechaba Consultants, 1997). But given the recent rising incidence of landlessness in Lesotho, particularly in the rural areas, more migrants from Lesotho are likely to emigrate. Between 1996 and 1998 a total of 31 690 Basotho mineworkers had applied for South African permanent residence status, despite previous predictions by the Ministry of Labour and Employment that Basotho miners are less likely to take up the offer of permanent residence in South Africa (Foulo, 1996; Matlosa, 1998: 43). This accounts for about 28 percent of all employed Basotho mineworkers.

Irrespective of the current factors influencing the decision to move, the general conclusion is that there will be a tendency of category-switching by migrant mineworkers, from temporary to permanent migration, following the extension of the permanent residence status to foreign mineworkers. This is because for the first time in the southern African region, migrants now have a choice to emigrate or not to the country of destination. Under the classical migrant labour system, migrants were forced to temporary and even seasonal migration by state polices both in the labour sending countries and in South Africa. Hence, migrants in the southern African region today face a freer labour market, and the prospect of category-switching are thus similar to those observed in any other region of the world with migration flows. The prospects of a freer labour market nevertheless raises serious policy references with regards to the regulation of labour flow within the region that the current recruiting, financial and legal institutions are not set out to cope with.

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<sup>9</sup> Chapter 2 established that the ownership of land and home in Lesotho is closely associated with the traditional institutions of wealth and traditional power relations between Lesotho and South Africa.

### **6. 3. 7. Criticism of the SADC Amnesty and SADC Protocol on the Free Movement of Persons.**

The SADC amnesty programme assumed that migrants would all automatically want to become South African citizens once the extension of permanent residence was completed. In reality of course, migrants who apply for permanent residence in South Africa would have to incur costs associated with the migration, which involve both monetary (actual moving costs, possibility of leaving a better job/ home/ land at home) and non-monetary losses (loss of family and friends support networks at home). The amnesty programme however did not take any steps to provide adequate housing locations for migrants wishing to take up permanent residence status in South Africa. This is a burden that add to the migrants' costs, and that is likely to leave them vulnerable in the destination country (Sachikonye, 1998). In addition, the proposed rational migration policy of the Free Movement of Persons within the SADC region cannot work in isolation.

The Protocol assumes that migrants are a group removed from the labour markets of original countries. In reality, and as was established in chapter 5, migrants are identifiable within the larger regional labour market, including the informal sector. Chapter five established that there is a positive relationship between the informal sector and migrant pool in Lesotho. The migrant pool originates from the informal sectors of the urban areas. Most of these migrants are traders who migrate for temporary periods, and do not wish to remain permanently in the destination area (Gaidzanwa, 1998). Informal workers currently remain outside any legal representation at home and within the legal. The SADC protocol needs to initiate a comprehensive policy for informal workers prior to addressing any policy on migrant workers. Once all the regional countries develop legal representation for the informal sector, then the problem of (il)legality of migrants would diminish within the region.

#### 6. 4. Conclusion

International labour migration between Lesotho and South Africa is clearly linked to broader issues of regional integration and South Africa's economic hegemony. The institutional analysis of the legal and financial organizations surrounding international mine labour migration between Lesotho and South Africa conducted in this chapter has shown that the formal institutional organization surrounding international labour movement between the two countries is currently on the decline, and is being replaced by a more informal organization of international labour migration. The informalisation of international labour migration in the regions has serious implications in terms of creating the ability for policy and government officials to distinguish the migrant categories.

The current legal subset of the institutional infrastructure surrounding international mine labour migration between Lesotho and South Africa remains inappropriately determined by power relations rather than development goals. This has resulted to the increasing inefficiency of the legal institutions at the expense of migrant mineworkers. A recent analysis of the history of temporary migration in Southern Africa argues that the current legal institution surrounding general international labour migration in southern Africa is a product of the past apartheid legacy of South Africa, and therefore is not best designed to meet the interests of international migrants, particularly temporary and category-switching migrants. As Klotz (1997) put it:

“Recent immigration legislation, notably the Aliens Control Amendment Act of 1995 and the South African Citizenship Act of 1995<sup>10</sup>, modifies the Government's powers to deport illegals and alter the rules of residency. Despite government claims, these new laws strengthen the state's powers and further limit the possibility of migrants gaining legal status. Furthermore, the administrative framework for implementing immigration policy – a system of regional committees appointed by the minister – remains fundamentally

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<sup>10</sup> The South African Citizenship Act of 1995 was initiated so as to formally integrate the former Bantustans into the Republic of South Africa. This Act also permits dual citizenship by South Africans (Klaaren, 1999).

consistent with initial Union institutions. Thus, South Africa's current policy is a legacy of apartheid" (Klotz, 1997).

The legacy of apartheid is evident in two ways with regards to international mine labour migration between Lesotho and South Africa. Firstly, the continuing involuntary requirement of contribution to the deferred pay scheme by Basotho migrant mineworkers benefits the interests of the Basotho ruling class over those of migrant mineworkers and their families. The rigidity of the Lesotho Bank to release funds to needy relatives of migrants is a clear example of the continuing marginalisation of migrant mineworkers in the country. Secondly, the lack of an organized migrant worker's union, except through the national union of mineworkers of South Africa, implies the lack of human rights extending to these workers, which represent one aspect of the apartheid legacy.

More importantly, while South Africa and the rest of the southern Africa countries are currently overturning apartheid legislation right and left, there is a curious silence about migrants. The criterion of (il)legality is another apartheid legacy. The "illegal" status of many temporary undocumented migrant workers in South Africa makes them vulnerable in two ways. First, undocumented migrants have no rights and protection under the law. Second, employers can easily exploit undocumented migrants due to their illegal status. There has also been a recent rise in xenophobia in South Africa that is positively linked to the poor categorization of migrant mineworkers as illegals or criminals, by state officials, employers and the general public. The SADC Protocol on the Free Movement of Persons and the NUM's perspective on human rights, both lack a comprehensive methodological proposal of how to transform the current xenophobia surrounding the migration institution and thus both remain as subdued and visionary alternatives to the classical migrant labour system and the increasing informalisation of international labour migration in the region. As the Lesotho case study has shown, under the current legal uncertainty, the extension of permanent residence to older migrant mineworkers is unlikely to benefit either the migrant workers or their countries of origin, which lose out on remittances.

In summary, the above institutional analysis of international mine labour migration between Lesotho and South Africa points out that Lesotho's modernization is firmly situated within the modernization of the South African economy. Under the apartheid legacy, migrant mineworkers were the main losers within a migration institution that was largely determined by power relations between the Lesotho ruling class and the South African officials (including the mining industry). The position of Basotho migrant mineworkers appears to have changed little in the post-apartheid era. On the one hand, the decline in the involuntary deferred pay scheme on the South African side (through TEBA) implies that migrants can now benefit more (financially) from the migration process. On the other hand, the rigid response of the Lesotho Bank to withdrawals from the Fund continues to marginalize Basotho migrant mineworkers and their families. More importantly, migrant mineworkers remain exploitable under the increasing informalisation of the migration institution.

Although both economies have clearly changed and with them international labour migration, the institutional framework surrounding that migration still needs to follow. The perspectives of NUM and DHA are reactionary in the sense that they are trying to stop the change. The SADC protocol on free movement of persons and various regional initiatives are *ad hoc* and not very representative of all parties. Lessons from the Philippines and the U. S. (analysed in chapter 4) inform that too much "inherited" control on international migration is likely to lead to greater numbers of undocumented migrant workers. This suggests that given the new global division of labour perhaps there is a need for a more holistic and multilateral approach towards the regulation of international labour migration.

## CHAPTER 7

### CONCLUSION AND POLICY IMPLICATIONS

#### 7. 1. Introduction

The aim of this chapter is to show how the southern African region is becoming increasingly associated with the orthodox functionalist approach to development, even when attempting a structuralist (regional) approach to international labour migration.

As pointed out in chapter 4, the problem with international labour migration today is that it lacks a coherent regulating institution at the global level. Most migration transactions are left to the unilateral decisions of self-seeking nation states. Such a policy approach is increasingly proving to be costly, particularly to international migrants who are increasingly becoming pushed into illegal and criminal positions.

This thesis has pointed out that the origins of unilateral policy decisions are largely situated with the orthodox “functionalist” approach towards dual labour markets. However, today, *even* multilateral institutions such as SADC and NAFTA are becoming increasingly polarising institutions, suggesting adherence to the status quo, i.e., “nationalistic” functionalism. These institutions, although in principle remain *multinational*, in reality they tend to behave as if they are separate national entities, paying lip service to multilateralism within a multinational consortium. Thus it is clear that functionalism and nation-states are still very much a part of the new international division of labour. The important question today then is what is the position of non-state actors (of which economic migrants are a part) in the new international division of labour?

The orthodox functionalist answer seems to diverge. On the one hand, the *de facto* Lewisian model seems to suggest a justification for international labour migration *within the status quo*, as long as it is welfare enhancing. On the other hand, the Todaran

framework sees internal and international labour migration as responses to distortions within national boundaries, and thus the policy response here is to remove the distortions that are causing migration, or, failing to do this, then restrict internal and external migration altogether.

Heterodox responses seem to be somewhat more unified. The structuralist theories more or less seem to recognise that within the new international division of labour, are systems of production, each operating with its own rules and regulations in an increasingly integrating global economy. International labour migration is thus here regarded as part and parcel of the world systems of production, and to the extent that systems of different levels of integration are operating within a unified global economy, there is a strong suggestion that the paths of growth and development are more likely to be diverging than converging, resulting in the underdevelopment of some actors (including state and non-state actors). As the systems of production develop and mature and become replaced by new systems, the position of the global actors is thus seen as being in continuous adjustment (revision). The suggested policy tool here is to increase multilateralism and minimise unilateral and *ad hoc* policy actions.

This chapter is divided into four sections. Section one is this introduction. Section two explains the functionalist policy approach to international labour migration. Section three examines the structuralist policy response, and finally section four analyses the post-apartheid southern African policy response to international labour migration. It is interesting to note that post-apartheid southern Africa seems to be closely associated with the functionalist perspective, even when attempting more of structuralist regionalism and adjustment.

## **7. 2. Summary of “de facto” Lewisian and Todaran framework**

As explained in chapter 3, classical models of the functional approach, such as, Lewis (1954) and Fei and Ranis, (1964), based on classical orthodox economics of wage equalisation and resource utility maximization, conceive of migration as the means by

which surplus labour in a large agricultural economy is transferred to the urban industrial sector. The transfer provides for economic growth and a “psychosocial reorientation of the migrant in the process” (Goss and Lindquist, 1995). The model is strongly associated with the dual sector paradigm, in which surplus labour (labour which does not make a positive contribution to production, including domestic labour) is transferred from the “subsistence” or “traditional” agricultural sector of the economy to the “capitalist” or “modern” industrial sector, fuelling growth and structural transformation (Lewis, 1954). The model thus assumes a smooth transition of labour from the traditional production, into the modern. The transition is enhanced by the fact that during the migration process, the migrant becomes re-oriented, with skill, wage decreases in the capital rich sector, together with remittances all working to stimulate economic growth, eventually eliminating spatial inequalities and wage differentials that drive migration.

The World Bank view, for example *Workers in an integrating world* (World Bank, 1995) seems to adhere to this framework. The general development model of the World Bank is closely associated with national identities as opposed to an international identity. In the Lewis/World Bank perspective, there is no particular role for international migration. Development and urbanisation are national concerns. This basic assumption in this framework is much a fault of history as it is a conscious decision of classification. Classical orthodox reasoning rarely had to worry about global issues or cross-border identities. The model was developed to address *pure economic* interactions between two sectors with wage and resource differentials, with the goal of equalising resources and minimising wage differentials. Although the classical model was not designed to really engaging in international concerns, it nevertheless regards international labour migration as functional, to the extent that international migration can be seen as welfare enhancing. Thus, any attempts to block international labour migration are here perceived as inefficient, xenophobic, or “protectionalist.” The only justification of restricting migration is thus “status quo.” In the long-run of course, migration is assumed to be minimal (as resources get reallocated).

In the Todaro framework, migration is perceived as a response to distortions in either rural or urban areas. The model characterizes migration as an individual decision in which a person compares her/his expected income in two sectors or geographic areas over a given time horizon. Expectations are based primarily on the probability of finding employment in each sector, although other factors such as crop risk (in the case of agriculture) and the existence of social networks (in the case of urban employment) may also be influential to the migrant's decision. The key result of the model is that, if urban-rural income differentials are high enough, people will migrate even if their chances of actually gaining urban, formal sector employment in the short run are quite low. This model is neoclassical, in the sense that it sees migration as functional in the absence of distortions, but that given the reality of distortions, it starts to recognise the "Third World" sector. Thus, the Third World sector is here perceived as an offshoot of the status quo.

The principal policy implication here is thus that without raising rural incomes, urban job creation, at wages above market clearing levels, will only attract more migrants, further contributing to urban unemployment, and because the marginal product of labour is greater than zero, rural underdevelopment. The Todaran answer to increased urban unemployment and rural underdevelopment is not to stop migration, but rather to try and reduce the pressures in the rural areas that lead to urban migration. Although migration is also viewed as bad under the Todaran framework because of the distortions it creates in both rural areas (which lose productive labour) and urban areas (the concept of over-urbanisation and its problems), it is also seen as resulting from distortions in the economy that stem from poor economic practises. The Todaran framework thus advocates correcting the bad economic practises (particularly in the rural areas<sup>1</sup>) as the starting point for correcting rural-urban migration. Thus, in countries faced with high urban unemployment and rural underdevelopment, there seems to be justification for policies that attempt to reduce migration.

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<sup>1</sup> Examples of poor economic practices in rural areas include among others traditional land policies that marginalize women and the youth, and lack of paid employment opportunities for women and the youth in rural locations. Others are the pervasive role of the government in rural development projects, lack of skills and education to rural dwellers, poor physical and capital infrastructure in rural areas, etc (Chapter 2).

Second, the Todaro model does not see any need to address urban poverty directly: i.e., it does not emphasize the kinds of urban infrastructural policies directed at for instance, developing the urban informal sector.<sup>2</sup> The Todaran policy advocates that the markets should be left to create market-clearing wage jobs. The urban informal sector only exists because markets are prevented from doing this by distortions: public sector and ISI employment at high wages. The efficiency and functionalist assumptions in this model are thus similar to Lewis case, but here, the answer to distortions and income differentials is to create many jobs with low wages and low costs. On the one level, this is fitting to the EPZ model adapted in Lesotho, On a different level, the Todaro framework seems to be consistent with the *neoliberal* agenda: low wages, no union power, easily exploitable cheap labour, etc., that guarantee that markets function efficiently in the global economy. Generally, Todaran policy tools thus seem to suggest reduction of distortions (including government action in the domestic economy) and reliance on trickle down. The Todaran model thus sees the urban Third World sector as a relic of the modernisation process.

Thus, in terms of policy, both *de facto* functionalists seem to suggest a “return to the market” approach towards development. The policy implications for international labour migration under this framework in that international labour migration should only be pursued when it is welfare enhancing, otherwise, it should be minimised. The problem arises when the reality in many countries with high-out-migration rates (such as in Egypt, Sudan, Lesotho, Mozambique, the Philippines, Mexico, etc) is that migration is increasingly a result of push distortions in the origin, rather than pull, welfare enhancing factors in the destination. In this scenario, both the Lewisian and Todaro models would adhere to minimal international labour migration: firstly, because it is not likely to be welfare enhancing, and secondly, because resources would need to be spent to eliminate the distortions that are causing the mass migration. The suggestion here is that in the above scenario, the functionalist approach seems to propose an *ad hoc* response to international labour migration, whereby winners are picked and losers are created (e.g., Saudi Arabia preferring Egyptian migrants to Sudanese; South Africa preferring Basotho

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<sup>2</sup> See Sen, 1981; Lisk, 1985; Rogerson, 1996; Streek, 1999; Hough, 2000 for detailed readings on micro and macro level development policies.

migrants to Mozambicans; the United States preferring Filipino migrants to Mexicans; and so on).

### **7. 3. Structuralism and the new international division of labour**

The main features of the structuralist approach are that firstly, they draw on the new international division of labour in which increasingly the systems of production “looks beyond national boundaries.” Under this scenario, firstly, the structuralist assume that developing countries with high unemployment, who are found lower down the global power ranking, do not choose their development policies, but that adapted such policies as a direct order from higher ranking international institutions (e.g., the World bank, IMF, etc.). Whereas the World Bank (classical) and IMF (neoclassical) views argue that EPZs are useful in countries faced with employment constraints as they create many jobs at low wages, the structuralist argue that it is not the creation of jobs that is important here but, the *type* of jobs and employment that become created under the EPZ model that are of major concern.

The structuralists see the low-wage, low-skill types of jobs associated with the EPZ model of development as a cause of the low growth paths that many developing countries sae currently experiencing. One example of this critique is the emergence of the Third World sector in the urban areas of less developing countries (LDCs), which the structuralist argue is not an off-shoot but a different system within the status quo. The suggestion here is that Third World sectors are thus just as likely as the existing status quo, to evolve as new status quo. The rapid expansion and prevalence of the Third World sector in LDCs in the late 20<sup>th</sup> century, as outlined in Chapter 4s 4 and 5, clearly seems to reflect this somewhat radical perception. The bottom line implication here is that LDCs are likely to evolve as the global slums of the 21<sup>st</sup> century.

Secondly, the structuralists recognize that migration is increasingly becoming a push phenomenon. The implication here, and what we have identified as the “Third World” sector is not likely to disappear as predicted by the functionalist approaches. The policy

lesson drawn from this perspective is that there is a need to develop regional if not global and multilateral policies to deal with the new emerging international division of labour. The structuralist perspective seems to suggest that unilateralism and *ad hoc* policy decisions are increasingly contributing to the rise of “negative” labour flexibility, that is, exploitation.

In terms of migration, the structuralists recognise that migration is just another system of production in the world with its own rules and regulations (social networks) directed to the flow and distribution of resources. According to this approach, given the fact that international labour mobility is inevitable under the new international division of labour with increasing “negative” flexibility directed towards labour from the LDCs, the main policy implications here seem to suggest the need to develop micro-level policies that can complement the broader macro-policy framework, and that can be applied at the multisectoral level. The structuralists also seem to adhere to non-criminalisation of international migrants, by suggesting regional and multilateral approaches to managing international labour migration. This model thus recognises that markets are not always perfect, and suggests second-best alternatives to the status quo.

The functionalist and structuralist models are thus the main two policy tools available for development in the global economy. Section four will now examine how the post-apartheid southern African region has applied the above tools in responding to increased and less formal international labour migration within the region.

#### **7. 4. International labour migration in post-apartheid southern Africa**

Unsurprisingly, the southern African labour market is characterised by distortions and inequalities. These distortions are especially becoming an urban phenomenon where poverty and unemployment are increasingly rising. Chapter 5 established how the major towns in Lesotho such as Maseru, are developing urban corridors where new migrants into the towns settle. Such areas are however inadequately planned, have few basic infrastructures and host most of the informal or Third World sector. Employment

opportunities also tend to be limited around such areas. Surprisingly, policy regulation in the post-apartheid southern African region is still largely a functionalist application. Whereas in the past, unilateral policies to address international labour migration were largely undertaken within structured formal institutions that called for binding rules from all parties involved (except the migrants), increasingly today, such rules and regulation are no longer binding, and are in turn dissolving the structure of the formal regulations. In the case of Lesotho, the main response to the increased pace of migration by government officials in the country has been implementing institutions that at least attempt to slow down the out-migration of labour to urban Lesotho. Whereas in the past out-migration was perceived as welfare enhancing, and thus encouraged, increasingly in the late 1980s to present day, it is regarded as an “economic bad”. Second, Lesotho’s switch to EOI at low wages indicates the desire to reduce the pressure of probabilistic migration. Third, there is no particular emphasis on urban infrastructural and poverty programs in Lesotho, or even within the region, suggesting that the regional economies regard the informal Third World sector as an offshoot of trade liberalisation, and something laying out of their policy reach. These measures are unsurprisingly fitting with the Todaro perception of migration.

Similarly in South African, the government has adhered to unilateral attempts to reduce internal migration (i.e., apartheid, etc) and external migration (Aliens control). The classical migrant labour system was seen as functional in the sense that it could draw from foreign cheap labour which could easily be discarded at the end of the contract, as well as restrict the movement of most of the local Black labour through the pass system. Urban growth was thus sufficiently slowed down during the functioning of the migrant labour system. Nonetheless, past apartheid policy regulations to controlling the movement of labour both within the country and within the region are increasingly becoming ineffective.<sup>3</sup>

The emerging pattern of migration in the region, associated with increasing informalisation of migrant workers seems to suggest the decline of the classical

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<sup>3</sup> One can think of the DHA as a remnant of the apartheid system (Chapter 6).

institutions surrounding international migration in southern Africa. However, the emergence of unilateral and *ad hoc* policy decisions suggest that the functionalist approach is still very much alive in South Africa's policy application in the region.

First of all, South Africa increasingly acts individually and in an *ad hoc* manner. A clear example of this is the 1996 amnesty by South Africa government. The decision to extend permanent residence status to Basotho miners, for example, was solely undertaken by the South African government, under the SADC hat, without prior negotiations with the Lesotho government. The result of the extension has thus met mixed sentiments from the Lesotho nation-state. While most mineworkers seems to be glad of the option to remain in South Africa, most are still constrained by lack of proper housing in the destination, a point which the Amnesty forgot to include in the planning stage of the policy. As a result, so far, not many miners have responded to the amnesty. At the same time, the wave of illegal migration to South Africa from Lesotho has picked up substantially. The suggestion here is that the *ad hoc* policy regulation in South Africa is increasingly pushing migrants into an illegal status. Even less surprising is the reaction of the Lesotho officials to the amnesty. The typical reaction of the Basotho has been mounting feelings of antagonism and frustration directed towards the South African government. This is because the Lesotho officials feel "cheated" out of negotiating the future of their nationals. But, in the mean time, the antagonistic sentiments between the two governments hinder any future prospects of developing a coherent policy to manage the new migration pattern.

Such reactionary policies are, however, not unique to the southern African region. Chapter four discussed the mass repatriation of Egyptian, Ghanaian, Sudanese and Filipino migrant labour from the Middle East and Nigeria, following the collapse of oil prices in the early 1980s, and the Gulf war in the 1990s. As in the case of the South Africa's amnesty decision, unilateral *ad hoc* policies from the destination countries and the international community were used to manage the mass exodus of labour. This situation was perhaps even worse than the South Africa-Lesotho case, in the sense that here, over 1 million people were sent home in one year. This produced immediate

population and unemployment pressures in the source country that contributed to the spread of illegal migration back to the destination countries. The suggestion here is that the current harsh “alien control” policy in South Africa is a possible catalyst of future increased illegal migration in the region.

Given the fact that migration cannot be “stopped,” South Africa *alone* cannot be expected to accept poor people from the whole region, and it is not surprising that it is attempting to tighten alien control. However, this points to the other important lessons: firstly, that migration cannot be looked at in isolation. SADC is essential, not only to govern the movement of workers, but also to ensure that there is a regional development policy that reduces the flow of “economic refugees”: i.e., South Africa needs to recognise that it cannot directly stop, for example, Mozambicans coming into the country. All this does is criminalise the process. The best policy response is to try to maximise Mozambique’s development.

Secondly, the suggestion here is that international labour migration does not necessary need radical policies: it simply needs a SADC regional development policy of which migration policy is a part.

This point however, brings us to another important observation of regionalism in southern Africa. Clearly the merit of such a discussion is beyond the scope of this thesis. Nevertheless, suffice it to point out here that the current regionalism in southern Africa appears to be plagued antagonism and unilateralism among the member nation-states: The SADC unit as a group thus appears to be highly polarised and fragmented. It would thus seem wise for any future regional development plans to first address the issue of polarisation within SADC before attempting any regional development policy. The bottom line here with regards to international labour migration is that *unilateral* (i.e., nationalistic) and *ad hoc* policies are increasingly criminalizing migrants. In terms of policy implications, the answer appears to lie within a broader multilateral and regional perspective. SADC is thus a crucial tool for successful development in southern Africa.

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