

Research Report No. 110

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RESTRUCTURING OR DE-INDUSTRIALIZING?

Zimbabwe's Textile and Metal Industries
Under Adjustment

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Contents

Acknowledgements	7
Introduction	8
Research Issues	8
The Economic Structural Adjustment Programme in Zimbabwe	10
Adjustment and the Manufacturing Sector in Africa	11
Methodology	14
Structure of the Study	16
Chapter 1: The Manufacturing Sector in Zimbabwe: An Overview	17
1.1 Introduction	17
1.2 The Status of Manufacturing in the Zimbabwe Economy	17
1.3 Competitiveness and Export Orientation before Adjustment	19
1.4 Investment and Fiscal Conditions before and under Adjustment	23
1.5 Productivity and Income Trends	27
1.6 International Trade and the Manufacturing Sector	29
Chapter 2: Restructuring in the Textile and Metal Industries	31
2.1 Introduction	31
2.2 The Role of Textiles and Metals in Zimbabwean Manufacturing	31
2.3 The Firms Surveyed in the Textile and Metal Sub-Sectors	32
2.4 Competitiveness and Export Orientation in the Textiles and Metals Sub-Sectors	33
2.5 Effects of Trade Liberalization on Textile and Metal Firms	40
2.6 Investment and Fiscal Conditions	43
2.7 Technological Change and Productivity Trends	44
2.8 Coping Strategies of Firms under ESAP	46
Chapter 3: Change and Conflict in Labour Relations	50
3.1 Introduction	50
3.2 Work Force Stability, Skills Distribution and Training	50
3.3 Supervision, Polyvalency and Productivity	52
3.4 Workers Committees, Unions and Shop-floor Labour Relations	56
3.5 Management's Views on Shop-floor Labour Relations	61
3.6 Workers' Response to Liquidations and Retrenchments	62
3.7 Towards a Compromise?	66

Chapter 4: Income Patterns, Living Standard and Coping Strategies	69
4.1 Introduction.....	69
4.2 Income Patterns in the Textile and Metal Sub-Sectors.....	69
4.3 Changing Situation on Workers' Benefits.....	72
4.4 Social Consumption Patterns.....	74
4.6 Access to Education, Health and Housing.....	76
4.6 Coping Strategies.....	79
4.9 Workers' Attitudes towards ESAP and Politics.....	85
Chapter 5: Conclusion and Post-Script	88
5.1 Restructuring or De-Industrializing?.....	88
5.2 Towards a New Industrial Policy Framework.....	91
5.3 Summary of Findings.....	96
5.4 Post-Script.....	99
References	105

List of Tables

1.1 Real output growth rates (per cent per annum).....	18
1.2 GDP growth by sector, 1980–1996.....	18
1.3 Employment growth rates (per cent per annum).....	18
1.4 Exports and growth of exports, 1981–1990.....	21
1.5 Growth of manufactured exports, 1991–1995.....	21
2.1 Imports of (a) bar rods and sections and (b) iron and steel plates and sheets by value (1990–1995).....	38
2.2 Exports of (a) ingots and billets and (b) iron and steel bar rods sections by value, (1990–1995).....	38
2.3 Index of Volume of production of the textile and metal industries (1980 = 100) 1990–1995.....	39
2.4 Imports (a) yarns and threads and (b) textile piece goods 1990–1995.....	40
2.5 Exports of (a) yarns and threads and (b) cotton lint.....	41
3.1 New equipment and its use by workers in the textile and metal industries.....	52
3.2 Textile workers' views on supervision and work intensification.....	53
3.3 Metal workers' views on supervision and work intensification.....	53
3.4 Textile workers' views on labour relations.....	58
3.5 Metal workers' views on labour relations.....	58
3.6 Textile workers' assessment of workers committees and union capacity and influence.....	60
3.7 Metal workers' assessment of workers committees and union capacity and influence.....	60
4.1 Occupation and wage scales in the textile industry, 1995.....	70
4.2 Metal workers' wage scales, 1995.....	71
4.3 Collective bargaining awards in the textile and metal sub-sectors, 1993 and 1995.....	72
4.4 Consumer inflation, 1990–1996.....	74
4.5 Social consumption among workers.....	75
4.6 Workers still able to afford certain goods on a regular basis.....	75
4.7 Workers with membership in saving clubs, credit groups, burial societies and housing cooperatives.....	80
4.8 Types of informal sector activities undertaken by workers.....	83
4.9 Workers' views on ESAP and politics.....	86
4.10 Workers' views on economic conditions and their causes.....	86

Abbreviations

CATMA	Central African Textile Manufacturers' Association
CBAs	Collective Bargaining Agreements
CSO	Central Statistical Office
CZI	Confederation of Zimbabwe Industries
DRC	Domestic Resource Cost
EIU	Economist Intelligence Unit
ERF	Export Retention Fund
ESAP	Economic Structural Adjustment Programme
FMB	First Merchant Bank
GDP	Gross Domestic Product
GNP	Gross National Product
IFIs	International Financial Institutions
ILO	International Labour Organization
IMF	International Monetary Fund
ISWUZ	Iron and Steel Workers' Union of Zimbabwe
MVA	Manufacturing Value Added
NECs	National Employment Councils
NICs	Newly Industrialized Countries
NEWU	National Engineering Workers' Union
OGIL	Open General Import Licence
RBZ	Reserve Bank of Zimbabwe
SACTWU	Southern Africa Clothing and Textile Workers' Union
SAPs	Structural Adjustment Programmes
SSA	Sub-Saharan Africa
UDI	Unilateral Declaration of Independence
UNIDO	United Nations Industrial Development Organization
WB	World Bank
WCs	Workers' Committees
ZCTU	Zimbabwe Congress of Trade Unions
ZIMPREST	Zimbabwe Programme for Economic and Social Transformation
ZTWU	Zimbabwe Textile Workers' Union

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Lloyd M. Sachikonye

Introduction

Zimbabwe implemented an economic structural adjustment programme (ESAP) between 1990 and 1995. It was the most significant economic reform programme to be adopted since the country's independence in 1980. This study assesses the contribution of ESAP to the restructuring process in the Zimbabwean manufacturing sector, and the profound impact of that process on labour relations. It builds on an earlier study carried out in 1993 and whose findings were published in 1995 (Gibbon, 1995; Sachikonye 1995). In that study, the initial impact of industrial restructuring on labour relations during the period between 1990 and 1993 was assessed somewhat inconclusively as ESAP still had another two years to run. With the formal expiry of ESAP at the end of 1995, it became possible and appropriate to re-assess the depth of the industrial restructuring and changes in labour relations that had taken place with a view to reaching more definitive conclusions.

This study represents the outcome of a longitudinal survey in that the Zimbabwean manufacturing sub-sectors which were covered in 1993 were revisited again at the end of 1995 and the beginning of 1996 for another round of surveys. Indeed, some of the firms investigated in 1993 were covered again in the second survey. To that extent, the study offers a wealth of material spanning the five years of Zimbabwe's ESAP. The expectation was that the findings from a longitudinal survey of this nature would be more conclusive than an episodic, one-off type of study.

Research Issues

The research issues which this study investigated were three-fold: the depth of industrial restructuring; the content of the labour relations regime; and the workers' coping strategies in a difficult environment. We sought to assess the depth of industrial change that has occurred through the process of modernization, skills training, and the down-sizing of the work force. Furthermore, we wanted to know how sustainable this process of industrial restructuring was. For example, although the textile sector initially showed reasonably good prospects for expansion and competitiveness, developments after 1993 began to present a contrasting picture of a sector in the doldrums. Liquidity problems, cotton lint price increase, and competing imports had forced the closure of some the larger textile firms and substantial retrenchment in others. In both the textile and metal sub-sectors, it appeared that ESAP had a

differential impact on different firms in the same sector. We, therefore, sought to explore the mix of factors which had contributed to this differential performance. The study paid particular attention to how firms had handled decisions concerning investment, production for domestic and external markets, product diversification, skills training, recruitment and retrenchment, and relations with unions. Evidence accumulated on these various issues was expected to indicate which ESAP measures had been beneficial and which ones detrimental to the performance of these firms. More generally, it would reveal the extent to which such extensive modernization as there was had been a sustainable or premature process.

The second set of issues which the study sought to address was the content of the labour regime which emerged under ESAP. We sought to explore its principal elements as well as show its differences from the pre-ESAP labour regime. Several factors appeared to impinge on this emergent labour regime. They included the broad context of the high level of unemployment, the ambiguities in the relationship between management and workers, and the streamlined legislative framework which enhanced the flexibility of capital in its treatment of labour. We explored how the bargaining power and employment security of the relatively small formal-sector work force had been weakened in the context of high unemployment and how managerial strategies ranging from paternalist forms of control to nakedly authoritarian ones had shaped labour relations. In this connection, we drew upon workers' perceptions of the content of supervision and job tasks, and aspects of de-skilling and upgrading.

The third set of issues concerned the individual and collective responses of workers to declining real wages and living standards. We explored the various multiple coping strategies to which workers had resorted in order to alleviate the hardships stemming from adjustment. These strategies ranged from work place-based savings clubs to housing schemes and informal sector activities. We attempted to explore the level of participation by workers in these strategies, and the sustainability of particular schemes. In addition, the study explored the degree to which the strategies might have blunted the growth of collective militancy amongst workers and, in so doing, contributed to individualist ambitions and responses.

In combination, these sets of research issues served to illuminate the effects of adjustment on the structural conditions and labour relations in the manufacturing sector. The study was, thus, able to establish whether industrial restructuring had been successful, or whether de-industrialization had occurred instead. It also tried to establish whether the multiple coping strategies of workers were sustainable or sufficiently cushioning to the rigours of adjustment.

In this section, we provide a brief background to Zimbabwe's ESAP and its main elements in order to set the broad context for the study. The first point in this regard is that towards the end of Zimbabwe's first decade of independence, it became clear that the economy was experiencing serious structural weaknesses. This was reflected in a low economic growth rate which stood at an annual rate of 3.7 per cent between 1980 and 1990. This growth level was barely above the average population growth rate of 3.2 per cent per annum during the same period. Little investment was flowing into the economy. For instance, foreign investment amounted to a mere Z\$110 million between 1981 and 1986. Private sector investment remained at a lowly 10 per cent of the GDP. This investment was barely adequate to maintain and increase capital stock so as to raise productivity. Furthermore, export growth, at 3.4 per cent per annum between 1980 and 1989, was quite low. This meagre growth combined with escalating debt repayments, which reached a peak of 34 per cent of export earnings in 1987, to severely constrain the growth of imports. Meanwhile, unemployment had soared to high levels.

An additional burden on the economy was the relatively high budget deficit which averaged 10 per cent of the GDP during much of the 1980s. Government debt reached 71 per cent of the GDP in 1989, of which 36 per cent was accounted for by external debt (Zimbabwe Government, 1991:2). In general, the prospects for rapid growth looked gloomy. Whatever growth had occurred in the 1980s rested on a fragile base given the structural weaknesses in the economy.

At a general level, the sluggish economic growth which the country experienced was largely attributed to pervasive state intervention in the economy. This intervention took the form of price, labour and investment controls as well as the regulation of access to foreign exchange. These controls were blamed for disrupting the unimpeded operation of market forces. It was against this gloomy background that the case for liberalization was developed.

Negotiations over an adjustment package between the Zimbabwe government and the World Bank began in the late 1980s. They culminated in the launch of ESAP in 1990. As in all standard adjustment packages, the principal elements of the ESAP included: (a) trade liberalization; (b) fiscal and monetary policy reforms; (c) public enterprise reforms; (d) budget deficit reduction; and (e) the de-regulation of investment, labour and prices. It was envisaged that the combination of these reforms would, over a five-year period (1990–995), lead to higher and sustainable levels of growth. For example, it was projected that the country would experience a 5 per cent annual growth rate, a reduction of the budget deficit to 5 per cent of the GDP by 1995,

and of the debt service ratio to 20 per cent, also by 1995 (Zimbabwe Government,1991). Moreover, subsidies to public enterprises would decline from Z\$629 million to Z\$40 million by 1995. GDP per capita and consumption per capita were expected to rise by 2 per cent during the ESAP period. Finally, ESAP was expected to contribute to a reduction of the country's high unemployment level; 100,000 new jobs were to be created in the period 1992–1995.

We have examined elsewhere, some of the contentious issues pertaining to the coherence, realism and objectives of ESAP (Sachikonye,1995) and so need not go into a detailed critique here. Suffice it to note, in a summary fashion, that ESAP was built on a number of questionable premises. First, the programme generated a large short-term expansion of demand for foreign exchange which, in turn, led to an undesirably high level of foreign borrowing. Second, monetary measures that centred on substantial interest rate increases were, by their nature, likely, as indeed they did, to choke growth, if not contribute to the onset or deepening of a domestic recession. Third, devaluation resulted in heftier import costs and a fall in real wages while its impact on the reduction of unemployment was minimal. Fourth, the ESAP objective of a 5 per cent annual growth over the period 1990–1995 did not represent a substantial improvement on the 4.5 per cent annual growth achieved between 1985 and 1990. Finally, the ESAP package did not include contingency measures to address outbreaks of drought which recur periodically in the Southern Africa region (ibid.).

Let us now proceed to set the stage for the Zimbabwean study by placing it within the broader context of the experience of manufacturing in Africa during the adjustment years.

Adjustment and the Manufacturing Sector in Africa

The development of explicit and coherent industrial strategies in Africa has received little attention in the design of orthodox structural adjustment programmes (SAPs). The programmes have tended to focus mainly on the achievement of macro-economic balances, agricultural supply response, trade liberalization and privatization (De Valk,1994). Some analysts have observed that manufacturing has become a "forgotten dimension" in African development and where it is mentioned, it is merely expected to adjust to increased competition in liberalized markets (Riddell, 1990).

In this section, we examine critically, the adjustment model of the World Bank and the IMF insofar as it relates to the manufacturing sector. According to the model, industrial sector crises are largely due to market distortions: either prices are impeded from moving in a manner that reflects scarcity and choice because barriers exist that inhibit actors in the economy from respond-

ing in a rational manner, or the information flows from the markets are not reaching the appropriate agents (Stein,1992:86). Consumers and private producers are assumed to be utility and profit maximizers who respond rationally and in an efficient manner if the market signals are correct.

Adjustment policies recommend the elimination of all the distortions that are thought to impede the attainment of the competitive model promoted by neo-liberals .These distortions may emanate from trade or industrial policies , or from both :

on the trade side, overvalued currencies, import quotas and tariffs protect domestic industry from international competition; the lack of competition in turn leads to inefficiency (...) Interventionist industrial policies—including price regulation, directed investment and credit programmes, taxes and subsidies—can have much the same effect. To achieve the competitive optimum envisioned by the model, therefore, both trade protection and domestic regulation of industry must be dismantled. (Lall and Stewart,1996.)

From this analysis flow several prescriptions. The first is that all forms of selective intervention should be removed while free-market-driven resource allocation should be encouraged. The second is that reforms should be quickly undertaken across the board; and that no "strategy is required to guide the restructuring at the level of the industry or the firm, since markets would provide the correct signals on their own" (ibid.). These prescriptions rest on neo-classical (Heckscher-Ohlin) models which in turn rest upon a set of assumptions about the nature of the world economy and the role of national economies within it. The models assume perfect competition and the absence of significant economies of scale, instant and costless access to the same technology throughout the world, perfect information flows, the absence of risk or uncertainty, and identical preferences (ibid.).

There are glaring weaknesses in the adjustment model. First, it assumes that there is no difference among countries apart from that associated with different factor endowments, and that there is no need to design different adjustment programmes according to different levels of development (Lall, 1995).

Second, recent research into technological capacities in developing countries suggests that the adjustment model is oversimplified and misleading. For, the process of becoming efficient in industry is slow, risky, costly and often prolonged. The process faces:

a range of market failures that may call for interventions in both factor and product markets. In product markets, it may call for infant industry protection. In factor markets, it may call for interventions to direct resources to particular selected activities, selective as well as functional interventions in skill creation, the promotion of local technological capacity rather than a passive dependence on

imported technologies, and the setting up of a variety of supporting institutions. (Ibid.)

In the presence of widespread market failures, simply leaving matters to the market could penalize the development process.

Third, while the measures recommended in the adjustment model would lead to a decline in import-substituting manufacturing and public ownership, they are unlikely to generate the new kinds of industrial investment and growth favoured by the World Bank and IMF. As some analysts have argued, these policies and measures are likely to lead to de-industrialization, thus forcing countries into a problematic reliance on raw mineral resource and agricultural exports (Stein, 1992).

The serious flaws in the adjustment model are replicated in the World Bank's analysis of the performance of the manufacturing sector in selected African countries (World Bank, 1994). Its conclusion from an analysis of a sample of 29 countries has been proved to be misleading on the basis of existing empirical material. The World Bank study divided the countries into three groups : six with "large improvements" in macro-economic policies, nine with "small improvements", and eleven that had experienced "deterioration". It claimed that countries with the greatest improvements in policies (those that had undertaken the most adjustment) enjoyed the greatest median improvement in manufacturing performance. Those with the least improvement fared worst. These conclusions have been attacked on several grounds. First, the groupings of countries according to improvement or deterioration in policy had little or nothing to do with adjustment but were based entirely on changes in macro-economic policy, and not on adjustment in the sense of "getting prices right" (Lall and Stewart, 1996). Second, medians for groups had no statistical significance if individual variation within groups was greater than the variation between them. A statistical test on the data from the World Bank study showed that none of the differences in growth rates between groups, or for the same group between two periods (1981-86 and 1987-1991) was significant. Of the 15 countries which experienced high rates of manufacturing value added in 1990-93, only five had annual increases of about 4 per cent or more (ibid.). These were Burundi, Kenya, Mauritania, Nigeria and Uganda.

Of these, Nigeria and Kenya dominate the group, accounting for 75 per cent of the total manufacturing value added of all the policy-improving countries. Interestingly, neither of these countries is considered by the World Bank :

to have implemented import liberalization properly. If they are excluded from the group total, the rate of growth for this group in 1990-93 falls to 0.1 per cent per

year. In other words, virtual stagnation, and not significantly different from the performance of the non-adjusting countries. (Ibid.)

This critique indicates, therefore, that there were scant grounds for arguing that it was adjustment that had led to improved manufacturing growth in these countries. The effects of adjustment on industrial performance were complex and ambiguous; causal inferences clearly needed to be drawn with much more care than the World Bank had bothered to do.

Methodology

As indicated earlier, the study is based on a longitudinal survey in which the manufacturing sub-sectors that were first covered in 1993 were surveyed again in 1995. Altogether, 12 firms were surveyed in 1995 and they consisted of six textile and six metal firms. Four out of these firms had previously been studied in the 1993 survey. The smaller number of firms covered in the 1995 survey (12 as compared to 20 in 1993) was to allow for a more intensive analysis of the processes of industrial restructuring, the features of the labour regime, and workers' supplementary sources of livelihood. The advantage of the approach that was employed for the 1995 study was two-fold. The first related to the comparative dimension: material gathered in the 1993 survey could be compared with the findings of the 1995 one. This enabled us to pick out the more sustained trends in the manufacturing sector and attempt a more definitive conclusion regarding ESAP's outcome. The second advantage concerned the multiple methods of research that could be utilized on a smaller set of firms. The methods consisted of an analysis of the records of the firms, the National Employment Councils (NECs), and the unions and workers' committees (WCs). Questionnaire-based interviews were also conducted. In addition, participant observation of the meetings of unions and workers committees and of shop-floor work processes was undertaken over a limited period.

The selection of the sampled firms was not random in the 1995 survey because of the need to revisit four of those that had previously been sampled in 1993. As the remaining eight firms, they were chosen on account of their size and performance. It was necessary to have a mix of large and medium-sized firms and of both the "successful adjusters" and the unsuccessful ones in order to have a contrasting set of experiences and outcomes. Two medium-sized textile firms and another two medium-sized metal firms were covered in the sample. However, this still left a bias towards the large-scale firms which, altogether, were eight in number. Our assumption was that there would be distinctly different responses by these firms differentiated in terms of scale of operations and performance. With this in mind, factors such as

refurbishment, export competitiveness, skills training, and the labour relations apparatus of the firms were evaluated in order to explore any emerging patterns of differentiated responses.

The total number of workers sampled was 240, giving an average number of 20 workers per firm. Some 142 workers were interviewed in the textile sector and 98 in the metal sector. There were hitches in convincing management in the metal firms to release an equal number of workers for interviews as in the textile sub-sector. As in the 1993 survey, the workers who were interviewed were selected on a random stratified basis. With the assistance of personnel managers, a sampling frame of workers was drawn up in each firm visited, with an equal number chosen from among the "unskilled" (defined as manual operatives without formal skills training), the "semi-skilled" (defined as those who had acquired skills on the job but lacked formal qualifications) and "skilled" or technical and professional grade workers who had acquired substantial skills training, usually via an apprenticeship and certification. Between four and six workers were identified in each stratum at a particular firm and these were then engaged in questionnaire-based oral interviews. However, at most firms, given the greater proportion of "semi-skilled" and "unskilled" workers, the sample size was weighted towards them. The interviews were undertaken in Chishona and Ndebele by the principal researcher and two research assistants between November 1995 and March 1996.

As in the 1993 survey, we supplemented interviews with individual workers with group interview discussions with representatives of workers' committees and unions. At each firm, a group discussion was held with at least four representatives of the committees and the respective unions. Sometimes, the participants in group discussions numbered up to a dozen. The value of those discussions rested on the additional perspectives which they brought out and the collective experiences which they portrayed. Invariably, the tone of responses in group interviews tended to be much more militant as participants reinforced the opinions and information presented.

Furthermore, questionnaire-based interviews with management were also conducted. Most personnel managers were forthcoming on personnel issues but they had limited knowledge about the overall performance and financial position of their firms. Although some of the managing directors and financial executives were forthcoming, some were not enthusiastic or cooperative. This was particularly the case concerning up-to-date data on output, profits and losses, and on investment levels. In general, the management staff of the firms, unlike the workers and their unions, seemed to have become somewhat cynical about the objectives and utility of any research on ESAP. They appeared to have been disillusioned by one aspect or the other of the reform programme. Much more forthcoming were the responses from the representatives of national employment councils and the trade unions.

Field survey data was complemented with material, both published and unpublished, on macro-economic and sectoral trends in Zimbabwe under adjustment. This material consisted of statistical data from the Central Statistical Office (CSO) and the Reserve Bank of Zimbabwe (RBZ) and information from the Textile and Engineering Associations, the Zimbabwe Congress of Trade Unions (ZCTU), the Confederation of Zimbabwe Industry (CZI) and World Bank Office in Harare. Additional material was drawn from company annual reports and from the business press.

Structure of the Study

The study consists of five chapters. In the first chapter, we provide an overview of the Zimbabwean manufacturing sector stressing its central role in the country's economy and its response to the macro-economic measures introduced under ESAP. This provides the setting for the more detailed analysis that is undertaken in chapter 2 of the process of restructuring in the textile and metal sub-sectors. The swings in the fortunes of the firms in these sub-sectors are explored and the trend toward de-industrialization explained. The third chapter surveys the profound impact of restructuring and de-industrialization on labour relations. Using data gathered in the 1993 and 1995 surveys, a comparison of working conditions and workers' attitudes towards labour relations is attempted with a view to establishing if any significant shifts had occurred. A similar comparative approach is used in chapter 4 which examines income trends, living standards and coping strategies among workers. The final chapter of the study provides a summary of the findings, recommendations for a new industrial policy framework as an alternative to the structural adjustment package, as well as a brief post-script of developments in the economy after 1995.

Chapter 1

The Manufacturing Sector in Zimbabwe: An Overview

1.1 Introduction

This chapter provides the broad macro-economic setting within which the performance of the Zimbabwean manufacturing sector under adjustment can be assessed. The centrality of the manufacturing sector to the Zimbabwean economy both before and after ESAP has been widely acknowledged. Evidence of the keen interest shown by policy-makers, academics and various agencies in the fortunes and trajectory of the sector can be seen from the numerous surveys that have been undertaken on it since independence (Jansen, 1983; UNIDO, 1986; World Bank, 1987; 1995; ILO, 1993; Gunning et al., 1994; Riddell, 1990; Stoneman 1988). This literature is diverse and posits different formulae on how the further growth and integration of the sector may be achieved. There are sharp differences in the literature on what could constitute elements of the best growth strategy for the sector. We will outline those areas where differences have kindled a debate about priorities and the direction of Zimbabwe's manufacturing sector. In the next chapter, we will seek to test these different positions against firm-level evidence in two manufacturing sub-sectors, namely textiles and metals.

1.2 The Status of Manufacturing in the Zimbabwe Economy

There is a general consensus in the literature that the Zimbabwean manufacturing sector is one of the largest, most diversified and best-integrated in sub-Saharan Africa (ILO, 1993; World Bank 1995; Economist Intelligence Unit, 1995). Since 1970, manufacturing has accounted for approximately 25 per cent of the country's Gross Domestic Product (GDP). By 1987, it had become the second largest employer of labour; with a total of 175,000 people employed in the sector, this represented 16 per cent of the labour force in the formal sector. The size of the manufacturing labour force grew to 205,000 workers in 1991 before a decline began to set in. In 1991, the country's manufacturing GDP was put at just under US\$150 per capita; the corresponding figure for Kenya was US\$36, Nigeria, US\$21, and South Africa, US\$566 (ILO, 1993). In 1985,

manufactured exports accounted for almost 50 per cent of total exports (Riddell, 1990.).

Table 1.1 Real output growth rates (per cent per annum)

	1970–79	1980–85	1986–91
National (GDP)	1.36	2.27	3.86
Total manufacturing	1.70	0.86	4.62
Foodstuffs	5.00	2.72	3.11
Metals	2.59	-1.34	3.59
Chemicals	1.95	2.56	6.61
Drinks and Tobacco	2.09	8.65	3.39

Source: CSO Industrial Production Indices and World Bank, 1995.

Table 1.2 GDP growth by sector 1980–1996

Sector	1980–1990 % per annum	1990–1996 % per annum
Agriculture	2.0	0.0
Mining	0.9	2.3
Manufacturing	3.4	-2.0
Distribution and hotels	1.3	-1.0
Financial services	4.0	3.7
Utilities	3.7	5.0
Social and government services	6.0	0.3
Total GDP growth	3.2	1.0

Source: CSO and Standard Chartered Bank, 1995 and 1996.

Table 1.3 Employment growth rates (per cent per annum)

	1970–79	1980–85	1986–91
Total Manufacturing	2.45	-0.04	0.64
Foodstuffs	4.47	2.32	-3.03
Metals	3.66	-3.66	2.81
Chemicals	2.46	3.99	0.96
Drinks and Tobacco	3.25	0.97	-1.16
Textiles	3.39	2.96	1.18

Source: CSO and World Bank, 1995.

Clearly, from all of the foregoing, manufacturing has been a significant and leading sector in the economy. Indeed, there was a substantial and almost uninterrupted expansion in manufacturing activities over the 50 years from 1938 to 1988, with the sector enjoying an increasingly important role in the national economy. In real terms, manufacturing value added (MVA) doubled in the period 1938–1944, doubled again by 1948 and again by 1955 (*ibid.*). The most marked expansion, in terms of both real increases in MVA and its contribution to GDP, occurred during the first nine years of the Unilateral Declaration of Independence (UDI), i.e. 1966–1975, and the first few years of independence. For instance, from 1965 to 1982 the number of industrial pro-

ducts made in the country increased from 600 to over 6,000 as manufacturing flourished under protective barriers.

Prior to ESAP, most manufacturing firms were generally in good financial health, with low levels of debt, average leverage ratios of about 0.73, and long-term leverage ratios of only 0.17 (World Bank, 1987 : xiii). Most of the firms tended to be conservatively managed, using mostly their own resources to finance expansion. An analysis of the sources and uses of funds in 1980–1985 shows that internally-generated funds provided nearly three-quarters of new resources, with increases in long-term debt adding only a modest one-tenth.

Following independence, the sub-sectors which grew more rapidly between 1981 and 1991 were textiles, drinks and tobacco (see Table 1.1). Clothing and footwear, chemical and petroleum products, non-metallic mineral products and transport equipment also grew rapidly in the late 1980s. The metal and metal products sub-sector, however, experienced only a modest growth during this period. The sub-sectors where employment growth expanded fastest were clothing and footwear, paper, printing and publishing, chemical and petroleum products, and transport equipment.

The preceding profile of the manufacturing sector needs to be viewed against some of the limitations of local producers some of which became manifest in the 1980s. Those limitations related to competitiveness, especially in the export sector, access to investment, responsiveness to the changing incentive regime, and capacity for expanded employment creation. Thus, although the sector played a crucial role in the creation of backward and forward linkages in the economy—for example, it supplied most of the inputs required in agriculture and processed much of the output from that sector—its export competitiveness was quite limited in the 1980s. The inward-looking orientation of the sector was viewed by some analysts, especially those associated with multilateral financial institutions such as the World Bank and the International Monetary Fund, as a source of weakness in the near and long-term. This is not an uncontested viewpoint as we shall see in the next section.

1.3 Competitiveness and Export Orientation before Adjustment

There is a general agreement among analysts holding different positions that, in the 1980s, the Zimbabwean manufacturing sector was not really as uncompetitive as the advocates of ESAP were later to argue. It was conceded even by the World Bank that in spite of protective tariffs, many industrial firms had, for instance, remained relatively efficient by international standards (World Bank, 1987). Firm level studies had shown that as much as one half of the industrial value added was being produced under efficient

conditions and only about 12 per cent was created under very inefficient conditions (ibid.). For an institution that would later strongly argue for speedy trade liberalization over a two to three-year period, this critical conclusion was remarkable for its candour:

the average levels of industrial efficiency are relatively high for a highly protected industry and figures confirm that the long period of protectionist industrial policies did not lead to the evolution of a generally uncompetitive manufacturing sector. (World Bank, 1995: 128.)

Several conclusions may be drawn from this observation on the relative competitiveness of the manufacturing sector. First, the period of protectionist industrial policies under the UDI and in the first independence decade did not appear to have resulted in the evolution of a highly uncompetitive manufacturing sector, although it might have led to a relative decline in changes in output derived from import substitution activities and export growth (Riddell, 1990: 350). Second, the wide range of Domestic Resource Cost (DRC) scores within different sub-sectors and particular industries involves far more than simply providing the "correct" macro-economic framework and incentive structure.

It was, thus, unconvincing to argue that speedy liberalization should be introduced into the manufacturing sector due to its inefficiency. Nevertheless, a slightly more convincing case could and was made for the sector's liberalization on account of its weak export performance in the 1980s. Export performance was lack-lustre, on the whole, with exports declining between 1981 and 1986, and growing by about 6.8 per cent between 1986 and 1990. Manufactured exports rose from 29 per cent of total merchandise in 1981 to 36 per cent in 1990.

The sluggish manufacturing export growth that was recorded provided ammunition to those who were pressing for structural adjustment in the 1980s. Their diagnosis of this sluggishness rested on the claim that it was largely a consequence of a negative incentives system that placed manufacturing at a severe disadvantage by disproportionately rewarding domestic market production (World Bank, 1987: xviii). The incentives system was believed to lead to a severe anti-export bias for the whole economy, but especially for the manufacturing sector.

Table 1.4 Exports and growth of exports, 1981–1990

Subsectors	Exports US\$ millions			Growth of exports		
	1981	1986	1990	1981–86	1986–90	1991–90
Foodstuffs	43.1	59.4	63.2	6.6	1.3	3.9
Drinks & tobacco	9.4	1.7	6.2	-29.1	29.9	-4.0
Textiles & cotton ginning	91.2	80.0	86.8	-2.6	1.6	-0.5
Balance	19.2	28.3	38.3	18.3	6.2	12.1
Clothing & footwear	27.4	17.4	43.5	-8.7	20.1	4.7
Wood & furniture	15.3	5.5	10.8	-18.6	14.6	-3.4
Paper, printing & publishing	2.5	4.0	5.6	9.8	6.7	8.2
Chemical & petroleum products	21.8	18.4	33.3	-3.3	12.5	4.3
Non-metallic products	2.2	6.9	15.3	25.4	17.1	21.2
Metals ferrochrome	118.5	126.6	155.6	1.3	4.2	2.8
Balance	121.6	68.8	110.5	-10.8	9.9	-1.0
Transport equipment	10.3	9.8	27.3	-1.0	10.3	10.3
Other manufacturing groups	9.8	19.4	24.3	14.6	4.6	9.5
Total	485.3	446.2	620.7	-1.7	6.8	2.5

Source: CSO, ILO, 1993.

Table 1.5 Growth of manufactured exports 1991–1995

	US\$ Million		Growth % per annum
	1991	1995	
Ferro-alloys	124	213	11.7
Wood products	8	38	48.4
Furniture	6	21	48.4
Clothing	41	64	12.3
Footwear	8	14	12.2
Paper, printing and stationery	6	18	37.7
Manufactured tobacco	6	11	24.8
Textiles	49	62	7.7
Grain products	3	39	59.4
All Manufactured goods	290	598	21.2

Source: Standard Chartered Bank, 1987.

There were several ways in which the incentives system was thought to be detrimental to the growth of manufacturing exports. Firstly, the protection conferred by the forex allocation system led to a significant price differential between domestic and export sales, making the latter far less attractive than domestic sales. Secondly, limited domestic competition made domestic production a more reliable and easier activity compared to exports. Finally, to the extent that the exchange rate might have been overvalued in relation to

medium-term growth, this reduced the profitability of exporting. These considerations were to inform the recommendation that:

the goal of sustained growth of industrial output, employment and exports can be most effectively realized by the formulation of a consistent package of policy changes that would have as its core the combination of further exchange rate movement and the reform of the forex allocation system, complemented by changes in investment regulation and price controls, and a supportive macro-economic reform. (Ibid. xxi.)

The thrust of the market liberalization programme that was embarked upon to make the manufacturing sector more export-oriented was spelt out in the Zimbabwe government's *Framework for Economic Reform 1991–1995*. Indeed, this goal became the rationale for the far-reaching ESAP measures that began to be implemented in 1990.

But how convincing and consistent was this particular position which basically endorsed an orthodox adjustment package for Zimbabwe? Unproven assumptions lay behind the advocacy of the package. These were that higher rates of medium and longer-term growth and structural change would be achieved principally by altering the overall incentive structure, and that this structural change would best be achieved by the removal of non-market-based interventionist policies. Yet, none of the World Bank's reports spelt out quantitatively, the effects of such changes on the manufacturing sector beyond the derivation of some rather crude data on MVA, employment creation and aggregate exports (Riddell, 1990: 382).

Furthermore, the World Bank's own record in supporting the export-orientation of the sector was inconsistent in the 1980s. After its loan to finance an Export-Revolving Fund (ERF) for the sector proved quite successful in the context of a controlled forex allocation system, the World Bank withdrew at the eleventh hour from extending the funding unless the trade regime was liberalised (Stoneman, 1992). This particular instance gave the impression that the judgement was not based on whether policies were working but whether they were working according to market dogma. The inconsistency of the World Bank's position can be partly assessed by comparing this decision to its initial pronouncements on export promotion and trade liberalization. Prior to ESAP, it had argued that there would remain a strong case for the maintenance and improvement of specific export-promoting measures such as the ERF to encourage at least short-run growth (World Bank, 1987: xxii). Furthermore, it had originally counselled against hasty trade liberalization:

liberalization attempts in other countries have shown that trade liberalization without appropriate exchange rate and macro-economic management is not sustainable. Zimbabwe's own experience in the immediate post-independence period illustrated the risks of liberalizing imports with an inconsistent exchange rate and macro-economic framework. (Ibid. xxiii.)

In the ESAP document and during the adjustment process, these cautious admonitions were thrown to the winds. And yet, the macro-economic context in 1990–93 was hardly suitable for the immediate and hasty trade liberalization. The resultant damage to some of the manufacturing sub-sectors was considerable as we will see from our survey findings on the textile and metal sub-sectors in later chapters.

With regard to both the issues of competitiveness and export performance, ESAP has not been notably successful. Market liberalization has not worked wonders. In spite of (or rather because of) the liberalization framework that had been firmly put in place when the first phase of ESAP ended in 1995, manufacturing firms exported relatively small quantities of products. This “soft” exporting has limited the expansion potential of many manufacturers and necessitated significant changes in the behaviour of manufacturing firms as they strive to restructure themselves and integrate into world trade (World Bank, 1995: 133). The World Bank’s earlier studies and “common wisdom” which had originally attributed that behaviour to lack of new technology and equipment, constraints on availability of imported inputs, and an “over-valued” exchange rate were not vindicated by the sector’s response to the new incentives regime brought in under ESAP. Although large portions of old capital stock had been replaced, the import regime liberalized and the exchange rate depreciated significantly, still very few companies had taken advantage of unused capacity and “very low” wages to restructure their product mixes to enter into more demanding export markets (ibid.:133). Indeed, those studies couched in liberal market wisdom have raised the spectre not of regeneration but of deindustrialization in some of the sub-sectors. Certainly, a number of factors operating in the broader macro-economic framework have contributed to the lack-lustre performance of the sector under ESAP and we now turn to them.

1.4 Investment and Fiscal Conditions before and under Adjustment

The fortunes of the manufacturing sector have been closely tied to the prevailing investment and fiscal regimes in the country. Prior to ESAP, there was extensive state intervention through a variety of fiscal and investment controls, including the forex allocation system. The scarcity of forex (dating back to the UDI years) hampered investment and the renovation of capital stock during much of the 1980s. Investment levels peaked in 1974–1975 before taking a downward slide in the 1980s. Estimates indicated that investment levels over the period 1974–1982 were inadequate to cover the depreciation of equipment. For instance, out of three sub-sectors studied by a World Bank mission in the mid-1980s, textile had the biggest investment rate since independence while neither the steel nor fertilizer sub-sectors had undertaken

major investments since the mid-1970s. Yet even in that relatively modernizing textile sub-sector, the spinning equipment was on average 20 years old while looms were about 16 years old (World Bank, 1987: xix). In chapter 2, we will explore in considerable detail the vicissitudes of the modernization process in this sub-sector under ESAP.

More generally, up to the mid-1980s, Zimbabwe had witnessed a total gross inflow of foreign investment amounting to less than US\$50m. However, with specific reference to the manufacturing sector, there has been little quantification of sub-sectoral investment trends and requirements, including an estimation of the aggregate investment required for the sector as a whole (Riddell, 1990: 385). Some estimates posited that manufacturing investment would have needed a minimum of Z\$584m a year (at current prices) between 1988 and 1990, compared with an average of Z\$185m (also at current prices) in the first half of the 1980s.

Nevertheless, even before the launch of ESAP, investment had begun to pick up significantly, especially from 1985 onward. Although this rise in investment was not reflected in output growth, it was confirmed by information from companies listed on the stock exchange and import data on capital goods. There was a steady climb in the volume of investment in manufacturing since 1985–1986, save for a slight contraction in 1990. This steady growth in investment can be verified by analysing machinery imports between the late 1980s and early 1990s. Real imports of machinery and transport equipment increased by more than 150 per cent between 1987 and 1991 (World Bank, 1995: 120).

A major assumption behind the ESAP liberalization strategy was that it would trigger a further significant surge of investment, especially foreign investment. But the available evidence concerning foreign capital inflows does not bear out the optimism which underlay the ESAP framework document. By 1995, the biggest foreign investment project worth Z\$2 billion was made in platinum mining by an Australian multinational called BHP. Clearly, the deregulation of labour controls leading to increased managerial flexibility in “hiring and firing”, and more generally to a low-wage economy has not been a sufficient condition to attract significant amounts of foreign investment. Nor have such investment incentives relating to repatriation of profits and tax holidays been much more inspiring to external investors. It would appear that foreign investors have other considerations in mind before investing.

However, there was an initially favourable response by domestic firms to the early liberalization exercise undertaken in 1990–1991. There was a considerable amount of investment by domestic firms before the fiscal regime became tough from 1992 onwards. A greater proportion of this investment consisted of the refurbishment of plants, typically the replacement of old equipment by modern plant as well as expansion of capacity. Firm-level

evidence suggested a notable trend toward re-equipment at least in the first two years of adjustment. This was prior to the escalation of interest rates which made borrowing and loan servicing extremely expensive. It was observed during this early stage of ESAP that:

sub-sectors used to prospering under highly protected or even subsidized conditions are being forced to determine where their long-term comparative advantage lies, and are streamlining their operations, reducing product ranges, buying new equipment for finishing processes and generally becoming more efficient and more responsive to market conditions. Companies which had invested in new machinery and equipment at a time when interest rates were low and the exchange more favourable for imports than is now the case, are in a particularly strong position. (ILO, 1993: 75.)

However, this favourable interlude for affordable investment conditions was quite short-lived. In 1992, interest rates rose very fast, trebling in the process to nearly 40 per cent. Corporate borrowers began to reel under a tremendous debt burden.

The fiscal regime which evolved as a consequence of liberalization had a sharp, negative impact on investment by most firms. The objectives of achieving high positive interest rates and substantial increases in investment levels became mutually contradictory during this period. A perverse situation developed in which it became far more profitable in the short-term to invest in money markets than in new productive capacity. Indeed, the high cost of domestic borrowing lay behind the contraction of operations by some firms and outright liquidation by others. Organized industry, under the auspices of sectoral industrial associations and the Confederation of Zimbabwe Industries, made numerous agonized appeals for a relaxation of the tight fiscal regime. Some of the heaviest borrowers were in the textile, clothing and steel sub-sectors and their exposure contributed to the crisis which they experienced as we will elaborate in chapter 2.

The combination of high interest rates and the sustained devaluation of the Zimbabwean dollar discouraged firms from completing their expansion plans. As is consistent with other adjustment programmes, devaluation was a significant element of the fiscal liberalisation component of the Zimbabwean ESAP. The evolution of the thinking of the IFIs on this issue can be traced back to the mid-1980s. For instance, it was advised that devaluation:

would help attenuate the anti-export bias by raising the profitability of exports both in absolute terms and relative to domestic sales. It would raise domestic prices of imports and lower labour costs relative to other countries, improving Zimbabwe's competitive position in world markets and protecting domestic industry from outside competition. (World Bank, 1987:xxi.)

Furthermore, it was contended that in addition to its impact on the manufacturing industry, devaluation would lead to shifts in overall relative prices in the economy, that would encourage resource movements into productive sectors in general and exporting activities in particular. It was, therefore, recommended that the Zimbabwe dollar be devalued by up to 40 per cent in 1987 (*ibid.*).

The basis of this optimism concerning the potential outcome of devaluation was, however, seriously questioned by many critics. It was argued, for example, that in the short- to medium-term, there would be an extremely high and price-inelastic demand for imports among manufacturers (Riddell, 1990: 377). A rise in the value of imports due to devaluation would not lead to any short- to medium-term decline in the demand for such imports but would merely raise the production costs, including a fall in demand, for manufactured goods produced for the domestic market. Furthermore, it would also raise the price of producing exports, thereby reducing the overall effect of the currency depreciation. In view of these considerations:

a two-tier, exchange-rate system offered perhaps the best structure for the manufacturing sector. A slightly higher aggregate value of the Zimbabwe dollar in the context of the forex control system helps to keep down the costs of imports, assisting the policy of reducing inflation and stimulating domestic demand. (*Ibid.*)

The Zimbabwean government was not in principle opposed to devaluation. Indeed, substantial depreciations of the Zimbabwe dollar were effected in the early 1980s and late 1980s without much publicity. However, this was considered inadequate when ESAP was launched in 1991. Thus, between July and September 1991, the Zimbabwe dollar was devalued by nearly 20 per cent; and by October 1992 the real level of devaluation was 33 per cent against a basket of trading currencies. There was another devaluation of 15 per cent in 1993, and yet another in early 1994 of the order of 17 per cent (World Bank, 1995: 9). In July 1994, the official exchange rate was abolished and a floating unified exchange rate system adopted. The devaluation exercises did not necessarily lead to an upsurge in manufactured exports. Indeed, due to other elements in the fiscal regime—the significantly high interest rates—there was a decline in manufacturing investment as we observed above. Firms saddled with large debts reduced their import bills significantly.

Firm-level evidence tends to suggest that although devaluation may be a necessary instrument for economic policy-making, it is not, on its own, a sufficient tool for the achievement of an industrial strategy designed to enhance international competitiveness (Mzulu, 1996: 47–48). This is because in the specific case of Zimbabwe, most firms had already adjusted themselves to the environment of forex shortage so that when the real exchange rate depreciated, there was little structural adjustment to be made. Furthermore,

the benefits deriving from devaluations are dependent on the existence of competitive factor and product markets. It was thus argued that the existence of distortions in these markets ensured that devaluations were not a sufficient measure to raise the competitiveness of the manufacturing sector.

In concluding this section on the impact of the fiscal regime on manufacturing, let us briefly consider the effects of the government budget deficit which ballooned out of control. The deficit swelled significantly during the ESAP period. Originally, the deficit amounted to just over 11 per cent of the GDP at independence, but was rapidly brought down to about 4 per cent in 1981–82. However, the ratio rose over the next seven years to reach an estimated 9 per cent of the GDP in 1989–1990. Generally speaking, the deficit can be funded either by domestic borrowing, foreign borrowing, monetization of the deficit, or by some combination of the three. However, over-reliance on domestic borrowing can lead to the crowding out of the private sector due to either high interest rates or credit rationing. Excessive dependence on foreign borrowing can cause appreciating real exchange rates, widening current account deficits and unsustainable external indebtedness while over-reliance on money creation may trigger higher inflation. The budget deficit in the 1990–1995 period was clearly unsustainable, standing as it did at an average of 10 per cent of the GDP. A negative outcome of the heavy domestic borrowing by the government was the “crowding out” of private sector investors and the persistence of high interest rates which hovered around the mid-30 per cent mark in 1993–1994 and mid-20 per cent mark in 1995. This compounded the fiscal crisis in the manufacturing sector. The budget deficit has, therefore, been an object of attack by organised industry, including the Confederation of Zimbabwe Industries (CZI).

1.5 Productivity and Income Trends

In this section, we broadly assess the trends which have emerged in the manufacturing sector in the area of productivity and income levels. A general assumption held prior to ESAP was that adjustment would facilitate access to capital imports that would, in turn, contribute to the raising of productivity. However, there appears, in general, to be a dearth of information on trends in productivity in the manufacturing sector. The only exceptions to this scarcity of information are the textile and steel sub-sectors; their experience will be examined in Chapter 2.

In general, under ESAP, capital intensity has increased considerably. However, capital productivity has been declining while labour productivity has been increasing. By measuring productivity through dividing employment by the production index, it has been estimated that labour productivity growth in manufacturing between 1984 and 1991 was 3.3 per cent per annum.

This was "quite high even by international standards" for a sector that had not grown very fast (World Bank, 1995, 125). However, some assessments point to a slight decline in labour productivity in the period 1991 to 1994 in the manufacturing sector (Kanyenze, 1996: 19). This has been explained in terms of "capital shallowing", arising from the substitution of capital for labour. However, caution has to be exercised before a general conclusion can be made that there has been a decline in labour productivity under ESAP. For example, another estimate revealed manufacturing labour productivity growth of 0.7 per cent for Zimbabwe between 1980 and 1993 (Van de Geest and Wignarja, 1996: 16).

The trends in incomes in manufacturing generally point to a depression in real wages. A combination of unsustainably high inflation and a glut in the labour market largely explain the low levels of real wages in the manufacturing sector. Wage trends have been influenced both by the absence of a collective bargaining mechanism before 1990 and its utilization under ESAP. Real minimum wages in manufacturing were virtually unchanged five years after independence. On the whole, they were, on average, higher than wages in other sectors and compared favourably with those of some developing countries. For example, the minimum wage in 1985–1986 was equivalent to US\$90 a month which, thus, was higher than that of Brazil and about the same as that of Mexico, according to the World Bank. It was for this reason that some were to argue that this pre-ESAP wage structure was "way out of line for a country of Zimbabwe's per capita income" (World Bank, 1987: 49).

As was observed earlier and as advocated by the IFIs, real wages in manufacturing have declined considerably under ESAP. Although gross profit margins increased steadily from about 13 per cent in the early 1980s to almost 25 per cent in 1990, the share of labour in gross output declined from about 18 per cent in the mid-1980s to 13 per cent in 1991. From an indice base of 100 in 1980, manufacturing wages had declined to 89.4 in 1994, a decline of about 10 points. Some analysts have related this decline to trends in real product earnings (Kanyenze, 1996). Average real product earnings for each were obtained by deflating the average annual earnings by the implied GDP deflator. The rate of decline in the growth rate of average real product earnings of 15.6 percentage points in the tradable goods sector (which includes manufacturing) was much steeper than that of the 8.3 percentage points experienced by the non-tradable goods sector under ESAP (ibid. 15). Within three years of the launching of ESAP, manufacturing sector wages declined sharply to the order of approximately 30 per cent (ILO, 1993: 28). The increased incidence of industrial strikes over wage disputes during this period testifies to this precipitous fall in wages. At the same time, however, collective bargaining structures which were hitherto non-existent have been

established throughout the manufacturing industry. National employment councils are jointly constituted by employers' organisations and unions which engage in periodic negotiations on conditions of work, including wages and salaries. The state has, therefore, now withdrawn from the wage-setting process.

With regard to employment trends, there has not been a spectacular growth in the number of jobs available since independence. The number of workers in the manufacturing sector climbed from 160,000 at independence to 177,000 in 1986 before reaching 205,000 at the beginning of the adjustment period. Accounting for an estimated 17 per cent of formal sector employment, the sector experienced a decline during the 1992 drought. Overall, since independence, employment growth in the sector has been low, at approximately 4,000 new jobs per annum. Data on the current employment situation in the manufacturing sector is not complete but there has been a relative decline due to retrenchments in certain sub-sectors such as textiles and metals. These retrenchments will be discussed further in subsequent chapters. A survey of 200 firms, for instance, established that they had shed close to 8 per cent of their labour force between 1991 and the first half of 1993 (World Bank, 1995). However, most official data does not include contract workers who are employed on an on-off basis. There was an observable tendency amongst firms to recruit a segment of contract workers so as to increase their flexibility in periods of economic contraction.

1.6 International Trade and the Manufacturing Sector

We have already made some observations regarding the competitiveness of the manufacturing industry before and during ESAP. There is still a need, however, for a disaggregation of the data to show whether there have been noticeable increases in exports and imports with respect to manufacturing. The growth in exports in current US dollar terms stood at 2.5 per cent per annum between 1980 and 1991. This was a relatively low rate of growth. A major explanation for this mediocre growth centred on the constraints on input imports during the 1980s due largely to the forex control system. Debt servicing which reached a peak of 37 per cent of export earnings in the mid-1980s contributed to the import rationing. However, the share of imports in gross manufacturing output has increased significantly between the highly import-constrained period of the mid-1980s and 1991 (World Bank, 1995:117). As a result of the liberalized Open General Import Licence (OGIL) system introduced under ESAP, the ratio of imports to the gross output of the manufacturing sector climbed to 42 per cent in 1991. Up-to-date material on manufacturing imports is difficult to come by but the trend would have been towards an increase following the adoption of trade liberalization measures.

Indeed, certain sub-sectors such as textiles and steel have borne the brunt of the huge increases in the importation of competing finished products as we will show in Chapter 2.

In spite of various incentive schemes, manufacturing export performance has not been outstanding. Those schemes that were introduced—the Export Incentive Scheme, the Export Revolving Fund and the Industrial Bonus Scheme—have now been phased out. Manufacturing exports declined between 1981 and 1986 but increased at the rate of 6.8 per cent between 1986 and 1990. Overall, manufacturing exports have increased modestly from 19 per cent in 1980 to 23 per cent of total exports in 1993. The sluggish export capacity of the manufacturers is not particularly surprising in view of the decline in overall manufacturing production, especially in 1995. It was calculated, for example, that manufacturing production fell by over 14 per cent in the first nine months of 1995, and that production had been running at its lowest level in 11 years (Standard Chartered Bank, 1995). Another estimate in 1995 was that half of the manufacturing sub-sectors had witnessed production volumes falling to or below the levels recorded in 1980 (FMB, 1995:3). This is a context in which manufactured exports could not have been substantial, thus signifying that adjustment measures may have had a negative rather than positive effect on manufacturing production and export capacity.

Indeed, there has been an attempt to re-institute protective tariffs to limit cheap imports from outside. Those measures were belatedly introduced in 1995, and additional ones were announced in 1996 to protect the local manufacturing industry. Trade liberalization had come under sustained attack from organizations representing industrialists.

Chapter 2

Restructuring in the Textile and Metal Industries

2.1 Introduction

The textile and metal industries have undergone significant restructuring under adjustment, although some elements of the restructuring process could be traced back to the late 1980s. This chapter examines the dimensions of the process and argues that it has weakened rather than strengthened the capacity and performance of these two sub-sectors. We arrive at this conclusion after examining survey findings relating to competitiveness, investment and productivity trends and the effects of trade liberalization. The chapter also considers the responses of the firms to the restructuring, and pays particular attention to their coping strategies.

2.2 The Role of Textiles and Metals in Zimbabwean Manufacturing

Both the textile and metal sub-sectors are among the leading sub-sectors in Zimbabwe's manufacturing industry. They lead in terms of the scope of operations, output, exports and employment. For example, the textile sub-sector comprises cotton ginning, spinning, weaving, finishing, textiles, carpets, knitted products, rope and cordage. The sub-sector in 1982 had a gross output amounting to nearly 10.4 per cent of the country's total manufacturing output, and a total employment of nearly 17,000 or 9 per cent of total manufacturing employment (UNIDO, 1986: 64). By 1993, the textile industry has increased its employment capacity to 24,000 representing about 13 per cent of manufacturing employment. This made the industry the fourth largest employer in the manufacturing sector. Textile exports amounted to US\$69 million in 1993, and approximately US\$75 million in 1994 (CSO, 1996). The sub-sector ranked as the fifth largest exporter in the manufacturing sector.

Similarly, the metal industry is a leading sub-sector in terms of size, output and employment capacity. The sub-sector includes basic non-ferrous metal and iron and steel industries whose activities involve some smelting and refining. It also includes the manufacture of metal products, machinery and equipment, including electrical, radio and communication equipment. In 1982, the sub-sector had 408 firms, accounting for 29 per cent of the total number of firms in the manufacturing sector, 21 per cent of gross output, and

24 per cent of total employment in the sector (ibid., 85). In 1993, the sub-sector employed 43,000 workers, or about 21 per cent of manufacturing employment, and contributed 20 per cent of gross output. It also contributed an estimated 22 per cent of manufactured exports.

Thus, the two sub-sectors occupy strategic positions in manufacturing in that they have extensive backward and forward linkages with the rest of the economy. They draw upon raw materials from agriculture (cotton lint in the case of textiles) and from mining (iron ore in the case of metal manufacture). In turn, the textile industry supplies crucial intermediate materials for the clothing industry while the metal sub-sector supplies inputs to both large-scale and small-scale manufacturers of metal products.

It was remarked of the metal industry that:

it is the most diversified in terms of the range of commodities produced and different end-users of the products in the economy. The inter-linkages between this group and all other sectors in the economy are probably the most developed and yet the sub-sector still has the greatest potential for further development of linkages. The group's products are used as intermediate goods, machinery and equipment by the manufacturing sector itself, the agricultural sector, mining, construction, transport, energy and telecommunications. (Ibid.: 85.)

In an assessment of Zimbabwe's experience with ESAP, it would, therefore, be useful to explore how these potentially strong performers in manufacturing have fared. We proceed with an analytical assessment at two levels. The sub-sectoral conditions are first sketched out broadly, and then the experiences of the firms sampled for this study are assessed in a more detailed manner. The sub-sectoral and intra-firm conditions are then related to the broad macro-economic framework in which ESAP was implemented. Evidence from the surveyed firms illuminates the repercussions of macro-economic policies, in particular, investment and fiscal policies, the trade liberalization policy and what exists ambiguously as an industrial policy.

2.3 The Firms Surveyed in the Textile and Metal Sub-Sectors

Altogether twelve firms of varying sizes were surveyed with six from each of the two sub-sectors. Four of those firms had been covered in the previous fieldwork undertaken in 1993. David Whitehead and Merlin are the two textile producers that had been surveyed in early 1993. The two firms in the metal sub-sectors that had been surveyed in 1993 are ZISCO and Radar. Thus a third of the surveyed firms had previously been sampled. We were, therefore, able to obtain a fuller picture of the fortunes of this set of companies for the entire 5-year duration of ESAP.

Among the firms surveyed in 1993, but not in 1995 was Cone Textiles which, at the time, was the largest textile firm in Zimbabwe. It collapsed in

1994 as a consequence of the conditions described in our previous report (Sachikonye, 1995). At the time of our 1995 survey, Merlin was also teetering on the brink of collapse. In 1996, it was placed under judicial liquidation, as was Textile Mills in the year before. The metal and steel firms were not performing substantially better. Although it continued to operate, ZISCO significantly reduced its capacity to 30 per cent. It has managed to survive largely because of infusions of government subsidies. The subsidy for 1996 amounted to Z\$242m. The firm of Radar Metals has also experienced tough conditions both in the domestic and external markets.

Thus, most of the surveyed firms have experienced adverse structural conditions under ESAP. Only a few of those sampled have managed to take advantage of the few openings created under adjustment. They have mostly derived advantage from the diversification of their operations and markets, and also from financial restructuring. However, the sustainability of their more successful performance is not a foregone conclusion. In the next section, we sketch a broad picture of conditions in both the textile and metal industries and then highlight the experiences of the surveyed firms.

2.4 Competitiveness and Export Orientation in the Textiles and Metals Sub-Sectors

It was observed earlier that the textiles and metals industries were the leading sub-sectors in Zimbabwe in terms of existing size, output and potential expansion. If there were Zimbabwean industries that were well placed for a potential take-off in a significant way, it was these two that were at that point at the beginning of ESAP. It was, for example, observed that with proper exchange rate policies, the textile industry:

would be able to compete successfully in world markets. This is not to say that the mills are as efficient as in Europe, East Asia, or the United States, but that they are efficient enough to produce at lower cost with an appropriate exchange rate if they have access to inputs at international prices. (World Bank, 1987: 87.)

It was, however, observed that management at the textile firms seemed to be more concerned with production and internal efficiency than with marketing, an orientation which needed to change if the firms were to compete successfully outside Zimbabwe. Prior to ESAP in 1990, the major constraints to the textile industry related to access to forex with which to import the necessary inputs. As we observed in our previous report, the industry was in dire need of modernization by 1990 (Sachikonye, 1995). For example, spinning equipment was on average about 20 years old, weaving equipment about 16 years old, and a significant number of looms had been installed in the 1950s. The foremost priority of most textile firms was, therefore, to undertake massive re-equipment to accomplish successful modernization. That moderni-

zation would hold the key to the competitiveness and export capacity of the firms under ESAP.

How then has the sector fared with respect to modernization under the five-year ESAP programme? Our previous report examined the initial stages of re-equipment during the period between 1990 and 1993. By the end of 1995, most textile firms had experienced more acute hardships in accomplishing the modernization of their plants. The cost of re-equipment had become astronomical due to high interest rates which still stood at about 28 per cent at the end of 1995 after dropping from 39 per cent in 1993. Merlin, for instance, reported that restrictive monetary policies had contributed significantly to the existing problems of the industry (Merlin, 1994). Its annual report highlighted what it termed "a highly negative effect of interest rates" on its capitalization projects to upgrade production. Those projects, commenced prior to the 1991 escalation of interest rates, had amounted to Z\$16.5 million in 1993. Interest charges shot up to about Z\$20 million in 1994 clearly eclipsing the group's operating profit of Z\$7.5m. To Merlin, this was "an untenable position" which critically hampered a resumption of profitable operations (Merlin, 1995).

The David Whitehead textile firm which had a much stronger balance sheet than Merlin also pointed to the constraints it faced with regard to the high cost of borrowing and reduced capacity to undertake refurbishment. It observed that it had become difficult to be optimistic about the firm's future:

with inflation and fiscal policies that have the effect of penalizing the manufacturing industries ... It has not re-equipped its plant and machinery adequately, mainly because management has been uncertain about the future of the industry under the last few years' economic climate, and this will impact negatively on the long-term future of the company. (David Whitehead, 1995.)

Indeed, this leaching textile firm described 1995 as its "most difficult year in the last decade". But its experience could not have been an isolated one. Even those companies which posted better performance on the export markets still felt the need to address the impediments to their operations posed by the prevailing fiscal regime. Zimbabwe Spinners and Weavers, for example, experienced a jump in the value of its textile exports from Z\$127m to Z\$166 in 1995, (Zimbabwe Spinners and Weavers, 1996). Its argument against the burdensome interest rates in the economy was even stronger:

one finds that the financial institutions of Zimbabwe have no choice but to place its industry at a massive disadvantage; this is under the collective advice of the great and good that Zimbabwe has to have a positive interest rate over inflation which, given the fiscal policies of Zimbabwe, means the productive sector is not only crowded out of any capital investment raising schemes, but has to pay excessive interest rates and face capital erosion. This state of affairs has continued over three years and is largely responsible for the rapid rate of de-industrialization now taking place in Zimbabwe. (Ibid.)

The experiences of the large textile firms generally confirm that the fiscal regime under ESAP was inimical to sustained modernization. Those firms, like Cone Textiles, which "rushed" to modernize were penalized by astronomical interest rates which strangled them. A common complaint amongst textile firms is that interest rates should not have been made punitive but partly regulated to forestall their negative effects on re-equipping. The rosy picture of the prospects of modernization and the strong export potential of the industry painted in our last report based on survey findings up to 1993 now appears to have been premature. A top executive of the Central African Textile Manufacturer's Association (CATMA) blamed the government's failure to address the high rates of interest for the decline in the fortunes of manufacturers and argued that there should have been gradual financial liberalization instead of the hasty "big bang" approach adopted (Interview with Mr. Griesely, CATMA, November 1995). Observing that the textile industry had not been warned that the devaluation of the Zimbabwe dollar would treble the prices of imported inputs, he went on to assert that ESAP had been

the most ill-managed programme that I have ever come across. (Ibid.)

The combination of fiscal constraints and a difficult macro-economic environment delayed extensive modernization among textile manufacturers. This had an adverse impact on the capacity of the industry to improve its international competitiveness. To that extent, the restructuring process in the textile industry was partially blocked, implying that full benefits could not be realized from the process. Partially refurbished firms could not be expected to become robust competitors in both the domestic and external markets.

It was against this somewhat gloomy background that the World Bank commissioned a study of the textile and clothing sector in 1995. The findings of the study were largely predictable, and they confirmed the analysis and legitimate anxieties of the industrialists in the sector. It was, for example, observed that the financial structures of the firms were in the process of transformation:

which limits the availability of own capital and credit use to changes in the underlying institutional framework. The availability of capital will be crucial to finance the radical changes necessary in the textile sector. Current investment ratios are too low to keep track. (Kurt Salmon Associates, 1996.)

The report added that full liberalization of the sector at the time it happened had proved disastrous and that a longer period for it to adjust was necessary. This should be phased over another six-year period in which an integrated textile chain policy would be implemented. Furthermore, while fabric production was more or less competitive in the international market-place, fin-

ished textile goods were not competitive for reasons of quality and cost (ibid.). Dyeing and finishing were at a major competitive disadvantage in Zimbabwe. In order to become competitive, it was essential for "finishing companies to invest in new equipment". Thus, there exists at least some consensus between textile industrialists and World Bank consultants that the restructuring of the industry will remain incomplete until the modernization process is largely achieved.

Let us now examine conditions relating to competitiveness in the metal and steel sub-sector. Initially, there had existed similarly high hopes that ESAP would facilitate access to investment capital for required modernization. The leading corporation in this sector is ZISCO which experienced massive management and viability problems under ESAP. As we explained in our previous report, ZISCO's restructuring strategy was hinged on large infusions of investment capital (Sachikonye, 1995). That restructuring programme was estimated to cost Z\$3bn which its main shareholder, the Zimbabwe Government, was unable to afford given its already stretched budget deficit. From our last survey of the corporation in 1993, it was clear that it was staggering from crisis to crisis. By the end of 1995, the Zimbabwe Government had poured close to Z\$600m in subsidies into the firm with few returns to show for this effort (*The Herald*, 1 February 1996).

The viability crisis of ZISCO was closely linked to its massive capacity under-utilization. One of its blast furnaces has been out of order since 1993. This particular No. 4 blast furnace had accounted for 70 per cent of the steel corporation's manufacturing capacity. The remaining blast furnaces ensured that ZISCO only operated at 30 per cent capacity. To compound the viability crisis, ZISCO possesses a non-operational sinter plant constructed at a cost of Z\$700m. The plant currently costs Z\$2.5m a month in maintenance and yet its activation hinges on the successful rehabilitation of the No. 4 blast furnace. The Achilles heel of the corporation, therefore, was the delay in its becoming fully operational. Government subsidies have not been adequate to enable the corporation to avoid a cash-flow crisis. By mid-1996, ZISCO owed its coke supplier, Wankie Colliery Company, some Z\$108m and the cut-off of those supplies would halt operations immediately. It has relied on a government subsidy to finance the debt to Wankie. The restructuring plans at ZISCO have proceeded in fits and starts. An agreement reached between the government and an international consortium of British and French companies in 1994 to rehabilitate the No. 4 furnace for Z\$730m envisaged the completion of the rehabilitation within 16 months, but it did not materialize. Instead in 1996, an agreement with a Chinese steel firm was struck which would cost less at Z\$500m to undertake the rehabilitation.

Meanwhile, plans are underway to prepare for a partial privatization of ZISCO. A study was commissioned in 1996 for a partial privatization strategy

which would result in the divesting by government of part of its 91 per cent stake in the corporation. It is uncertain, however, whether there is sufficient investor interest in the corporation, particularly if the government clings on to a large part of the shareholding. As long as the restructuring prospects remain uncertain, so will its market position become more vulnerable. ZISCO's management conceded that the corporation had come under severe pressure from intense foreign competition particularly in downstream products and with regard to quality (interviews with ZISCO management and workers' committee, March 1996). It was observed that the tariff regime under ESAP was biased in favour of imported finished goods rather than imported raw materials for local producers (*The Herald*, 31 July 1996). This had resulted in the domestic market being flooded with finished metal products from more efficient producers in neighbouring countries. These in-roads into ZISCO's formerly captive market can largely be attributed to the mediocre management of the firm and its poor decision-making before and during ESAP. A government-sponsored Inquiry Commission in 1986 had identified mismanagement, poor planning and nepotism in recruitment as some of ZISCO's pressing problems. Indecision concerning the rehabilitation of the steel works resulted in expensive postponement of refurbishment which was delayed for up to 10 years (Smith Report on ZISCO, 1986).

Other steel and metal firms confirmed that ZISCO's capacity to supply the domestic market with the necessary raw material inputs had significantly declined. This necessitated a recourse to external suppliers, chiefly those based in South Africa (interviews with management at United Springs and Radar, November 1995). Furthermore, those external markets which ZISCO previously supplied had switched to new suppliers. The delayed restructuring of ZISCO has resulted in a drastic increase in steel and metal imports. The imports of bars, rods and sections trebled from Z\$87m in 1990 to \$265 in 1994, and those of iron and steel plates and sheets rose five times from Z\$26m in 1990 to Z\$106m in 1994 (CSO, 1995). Exports of ingots and billets declined eight-fold from 210,814 tonnes in 1990 to a mere 27,965 tonnes in 1994. There was also a noticeable decline in exports of iron and steel bars and rod sections from 40,907 tonnes in 1990 to 31,900 tonnes during the same period (*ibid.*). Domestic metal firms such as Radar Metal expressed increasing disquiet about ZISCO's performance (Radar Metal, 1994). As was the case with textile firms, expensive borrowing was a major constraint on the metal industry. Its exasperation was captured in sentiments such as these:

there is every possibility that Zimbabwe will end up with a twin track economy where the primary sector economy will develop by accessing relatively cheap financing while the local manufacturing sector heads into terminal decline ... Government's blithe disregard of economic fundamentals over the past few years has placed enormous strain particularly on its manufacturing base ... During a

period of murderous interest rates, it has not been easy to prepare for the future ...
(Radar Metal, 1995.)

Table 2.1 Imports of (a) bar rods and sections and (b) iron and steel plates and sheets by value (1990–1995)

Bar, Rods and Sections		Iron and Steel Plates and Sheets	
Year	Z\$'000	Year	Z\$'000
1990	87,439	1990	26,073
1991	116,477	1991	56,798
1992	199,563	1992	76,046
1993	165,441	1993	60,430
1994	265,358	1994	106,274
1995	377,626	1995	114,681

Source: CSO, 1995 and 1996.

Table 2.2 Exports of (a) ingots and billets and (b) iron and steelbar, rods sections by value (1990–1995)

Ingots and Billets		Iron and Steel Bar Rods & Sections	
Year	Z\$'000	Year	Z\$'000
1990	107,134	1990	24,238
1991	142,801	1991	36,738
1992	17,628	1992	54,395
1993	143,910	1993	172,380
1994	29,063	1994	84,914
1995	27,169	1995	76,763

Source: CSO, 1995 and 1996.

The response of the metal firms to the changes in the structure of incentives associated with the introduction of ESAP has, like that of textile firms, been uneven. Some firms have diversified their product ranges in innovative ways. The firm of Tandem which originally was exclusively involved in the manufacture of trailers for heavy vehicles diversified into the building of tractors and irrigation equipment mainly for the sugar industry. It even increased its workforce by 15 per cent while bigger firms were retrenching a substantial part of their workforce. Nevertheless, by the beginning of 1995, both the metal and textile sub-sectors had experienced production declines compared to their levels of output in 1990. According to the index of volume of production of the manufacturing sector which used 100 as the base in 1980, textiles were down to 96 and metals to 93 as table 2. 3 shows (CSO, 1995).

Table 2.3 Index of volume of production of the textile and metal industries (1980 = 100) 1990–1995

Year	Textiles, Including Ginning	Year	Metals and Metal Products
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1990	129.9	1990	114.4
1991	133.8	1991	113.5
1992	134.3	1992	100.6
1993	126.5	1993	82.3
1994	127.0	1994	92.1
1995	96.0	1995	93.1

Source: CSO, September 1995.

In concluding this section we will briefly look at the export capacity of these two sub-sectors. It was certainly not enhanced by the unfavourable ESAP fiscal regime and the delayed or partial restructuring which occurred. The removal by government of the export incentive scheme in January 1994 was seen as a major setback by manufacturing firms, especially in view of the assistance provided to their competitors in other countries. We have already referred to the declining export capacity of the metal industry. For instance, the export performance of Radar Metals deteriorated sharply soon after the removal of the 9 per cent tax-free export incentive. The incentive had been a key element in its ability to remain viable in export markets such as Botswana where it had built an extensive distribution network. The removal of the incentive forced the firm to increase export prices and the net result was that "sales into Botswana plummeted" (Radar Metal, 1994.). In the textile industry, firms such as David Whitehead also decried the removal of the export incentive scheme. They viewed the action as ill-timed in that it came a little more than a year after South Africa had imposed restrictive tariffs to reduce Zimbabwe textile exports. As management at Merlin informed its shareholders:

Zimbabwe must be the only textile exporting country in the entire world which does not have an export incentive scheme. South African textile exporters enjoy 19 per cent; Pakistan, Brazil and other competitors in the open market benefit from even higher government subsidies to encourage both exports and the growth of their industry. (Merlin, 1994.)

Merlin had a reasonably strong case and interest in excoriating the government over its scrapping of the scheme; it stood to lose Z\$4m in 1994. One estimate is that the termination of the scheme prejudiced the entire textile industry to the tune of about Z\$42m in 1994 (Zimconsult, 1995; Musuwo, 1995). The broad conclusion is that the export capacity of the textile industry was undermined by incomplete restructuring, the fiscal regime and the premature removal of the export incentive scheme. We now turn to the related issue of trade liberalization and its impact on the two sub-sectors.

2.5 Effects of Trade Liberalization on Textile and Metal Firms

The objective of the liberalization of Zimbabwe's international trade was clearly spelt out in the ESAP document (Zimbabwe Government, 1991). Protective barriers to imports were rapidly dismantled between 1991 and 1993. It was envisaged that 50 per cent of imports would be free from licensing and exchange restrictions by the end of 1992, and 70 per cent by the end of 1993 (World Bank, 1992). Import liberalization soon opened the sluice-gates to massive inflows of textile goods and second-hand clothing. As we observed in our previous report, by 1992, textile firms had already begun complaining loudly about the influx of these imports (Sachikonye, 1995).

As table 2.4 shows clearly, there was a very significant increase in the recorded imports of textile piece goods between 1990 and 1993. They jumped from about Z\$10.8 million in 1990 to Z\$237 million in 1993 (CSO, 1996). In 1994, they jumped even more sharply to Z\$461.2 million. The significance of this massive increase in textile imports is that they consisted of finished material which fetched relatively low prices in the domestic market. Textile piece goods originated from Far Eastern producers such as Taiwan and Hong Kong but also from Pakistan and Mauritius. In addition, there was a substantial upsurge in imports of yarns and threads which shot up from about Z\$43 m in 1990 to Z\$118 m in 1994 (ibid.). To these were added manufactured imports of special textile fabrics and materials which also expanded phenomenally from Z\$32 m in 1990 to Z\$149 m in 1994. Thus, in 1994 alone, the value of imported textile products reached Z\$718 million and the impact of these imports on the domestic industry was very considerable. However, these import costs should be set against the Z\$990 million realised from the exportation of yarns and threads, fabrics and cotton lint (ibid.). The annual increases in the volume of exports has been much slower; it was static as far as yarns and threads were concerned. While the volume of textile fabric exports nearly trebled between 1990 and 1994, that of cotton lint exports actually declined from about 51,000 tons to 46,000 tonnes.

Table 2.4 Imports of (a) yarns and threads and (b) textile piece goods 1990–1995

Yarns and Threads		Textile Piece Goods	
Year	Z\$'000	Year	Z\$'000
1990	42,943	1990	10,873
1991	60,005	1991	199,788
1992	63,648	1992	185,058
1993	46,688	1993	237,156
1994	108,650	1994	461,269
1995	117,744	1995	570,808

Source: CSO, 1995 and 1996.

Table 2.5 Exports of (a) yarns and threads and (b) cotton lint

Yarns and threads		Cotton lint	
Year	Z\$'000	Year	Z\$'000
1990	51,577	1990	208,713
1991	82,460	1991	215,907
1992	100,765	1992	137,495
1993	129,039	1993	153,457
1994	200,802	1994	480,325
1995	231,269	1995	391,187

Source: CSO, 1995 and 1996.

Textile firms have, therefore, used the evidence of the exponential increase in textile imports and the almost static nature of exports to criticise the pace of trade liberalization in the sector. They pointed to the massive evidence of textile imports displacing local products. Representative of the exasperation of textile industrialists is this rhetorical question by one of the surveyed firms:

does Zimbabwe really require a textile industry or would it not be easier for our planners if Zimbabwe imported all its textile and clothing requirements, with reallocation of resources of employment, power, capital and land to the mining and primary producing industries, and the new importing elite? (Zimbabwe Spinners and Weavers' Executive Chairman, May 1996.)

The conditions under which textile firms such as Zimbabwe Spinners and Weavers operated were not favourable; as we saw above, most had to suspend modernization due to fiscal problems. At the same time, their perception was that competition with foreign textile firms was not being conducted on a level playing field owing to the subsidies the latter received from their home governments.

In addition to the influx of textile imports, the domestic industry was further undermined by second-hand clothes which flooded the local market during this period. They adversely affected both the textile and clothing industries. Although cheap enough to be affordable by low-income groups, second-hand clothes were a retrogressive face of trade liberalization. Thousands of jobs were lost—one estimate puts the number at 15,000 between 1991 and 1995—as a consequence of textile imports and second-hand clothes. Concerning the upsurge in the volume of illegal imports both of textiles and second-hand clothing, the Merlin management complained that:

competing products are being imported both legally and illegally into this country, from countries which have heavy subsidies for manufacturers. Government must ensure that protective tariffs are speedily put into place. (Merlin, 1994.)

Even a World Bank-sponsored study conceded that second-hand and illegal textile imports had become a huge problem (Kurt Salmon Associates, 1996). Rough estimates suggested that as much as 40 per cent of total consumption in the local garment market was taken up by second-hand clothing (mostly

charity imports from Western Europe) and smuggled goods mainly from Mozambique and Zambia. With a domestic market of 10.5 million, but only 1.5 million potential clothing customers, and another 8.5 million depending on products from informal micro-enterprises or second-hand imports, "a textile chain becomes rather difficult to achieve" (ibid.). This was confirmed by one of the surveyed firms, which advised its shareholders that:

the last few years have seen consumer power eroded, leaving the domestic market to seek affordable second-hand clothes and cheap fabrics produced in back street cottage-type industries in China, Pakistan and India. (David Whitehead, 1995.)

There is, therefore, a general consensus that has emerged not only in the affected industry but also among other observers that trade liberalization has not had healthy effects on the textile industry. It has not strengthened but, rather, weakened its base as the evidence above suggests.

Some observers have already begun conducting a post-mortem of the textile industry. They have argued for gradualism in implementing trade liberalization:

with respect to textiles and clothing, the case for a combination of protection of the domestic market coupled with enhanced export incentives follows from the analysis of the competitiveness of Zimbabwe's textile and clothing industries. (Zimconsult, 1995.)

It was further argued that the combination of protection and export incentives embodies the recognition that significant and sustained export growth would take time, and that access to the domestic market would remain important if companies are to be viable. The conclusion reached by other industry analysts was in line with this general perception (FMB, 1993). The textile industry could not be expected to adjust successfully to open market conditions quickly. Before ESAP, the general policy mix slowed the rate at which manufacturers were able to replace machines with new, more efficient equipment, but at least producers were protected from the consequences of not keeping up-to-date by having no serious competition in the captive local market.

The experiences of the steel and metal industries under ESAP have not been dissimilar. Although they have not had to contend with second-hand imports, the influx of cheaper goods has similarly been dramatic. For example, imports of iron and steel plates and sheets doubled in value between 1990 and 1993; so did imports of bar rods and sections. From imports valued at Z\$26 million in 1990, iron and steel plates and sheets had climbed to Z\$106 million in 1994 (see tables 2.4 and 2.5). These may be compared with exports during the same period which rose from Z\$24 million to Z\$84 million, a rate much below that of imports. Indeed, devaluation contributed to the increase of export values, otherwise the volume had remained static or even declined.

For example, 40,907 tonnes of iron and steel bars, rods and sections were exported in 1990 compared to a lower figure of 31,900 tonnes in 1994. The decline is reflected in the lack-lustre performance of ZISCO whose proportion of output exported dropped from nearly 50 per cent at the beginning of the ESAP period to between 11 and 20 per cent in 1994–1995 (interview with ZISCO management, March 1996). Until ZISCO's capacity utilization improves from the present 30 per cent, the domestic market will increasingly rely on imports, especially from South Africa. Even if full capacity utilization is restored, it will be difficult to recover most of its former domestic market. The experience of the metal industry also shows the negative consequence of haphazard trade liberalization in a sector that was ill-prepared for it.

2.6 Investment and Fiscal Conditions

In our assessment of the weak competitiveness of the textile and metal industries, we observed an inconsistent pattern of investment. Initially high levels of investment in 1990 and 1991 levelled off in 1992 and 1993, and showed some decline on an industry-wide basis in 1994 and 1995. It was noted that there was a direct link between the investment pattern and interest rate levels. To illustrate the slow-down in investment, the estimated amount invested in the textile industry in 1990 was US\$80 million. This plummeted to US\$34 million in 1992. Investment stagnated between 1993 and 1995 in the industry.

Of the six textile firms surveyed, only one had succeeded in re-equipping at least a third of its plant. The remainder had invested in capital equipment in amounts ranging from less than Z\$1 million in the case of Merlin to Z\$13 million in that of Zimbabwe Spinners and Weavers in 1994-95 (interviews with management, November 1995). This may be compared with the feverish refurbishment by Cone Textiles which totalled over Z\$300 million in 1991–1992 (Sachikonye, 1995). To illustrate how the interest rate regime became an unbearable burden on textile firms, the case of Helvey Knitwear (not covered in this survey) may be cited. The firm had borrowed Z\$1.2 million in 1991 when the interest rate was 26 per cent. By 1992, this amount was costing the firm Z\$0.8 million to service and this was the principal reason behind its liquidation in 1994 (Musuwo, 1995: 35). Merlin's experience was similar, with its interest charges amounting to Z\$16.5 million in 1993 and to approximately Z\$20 million in 1994. In May 1996, the firm had amassed borrowings amounting to Z\$60 million which finally forced it into provisional liquidation (Fingaz, 30 May 1996). Hopes for a substantial capital injection to pre-empt the liquidation had been dashed earlier. There was no bail-out for the textile firms, large and small, caught in the interest trap and this led to substantial liquidations during 1994 and 1995. One estimate was that nearly

one-third of textile firms collapsed during this period (Fingaz, 1995). A World Bank-sponsored study acknowledged that high interest rates were one of the main sources of weakness for the industry and concluded that:

current investment ratios are too low to keep track (Kurt Salmon Associates, 1996: 122).

Without substantial capital injection, restructuring in the textile industry would be severely limited.

In the metal industry, the investment pattern was not much different. The largest and most strategic firm in the sector, ZISCO, remained substantially under-capitalized throughout the ESAP period resulting in huge losses as production plummeted by up to 70 per cent. ZISCO was only capable of refurbishing about 10 per cent of its plant, while the other five firms surveyed had re-equipped by between 11 and 30 per cent. This was in a context of increased external competition and a tough fiscal regime. The smaller firms such as United Springs and South Wales spent relatively small amounts ranging from Z\$1 million to Z\$5 million on refurbishment. The exception to the relatively meagre investment in these firms was South Wales, a mechanical engineering firm which had invested in new equipment to manufacture high and low-voltage switch gear, transformers and rotating machines (interview with South Wales management, March 1996). It had expanded its capacity to enable it to export to neighbouring countries, notably Malawi.

In sum, under-investment in the textile industry which followed the initial surge in 1990–91 was replicated in the metal industry. ZISCO required an investment programme of Z\$3 billion but has had to settle for a sixth of that amount in the meantime. Just as there were liquidations largely as a consequence of heavy interest burdens in the textile sub-sector, so too a number of metal firms had gone under. The restructuring process in both sectors has, therefore, been stalled.

2.7 Technological Change and Productivity Trends

Have there been significant changes in manufacturing, especially in textiles and metals, as a result of ESAP? This is a useful question to raise in view of the initial claims of ESAP's proponents that adjustment would lead to modernization and greater productivity (World Bank, 1987; Zimbabwe Government, 1991). It is useful to refer briefly to an assessment of technology and productivity in the textile and steel sub-sectors before the launch of ESAP. It was observed that although the standard of maintenance was high, the machines were "too old and the product mix too diverse to achieve best

practice efficiency" (World Bank, 1987: 87). Nevertheless, data drawn from a sample of individual firms in the mid-1980s showed that

the equipment-output ratio in Zimbabwe is relatively close to that of best practice firms in developed countries while output per worker is one-half to one-third that in developed countries. Given differences in relative factor prices between Zimbabwe and developed countries, a lower capital-labour ratio and hence lower output per worker is to be expected. (Ibid. 91.)

In both spinning and weaving, capital productivity in Zimbabwe was close to that of the more developed countries. An assessment of ZISCO's technological base and productivity in the mid-1980s was similarly not negative. It was judged to be "an efficient operation even at market prices" (ibid. 116). Although labour productivity compared relatively well with that in Latin America, it fared less favourably compared to the most efficient producers, namely, Korea and Japan.

Following five years of adjustment, the anticipated bonus in technological advance and better productivity was missing in both industries. Here, we draw from analysts associated with the World Bank itself. A survey of twenty textile and clothing firms in 1995 established that:

weaving equipment is not modern but acceptable, and clearly less competitive compared to Germany and Italy. Weaving, dyeing and finishing reflect huge overcapacities. Machine efficiency is often poor ... The spinning equipment is quite old but well maintained. (Kurt Salmon Associates, 1996: 156.)

So the major weaknesses as identified by analysts from outside the industry related to the technological gap, especially in dyeing and finishing, and limitations in machine efficiency. These factors contributed to higher production costs.

The textile firms surveyed in this study broadly confirmed that even after the initial refurbishment, their technological base had not changed substantially. Much of their equipment needed upgrading if they were to become internationally competitive. For instance, David Whitehead which had spent considerable sums of money on buying new equipment in 1990 to 1992 acknowledged that:

with the advantage of the discounted cotton lint price being removed, it is necessary to convert this now expensive raw material on the most efficient quality-assured machine. Textile technology advances at an alarming rate and becomes outdated very quickly. If David Whitehead is to remain viable it is essential that a major refurbishment project be undertaken for it to become a world class mill. (David Whitehead, 1995.)

The imperative for technological sophistication was broadly acknowledged but so were the fiscal limits to bring it about, as we saw in a previous section.

For some of the surveyed firms, the solution partly lay in government policy that could be designed in a manner favourable to the struggling textile sector. The management of Zimbabwe Spinners and Weavers told its shareholders in forthright terms that "exporting manufactured goods depends on quality and product knowledge, and the best use of modern technology".

In line with this approach, the firm was modernizing and expanding three of its plants at the end of 1995. Its factory at Glendale was installing new rings, open ending and winding and doubling capacity, the Kadoma plant was installing a bleaching line while an extra jet dyeing capacity had been set up at the Martifield knitting plant. This first phase of capital investment was to be followed by a second phase projected to cost Z\$65 m (Zimbabwe Spinners and Weavers, September 1996). This robust approach to modernization was made possible by the firm's satisfactory results in both domestic and export sales. For smaller firms and over-indebted companies like Merlin, it was impossible to engage in substantial technological upgrading on a similar scale due to the financial constraints we mentioned above.

2.8 Coping Strategies of Firms under ESAP

This chapter has so far attempted to portray the mixed fortunes of firms in the textile and metal sectors under ESAP. While new opportunities emerged as a result of the de-regulation that was effected in such areas as pricing and access to forex, other pressures such as rapid trade and financial liberalization cancelled them out substantially. The competitive edge of firms in both domestic and external markets weakened. How then have firms sought to cope with the difficult conditions which have arisen under ESAP?

Firms have tried to cope by diversifying their product range, seeking new export outlets, raising new share issues, reducing their operations and relocating. The diversification of products has been attempted by both small and large firms. Smaller firms such as Twine and Cordage have introduced new lines such as twine for use in shops and butcheries. It has consequently diversified its exports to Canada, Malaysia, Malawi and South Africa (interview with Twine and Cordage Management, October 1995). We saw how a metal firm such as South Wales was trying to penetrate into neighbouring markets in southern Africa; it was also contending with strong competition from external supplies on the domestic market. The efforts at increasing exports were partly circumvented by the removal in early 1994 of the export incentive scheme. Nevertheless, some firms such as SK Textiles which possessed the advantage of setting up a very modern plant during the ESAP years have succeeded in largely depending on exports for their survival. The firm currently exports more than half of its output (interview with SK management, November 1995).

Diversifying the product range in the domestic market has paid dividends for some firms such as Tandem. When the assembly of trailers for haulage trucks became depressed, the firm diversified into tractor assembly and the manufacture of irrigation equipment. There was considerable demand for both sets of products on sugar plantations in the South-East Lowveld of Zimbabwe (Interview with management at Tandem, April 1996). The diversification at Tandem enabled it to increase the size of its work-force so as to cope with increased demand. At the same time, firms such as Cubbitt which did not engage in diversification encountered problems as sales stagnated. The market for its agricultural equipment had become saturated by 1995, and it began to cut back its work-force. Thus, firms needed to respond innovatively and quickly to market signals under ESAP. Those with a narrow capital base generally found it difficult to respond through investing into new product lines. Tandem also derived advantage from its subsidiary status to the Swedish truck manufacturer, Scania, for which it also undertook sub-contracted work. Additional sub-contracting by Tandem was for some heavy assembly firms such as Zambezi Coachworks and Deven.

As a coping strategy, obtaining new export outlets has its own limitations. Such outlets have not necessarily been more profitable than the domestic market. Indeed, large firms such as David Whitehead and Zimbabwe Spinners and Weavers have sometimes exported at a loss. The international market for David Whitehead's textile products remained weak with static prices in 1995. The firm noted that nearly "all our export fabrics were loss makers" (David Whitehead, 1995). Thus even when the volume of exports has increased significantly, this has not necessarily translated into correspondingly higher profits. In spite of the steady increase in its export sales from Z\$9 million to Z\$56 million in 1994, Merlin still registered overall losses which paved the way for its provisional liquidation in early 1996. As a coping strategy, exporting has had uneven results especially for the textile industry. It certainly does not work in situations in which protective duties are increased as was the case with the South Africa market in 1992. Additional factors such as cheaper loans and incentives would enhance the competitiveness of the industry.

Raising capital investment through new share rights issues has been another coping strategy utilized by firms. However, the attractiveness of new issues of shares depends a great deal on the previous performance and likely future prospects of a firm. Furthermore, only those firms listed on the stock exchange can avail themselves of this particular strategy. Large and well-placed firms such as David Whitehead and Zimbabwe Spinners and Weavers raised new capital through new issues in 1991 and 1995. The 1991 issue for David Whitehead raised Z\$48 million and that of Zimbabwe Spinners and Weavers in 1995 drew in slightly more.

However, it is not in all cases that a new share issue reduces or eliminates a firm's debt burden. In spite of a new issue, Merlin was unable to pre-empt the provisional liquidation which became its fate. Thus, share issues have a salvaging role if a firm is not already too deeply mired in debt. Radar Metal raised some capital through new issues but its performance has generally been mediocre due to poor export performance and fierce domestic competition. ZISCO has not taken advantage of the option of a rights issue because it is not listed on the stock exchange. It might have been able to go some way in raising the Z\$3 billion it requires for its long-delayed modernization programme. New share issues are not an option for most of the smaller firms which are not listed on the stock exchange; these continue to bear the burden of tight credit.

Another mechanism through which firms have tried to cope under ESAP has been to scale down the size of their work force. In reality, this is not a coping strategy, at least from the viewpoint of those workers who were retrenched in the process. A large proportion of the surveyed firms had retrenched part of their original workforce. Five of the six sampled metal firms had retrenched their labour forces by between 11 and 50 per cent (interviews with management, November 1995). ZISCO had "downsized" its workforce by almost a third in 1995 but this had not necessarily resulted in improved performance. However, South Wales had achieved better results from retrenching more than 35 per cent of its workforce. It remains a moot point whether other factors—such as diversification of product lines and export markets—may not be more decisive than cutting back on the labour force size.

In conditions of extreme stress, such as those in the textile industry, retrenchment is justified as a necessary element in restructuring of operations. Three of the surveyed textile firms—Textile Mills, Merlin and David Whitehead—retrenched substantially between 1994 and 1995. They retrenched 18 per cent, 19 per cent and 17 per cent of their work force respectively (Interview with management, November 1995). The proportion retrenched more than doubles when the number of retrenched contract workers is taken into account. It is noteworthy that restructuring through "downsizing operations" is not necessarily a solution, as the liquidation of Merlin and Textile Mills testifies. Rather, retrenching is usually an indication that a firm may be undergoing an inexorable decline.

Finally, a coping strategy which some of the firms have attempted is cross-border relocation. This has been attempted mainly by textile firms in order to circumvent protective barriers limiting their entry into the Botswana and South African markets. Cone Textiles which was eventually liquidated in 1994 relocated to East London in South Africa and has since become a leading manufacturer (Interview with the ZTWU Secretary-General, Simon Tsokotsa,

February 1996). Merlin owned a plant in Botswana which supplied both the Botswana and South African markets, and enabled it to avoid the tariffs on imports from its Zimbabwean plants (*The Herald*, 25 April 1995). Relocation is often a last-ditch attempt to avoid a total dissolution of a firm even though this may occur in the country of origin, as in the case of Cone Textiles. The existence of plant in a neighbouring country often triggers speculation, especially in government circles, concerning possible transfer pricing or illegal intra-firm trading by the firm concerned. To that extent, relocating may not be so much a coping strategy as an admission that operational and market conditions have become less attractive than necessary for sustainable operations.

Chapter 3

Change and Conflict in Labour Relations

3.1 Introduction

The process of industrial restructuring in the metal and textile sub-sectors has profoundly affected the content and tone of labour relations in a number of ways. The institutional and legal framework in which labour relations are conducted has undergone notable change. For example, greater flexibility has been awarded to management in recruiting and sacking workers. Furthermore, access to new technology by firms has had an impact on the organization of the work process itself. New trends in supervision appear to be emerging as a reflection of the changes in the work place labour regime. This chapter assesses the significance of these changes, and pays particular attention to the experiences and views of both workers and management with regard to the changes. It explores the responses of workers to the tighter work regime that has emerged under ESAP. A major aspect of those responses relates to heightened conflict in a context of job insecurity typified by retrenchments and company closures. At the same time, however, both management and unions have pursued collective bargaining much more resolutely than in the past. They have sought to sow seeds of compromise in collective bargaining agreements which also often incorporate codes of conduct. The chapter examines the relative significance of tendencies towards conflict and attempts at accommodation in a context of painful restructuring in the metal and textile industries.

3.2 Work Force Stability, Skills Distribution and Training

An analysis of labour relations under adjustment needs to take into account the composition and outlook of the labour force. Until ESAP, the metal and textile industries boasted some of the more stable segments of Zimbabwe's proletariat. There was an estimated 60,000 workers in the metal industry and 22,000 in the textile industry in 1990. In our sample of 240 workers in the two industries, almost 50 per cent had been based in the same firm for 10 or more years. In metals, almost 70 per cent of the interviewees had worked for 6 or more years. Workers at three firms, namely, ZISCO, South Wales and United Springs, showed greater stability through longevity of service. The proportion

of textile workers who had spent six or more years at one firm was 64 per cent, with workers at the firms of David Whitehead, Textile Mills, Twine and Cordage, and Merlin showing greater stability. This stability can also be linked to their marital status. About 84 per cent of the sampled metal workers and 77 per cent of sampled textile workers were married. Almost two-thirds of these sampled workers were in the 30 to 50 year age-group. If our sample was a reasonable guide, the profile that emerges in the two sub-sectors is one of a predominantly male and middle-aged labour force. Its stability mirrored the relatively stable fortunes of the sub-sectors prior to the ESAP-induced restructuring that occurred in the 1990s. In the course of this chapter, we will observe that this stability has been undermined due to the restructuring.

Most of the sampled workers belong to the semi-skilled and skilled categories as specified in the gradings contained in collective bargaining agreements. About 67 per cent of the workers belonged to these two broad gradings. Some 32 per cent were skilled workers while 45 per cent belonged to the semi-skilled category. The remainder of the sample (some 23 per cent) were general workers termed "unskilled workers" in the parlance of collective agreements. Nevertheless, there appeared to have been a notable trend towards the retraining of workers in new skills. This was largely in the area of operating new equipment. About 50 per cent (N = 71) of workers in the sampled textile firms had received skills training ranging from one week to six months. More than half of these (N = 36) received training which lasted three or more months, suggesting a more extensive inculcation of new skills. In the metal sector, an almost similar proportion (49 per cent) to in textiles had undergone skills training, with 23 per cent (N = 22) having received training for six or more months. This could indicate the scope that existed for specialization in certain work skills in the metal industry. It is notable that the training in new skills was largely financed by the firms themselves. The investment in new skills training was viewed by the firms as indispensable in the new business environment that emphasised productivity and competition.

It is useful to compare the 1995 figures on skills training with those from the 1993 survey (Sachikonye, 1995). A higher proportion of 78 per cent (N = 44) had undergone skills training in textiles, and 49 per cent (N = 28) in heavy industry, including metals, in 1993. The comparison can be extended to include the proportions of workers using new equipment under ESAP. Whereas in the 1995 survey, about 27 per cent of textile workers utilized new equipment, the proportion was 34 per cent in the 1993 survey.

Table 3.1 New equipment and its use by workers in the textile and metal industries

	No.	%
Textile workers using new equipment	38	27
Metal workers using new equipment	9	11
Textile workers who received recent skills training	71	50
Metal workers who received recent skills training	48	49

Source: Field Interviews, November 1995–March 1996.

Most of the textile workers operating new equipment were at Twine and Cordage, Zimbabwe Spinners and Weavers and Emma Knitwear. These firms were not covered in the previous survey. The negligible rate of workers using new equipment at David Whitehead and Merlin underscores the point that there was hardly any such new equipment purchased in both firms after our 1993 survey. A much lower proportion of metal workers, about 11 per cent, was using new equipment. This was largely a reflection of the stalled restructuring in the firms surveyed. Most of the metal workers using this new equipment were based at ZISCO and Tandem. Even then, there has not yet been extensive re-tooling accomplished at these two firms.

The evidence we sought on skills training and new equipment utilization was to assist us to illuminate the depth of restructuring. However, as we observed in chapter 2, capital investment began to lag behind from 1992 onward, with the exception of a few firms. Nevertheless, it is still significant that skills training had not tapered off. Although it is regarded as an important investment in human capital, there has, however, been no systematic acquisition and rewarding of new skills. Collective bargaining agreements do not have specific provisions for firm-based ad hoc training programmes. Nevertheless, it is significant that 44 per cent (N = 62) of textile workers and 14 per cent (N = 7) of metal workers had their jobs upgraded during this period. This points to informal arrangements within firms to reward those workers who had undergone training. Significantly, most upgradings had occurred at the larger textile firms of David Whitehead, Zimbabwe Spinners and Weavers, and Merlin; and at the metal firm of United Springs. However, it is also of interest that downgradings have occurred with 8.5 per cent and 10 per cent of sampled textile and metal workers respectively having experienced a lowering of their job values. As we will observe below, the issue of job grading or evaluation has become a contentious issue in a number of firms, leading to sharp conflicts.

3.3 Supervision, Polyvalency and Productivity

Generally, management supervision of employees has increased under ESAP to ensure as much efficient production as possible. This is one strategy of

management aimed at coping with manufacturing under the conditions of stress discussed earlier. This has occurred against the background of such major constraints as the big debt burden of many firms, protected export markets (mainly the South African one after December 1992) and intense foreign competition in the domestic market. There has, therefore, been a general interest by management to speed up the work process and maintain original levels of speed even where substantial retrenchments have taken place. More and more workers are doing additional work to previously, especially where retrenchments occurred. The legal framework, which incorporates amendments to the Labour Relations Act, is now clearly more supportive of unilateral managerial prerogatives to "hire and fire". There is increased flexibility for management in the broad context of the deregulation of labour controls as enshrined in the 1992 amendment to the Labour Relations Act.

In our survey, about two-thirds of textile workers confirmed that they had become subject to intensified supervision. Not surprisingly, cases of intensified supervision were more prevalent in firms undergoing lean periods. These were Merlin, Textile Mills and David Whitehead. However, even in those smaller firms performing relatively satisfactorily like Emma Knitwear and Twine and Cordage, the supervision process was no less tight.

Table 3.2 Textile workers' views on supervision and work intensification

	No.	%
Workers who said supervision had intensified	87	63
Workers who said supervision intensity had remained the same	34	24
Workers who said work had become harder than before	97	68
Workers who said work had remained the same	9	6

Source: Field Interviews, November 1995–March 1996.

Table 3.3 Metal workers' views on supervision and work intensification

	No.	%
Workers who said supervision had intensified	64	65
Workers who said supervision intensity had remained the same	28	29
Workers who said work had become harder than before	64	65
Workers who said work had remained the same	25	26

Source: Field Interviews, November 1995–March 1996.

A similar proportion (65 per cent) of workers in the metal industry also confirmed an intensification in supervision. This was relatively widespread at Radar and the smaller firms such as Cubitt and Radar. Elements of intensified supervision included more emphasis on work discipline and setting of targets for workers. As workers at SK Textiles remarked in a group discussion:

the employer has more powers to hire and fire. Now they are employing contract workers only, yet the job is permanent. Every month we are losing people. Any mistake and your contract will not be renewed. (Interviews, November 1995.)

This general tone of frustration on the part of workers was confirmed in another group discussion with textile workers. Under ESAP:

companies feel 'freer' and 'more relaxed' and less afraid of government. The trade-off has been that by offering jobs, firms feel they now have greater leverage over government ... Workers know they will find it very difficult to find other jobs. Workers therefore do self-disciplining. (Interviews, November 1995.)

It is scarcely surprising that workers feel a sense of job insecurity more keenly than before. At the ZISCO steel plant, the work process had intensified following the halving of the original 6,000-strong work force. However, due to other constraints such as incomplete capitalization, "maximum production was impossible" (Interviews, March 1996). The representatives in the workers' committee were more explicit in their critique:

workers are insecure and feel unfree to make constructive suggestions. ... Suspension is now more commonly used for minor offences. ... Some intimidation of workers is also occurring. (Ibid.)

Thus, the supervision process has become a key element in the production systems of the firms, but one characterised by authoritarianism, frustration and insecurity. This function of supervision usually devolves upon line supervisors or forepersons but below them, another stratum of supervisors consists of gang leaders or section heads. Both sets of supervisors are in the frontline of production supervision and their relations with shop-floor workers set the tone of intra-firm labour relations. From the management side, there was no disputing that supervision had, indeed, been tightened and for some firms, workers had indeed become "a little easier" to supervise since the advent of ESAP (Interviews at Textile Mills and David Whitehead, November 1995).

An important outcome of the tighter supervision regime was the growing trend towards polyvalency in firms. This was another coping strategy by firms to make up for the reduction in the size of the work force. Increasingly, supervisors delegate additional job tasks to workers. In the metal sub-sector, our survey revealed that 40 per cent of sampled workers were performing jobs once reserved for other employees. Some 27 per cent of the sample stated that they were doing job tasks formerly done by workers since retrenched. The situation regarding polyvalency was more or less similar in the textile industry. About 44 per cent of the sample confirmed that they did jobs formerly reserved for other workers while 36 per cent now did work previously done by retrenched. A greater degree of polyvalency was more

noticeable in the larger firms of David Whitehead, Textile Mills and Zimbabwe Spinners and Weavers.

Management expectations were that a leaner work force with all-round skills in such different areas as spinning, weaving and dyeing was a more productive and efficient workforce. The expectations also included the flexibility which this granted to management to assign workers to different work stations depending on the work flow in the firm. Prospects point to increasing levels of polyvalency, and these are partly reflected in the patterns of skills training referred to above. The prevalence of skills training is not simply geared towards use of new equipment but to impart additional skills to workers to replace retrenched.

Of course, the conditions of supervision and polyvalency have a direct bearing on productivity trends in the surveyed firms. To what extent, then, has restructuring under ESAP affected productivity? Generally, there appears to be a mixed picture regarding productivity. Individual firms in the two sub-sectors do not keep data on productivity on a systematic basis; the measurement techniques have not yet been standardized. The responses of individual firms to this issue, therefore, tended to be based on intuition rather than a methodical assessment of productivity levels. For instance, most of the metal firms surveyed stated that productivity appeared to have decreased. They were not precise about the proportion of this productivity decrease. The firms of South Wales, ZISCO and United Springs were more explicit about the decline in labour productivity, implying that worker performance may have slacked. However, as we observed in Chapter 2, other crucial variables which affect productivity include the degree of re-equipment which in a firm like ZISCO had seriously lagged behind.

While some textile firms had experienced an increase in productivity, others had not. For example, Merlin which reeled under a heavy debt burden and, therefore, had curtailed re-tooling, stated that labour productivity "had decreased a lot". However, other firms such as Textile Mills confirmed labour productivity increases. In the absence of hard statistics on labour productivity, it is difficult to draw a firm conclusion on this issue.

From the perspective and experience of workers, the issue of productivity is viewed differently. Workers at several textile firms such as Twine and Cordage, Zimbabwe Spinners and Weavers and SK Textiles remarked that they had seen productivity rise higher under ESAP. For example, at Zimbabwe Spinners and Weavers, workers were categorical that:

productivity and quality have increased significantly. (Interview with workers' committee members, November 1995.)

The increase was in tandem with a surge of company exports to markets in South Africa, Botswana, Malawi, Britain and Germany. Similarly, metal

workers at Tandem also believed that productivity had been rising, and stated that this was dependent upon efficient production and availability of material inputs. Generally, however, the opinions of workers, like those of management, on productivity were neither based on nor confirmed by factual data. This ensures that this remains "a grey area" on which authoritative statements are not possible. Nevertheless, this has not dissuaded other analysts from making unequivocal observations. For example, a study on the textile industry concluded that: "textile companies are suffering from an overstaffing problem ... Labour productivity is poor, no 'quality' ethic was observed" (Kurt Salomon Associates, 1996:156). This assessment of productivity was made in a comparative context in which the performance of such different textile producers as Turkey and Germany was used as a benchmark. How realistic such a comparison was in the light of the obstacles to restructuring, as detailed in Chapter 2, is rather doubtful.

In the discussion on productivity, it is useful to bear in mind the national levels of real labour productivity that have been computed on the basis of material from the Central Statistical Office. Whereas the real productivity of labour in the manufacturing sector averaged Z\$5,677 in 1990 and Z\$5,598 in 1991, it declined to Z\$5,087 in 1993 before starting to rise again in 1994 when it was put at Z\$5,282 (ZCTU, 1996, 50–51). This sectoral trend would need to be disaggregated to sub-sectoral levels in textiles and metals to be useful for our purposes. In any case, however, perceptions of productivity have a direct bearing on relations between management and labour. In the next two sections, we look at their respective roles and attitudes in some detail.

3.4 Workers Committees, Unions and Shop-floor Labour Relations

Shop-floor relations between management and workers have undergone considerable change under ESAP for reasons connected to the new environment of increased managerial flexibility. Grappling with the changes stemming from deregulation is the responsibility of workers' committees and unions. In all the firms sampled in this survey, workers' committees existed to convey the views and interests of workers to management. They are an important channel of communication between the two sides. From the perspective of management, they were also an important instrument for regulating control over workers through internal campaigns aimed at enforcing discipline and productivity. Membership of workers' committees often consisted of workers belonging to unions. In many instances, due to this dual membership, there was a close working relationship between firm-level workers' committees and the three unions based in the textile and metal industries. Representing textile workers is the Zimbabwe Textile Workers Union (ZTWU). The metal and steel workers are represented by the National

Engineering Workers Union (NEWU) and the Iron and Steel Workers' Union of Zimbabwe (ISWUZ) respectively.

In this section, we outline the perceptions of workers on shop-floor relations and the role of both workers' committees and unions. This seeks to build on the results of our 1993 survey by attempting to identify similarities and differences in perceptions. We draw from interviews with the individual workers and groups of workers' committee and union representatives. The discussions on labour relations in the firms were unstructured but nevertheless revealing. Both textile and metal workers stressed the increasingly authoritarian and difficult character of labour relations. Workers at Twine and Cordage, for example, described labour relations under ESAP as having changed "for the worse, with rapid turnover contributing to poor relations". (Interviews, November 1995.)

According to the workers' committee at Merlin, management had taken advantage of the liberalization of labour laws under ESAP:

so workers struggle more ... A system of divide and rule is used by the company. The internal Code of Conduct is used for this purpose. (Interviews, November 1995.)

It was also observed that although Work Councils (composed jointly by the workers' committees and management) had, theoretically, been granted more powers in 1992, they remained weak instruments in work place negotiations.

There were often incidents of break-down in communication between management and workers' committees even on key issues. For example, workers at Textile Mills reported that they had not been fully consulted on the company's new code of conduct:

we have little knowledge of its content. Copies of the Code are scarce. (Ibid.)

The frustrations over poor communication were shared by workers' committees in the metal industry. At Tandem, they cited lack of consultation from management as a major problem. Increasingly authoritarian tendencies by management were identified by the ZISCO workers' committee:

suspension is now more commonly used for minor offences. The Code of Conduct and the Labour Relations Act are being violated. Some intimidation of workers is also occurring. (Ibid.)

Amongst the sampled textile workers, about 53 per cent (N = 74) stated that labour relations in the firms were "not good" while 20 per cent were satisfied that labour relations were "reasonably good". Thus, there existed differences of perception towards labour relations amongst workers. It is useful to compare these responses to those which emerged in our 1993 survey. In a sample of textile workers in 1993, some 48 per cent (N = 27) believed labour

relations were good while 42 per cent (N = 23) thought they had worsened. In our relatively bigger sample of 142 workers in 1995, there appeared to be an increase in the proportion of workers who believed labour relations have deteriorated. However, noteworthy is the "silent group" of workers who have been non-committal in their response to this question on the state of labour relations. About 20 per cent of workers in the 1995 survey refused to commit themselves to answering this question. This was double the proportion which was non-committal in its response in 1993. The reticence of this group of workers may be attributable to feelings of insecurity and anxiety about the object of the survey. In spite of assurances on the anonymity of their response, there persisted worries over possible management access to survey results.

Opinions of workers were sought on whether more cooperation had resulted between them and management in order to address firm-specific problems resulting from ESAP. These problems included the debt burden of firms, stalled programmes of re-equipment and high tariff barriers in certain export markets. In addition, the severe droughts in 1992 and 1994 created difficult conditions for firms which ordinarily would have made it necessary for increased cooperation between the two sides.

Table 3.4 Textile workers' views on labour relations

Workers who believed that	No.	%
Labour relations were good	29	20
Labour relations had worsened	59	42
Greater cooperation with management had occurred	48	34
Management looked after them well	24	17
Workers need unions to defend them	98	69
Workers have a right to strike	70	49

Source: Field Interviews, November 1995–March 1996.

Table 3.5 Metal workers' views on labour relations

Workers who believed that	No.	%
Labour relations were good	27	28
Labour relations had worsened	50	51
Greater cooperation with management had occurred	26	27
Management looked after them well	56	57
Workers need unions to defend them	42	43
Workers have a right to strike	52	53

Source: Field Interviews, November 1995–March 1996.

Some 53 per cent (N = 72) of the textile workers sampled remarked that there had been no evidence of management and workers "pulling together" during these difficult times. This was corroborated in the metal industry where 59 per cent (N = 55) of interviewed workers also reported no mutual "pulling together" at the level of the firm. Nevertheless, a sizeable proportion in both

the metal industry (27 per cent) and textile industry (34 per cent) stated that they had experienced more "pulling together" by the two sides in the previous year. However, compared with the 1993 survey results, there appeared to be a decline in the proportion of workers who had experienced mutual "pulling together" with management. There had been a decline from the 58 per cent who observed greater cooperation in 1993 to 47 per cent amongst the sampled textile workers in 1995. This decline would perhaps have been inevitable or explicable due to the viability crisis at some of the textile firms. In those firms where unilateral decisions were made concerning liquidation, for example, there had been a high level of alienation amongst the workers affected by such an action.

Questions were also put to workers about management paternalism at the firm level. Instructively, about 56 workers (57 per cent) in the metal industry stated that their management "looked after them well", compared to the 23 per cent who disagreed (interviews, 1995). Somehow, there was a major difference in the experience and attitude of this set of workers compared to those in the textile industry where 61 per cent of sampled workers stated that they were "not well looked after" by management. The sentiments of the textile workers were not unusual in the context of the judicial liquidation that one of the firms had been placed under and the impending provisional liquidation of another. Nevertheless, the favourable review of management by sampled workers is revealing. It was mainly at the medium-sized firms of United Springs, Cubitt and Radar where workers took such a favourable attitude to management. Paternalistic management styles, especially at the level of middle management, appear to have created the basis for this positive response on the part of workers. Views and opinions on paternalism were different in the larger firms. At a bigger firm like ZISCO, attitudes to management paternalism were unfavourable; workers felt short-changed as a result of certain decisions and practices which were believed to be unfairly biased towards managerial staff.

More generally, sampled workers were asked whether unions had an important role to play in work place labour relations. About 69 per cent of sampled textile workers stated that workers needed a union to defend their interests. This may be compared with 43 per cent in the metal industry. It would appear that there is some relationship between attitudes toward management paternalism and those toward the capacity of unions. It is, thus, scarcely surprising that the higher level of favourable disposition to management paternalism amongst metal workers is also expressed in the relatively lower esteem in which the union is held in different firms. Interestingly, however, a considerable proportion of both textile workers (49 per cent) and metal workers (53 per cent) believed that the strike weapon was a necessary tool to push management "to listen" to workers. The potentially

militant stance of workers on the strike question in the metal industry was clearer at such firms as ZISCO, South Wales and Tandem where management paternalism was also regarded less favourably than at the other firms.

Let us now look little more closely at workers' attitudes towards the performance of their two institutions, namely, the workers' committee and trade union. The capacity of these organs to advance and protect workers' interests has been dented under ESAP and this is reflected in workers' responses. Under ESAP, the capacity of workers' committees to wring concessions from management seemed to have weakened. Some 72 per cent of sampled textile workers and 70 per cent of metal workers believed that things had become "more difficult" for the workers' committees.

Table 3.6 Textile workers' assessment of workers' committees and union capacity and influence

Workers who believed that	No.	%
Workers' committees now find it harder to meet workers' needs	102	72
Workers' committee capacity had remained the same	13	9
Union influence over workers had declined	14	10
Union influence over workers had remained the same	39	27
Union influence over management had declined	26	18
Union influence over management had remained the same	28	20

Source: Field Interviews, November 1995–April 1996.

Table 3.7 Metal workers' assessment of workers' committees and union capacity and influence

Workers who believed that	No.	%
Workers' committees now find it harder to meet workers' needs	69	70
Workers' committee capacity had remained the same	11	9
Union influence over workers had declined	42	43
Union influence over workers had remained the same	29	30
Union influence over management had declined	34	35
Union influence over management had remained the same	20	20

Source: Field Interviews, November 1995–April 1996.

The new work regime under ESAP had introduced higher flexibility to management and weakened the bargaining capacity of workers' committees and unions, especially those in the metal industry. About 11 per cent of metal workers believed union influence and capacity had increased over the previous year, compared with 49 per cent amongst textile workers. While 43 per cent of the sampled metal workers thought union bargaining capacity at the work place had declined, the comparable proportion was 14 workers (or 10 per cent) amongst textile workers.

Attitudes towards the respective unions in the textile and metal industries are linked to their mobilization capacity. There were different sentiments expressed about communication between union leadership and workers'

committees. For example, according to the workers' committee based at Tandem, the performance of the engineering workers' union, NEWU, left much "to be desired...it appears lethargic". (Interviews, March 1996.)

This is an experience which seems to have been broadly shared by the rank and file in the industry. The situation appeared different in the textile industry where the level of organisational mobilization appeared much higher. As one workers' committee put it :

communication with the union is fast and we can recommend that the union Secretary-General or President intervene in a domestic issue of interest to us. (Interviews, November 1995.)

Even then, some workers' committees such as those at Twine and Cordage saw some scope for improvement including in the area of research into company performance (ibid.).

Despite these different experiences of and views on unions and their performance, the level of membership in them is very high. Amongst the sampled workers, the proportion of unionised workers in the textile industry was 93 per cent and in the metal industry it was 97 per cent. The relatively high level of union density partly reflects the large size of the firms surveyed. Nevertheless, both unions in the two industries have increased their recruitment campaigns. In any case, this is imperative in order to replenish membership levels which have been negatively affected by the closure of some firms.

3.5 Management's Views on Shop-floor Labour Relations

The management at the surveyed firms generally confirmed that they had tightened supervision in the context of the exacting challenges of ESAP. The state of labour relations was of profound concern to them. In conditions of limited capital investment and high export penetration, profitability was not high. As we saw in Chapter 2, it had declined significantly even in some of the soundly managed firms. At David Whitehead, for example, management observed that workers appeared to have responded by mounting "a deliberate challenge to managerial practices". There was a discernible "them and us" attitude amongst workers which reflected an underlying current of conflict. As we will observe in the next section, the mutual suspicion between management and workers at the firm deteriorated sharply over a job evaluation exercise, resulting in extensive damage to property. This was nevertheless an unusual case of hostile reaction to a dispute centred on the outcome of a job evaluation exercise. At several other textile firms, a cooling of relations between the two sides had also been replicated. At Merlin, it was confirmed that relations had worsened due to heightened "economic

hardships". As we will explain in the next section, this had driven workers to undertake industrial action.

In the metal firms, a hardening of attitudes on the part of workers was noticeable according to management. The union appeared to have become "more hard-nosed in labour relations". If unionized workers were now less pliable than before, management responded by improving communication lines as was the case in the firm, South Wales. However, the same firm envisaged trimming its work force in the next year by up to 25 per cent while at the same time having overtime arrangements for up to 20 per cent of its work force. This is the sort of strategy which tends to strain management-labour relations. At ZISCO, management claimed that under ESAP, "better understanding and appreciation of the company's performance had occurred and that better relations resulted from retrenchments" (Interview with management, March 1996). This was, however, not a very convincing description of the state of labour relations at the steel firm. Bitter recriminations followed what was perceived by workers to be a biased retrenchment exercise which spared staff in the managerial grade. In 1995, there was an industrial action organised at the firm, and the sacking of a number of strikers was subsequently challenged in the courts.

Thus, although management has been in a strengthened position due to the deregulation of labour controls, it has not necessarily derived much advantage from that strength. As we saw above, the challenge to increase productivity remains an intractable one. Conditions of job insecurity easily result in the demoralization of workers. It would appear that in both textile and metal industries, management has found it difficult to maintain, let alone increase, worker motivation, productivity and the legitimacy of the new work regime. Where retrenchments have been unavoidable, they have been poorly handled. Management decisions on liquidation have often been open to criticism from workers, and this poisoned labour relations. We explore the elements of conflict and its outcome in the metal and textile industries in the next section.

3.6 Workers' Response to Liquidations and Retrenchments

A major outcome of ESAP has been the significant number of company closures in the textile and metal industries. One estimate in 1994 put the number of textile company closures at about 87, or about a third of the total number of companies in the sector (*Financial Gazette*, 6 October 1994). The proportion of metal firms which have folded up during the same period has also been high. The conventional method of closing down companies has been through liquidation. Two of the textile firms covered in our survey were placed under liquidation during the course of study in 1995-96. Textile Mills

was placed under judicial liquidation towards the end of 1995 and Merlin in mid-1996. Both firms are based in Bulawayo and by 1995, they had come under a very severe liquidity crisis. The combination of punitive interest rates (discussed at length in chapter 2) and the loss of the adjacent South African market was damaging to these two firms. At the time of its placement under judicial liquidation, Merlin owed its creditors an estimated Z\$60m.

The process of liquidation became an unfortunate pattern in the textile industry from the beginning of 1994, and it continued unabated through 1995. The largest textile firm in Southern Africa at the time, Cone Textiles, folded up in 1994 under similar circumstances of a huge debt overhang. We had covered this firm in our 1993 survey and described its viability problems (Sachikonye, 1995). Another well-known textile firm, Helvey Knitwear, also collapsed during 1994. More textile and clothing firms closed in 1995 and 1996.

Disputes over the actual decision to undergo liquidation, and its timing have become a major feature of the crisis in labour relations under ESAP. In most instances, workers and their organs (the workers' committees and unions) have criticized the management of firms for bad faith in their handling of liquidations. For instance, at ZISCO, management staff were unaffected by retrenchments compared to non-management employees of whom 3,000 out of nearly 6,000 were laid off. First, management has been accused of unilaterally "rushing through" liquidation without much consideration of the interests of workers. The management of companies faced with liquidation are accused of acting only to salvage as much as they possibly can through the liquidation process, and avoiding the payment of full compensation to workers who are made redundant as a result. The misgivings of workers appeared to be confirmed by the very short notice given to them on the liquidation of their firm. This made it more difficult for workers to seek alternative sources of employment or other forms of livelihood.

Second, a usual tactic of firms seeking liquidation has been to "lock out" workers until the process is complete. This melodramatic approach tends to elicit a strong and militant response from workers, often necessitating recourse by management to police riot squads. Inevitably, this inflames passions during the liquidation process and creates deep divisions between the two sides.

Third, firms which go through liquidation substantially cut their liabilities, including the severance packages to which the workers are normally entitled on retrenchment. Under the Insolvency Act, a firm upon liquidation need not pay more than Z\$400 to a worker. Indeed, under the Act, the claims of debtors should first be met before those of workers can be negotiated between the two sides. Management's obligation to workers hardly exists upon liquidation. A major daily newspaper summarized the loopholes in the current liquidation law as follows:

first the workers were given little or no warning that the company was running into trouble. 'We are closing tomorrow' is not really good enough. If owners had trusted their employees, there is a good chance that the workforce might well have come up with innovations and suggestions that could have made a significant difference ... It is time that laws were changed so that companies seeking voluntary liquidation first had to give their workforces a decent amount of warning and let a real attempt be tried to find suitable buyers or investors or other rescue packages. (*The Herald*, 3 July 1996.)

Thus, the outcome of liquidation has, on the whole, been negative to workers in terms of job losses and retrenchment packages. For example, only 33 per cent of Cone Textiles' 6,000 workers who were made redundant on liquidation received any form of package. The regulations for the textile industry require a worker to serve a particular textile firm for at least 10 years in order to qualify for a gratuity. Even then, it took nearly two years before the 2,000 workers shared a total of Z\$4.7 m, with individual gratuities averaging Z\$2,000. Only five of the workers received gratuities over Z\$20,000 (*The Herald*, 7 June 1996). In the two firms covered in this survey, Merlin and Textile Mills, packages were still being worked out by the respective liquidators for the retrenched workers. Even then at Merlin, 400 permanent workers and 200 contract workers were laid off in July 1994. A core of workers were still retained at both firms until the liquidation process was completed.

Fourth, not only do workers feel that their interests have been made much more expendable than those of management, they also argue that they should be given an opportunity to buy out the firms before they are allowed to go into liquidation. The workers at Cone Textiles had been prepared to surrender their pensions and other benefits to buy a major stake in the company. As the president of the Zimbabwe Textile Workers' Union (ZTWU) put it:

The workers are desperate and they would want the company to be saved. (*The Sunday Mail*, 4 December 1994.)

Similarly, workers at Helvey Knitwear had proposed that instead of liquidating the company, it should be transformed into a cooperative. Workers would pool their savings and benefits to resuscitate the firm (*Daily Gazette*, 17 August 1994). Much more recently, workers at Fashion Industrial Holdings strongly lobbied the government so that they could take over the running of the company and thus pre-empt its liquidation (*The Herald*, 6 July 1996). At the time of writing, the matter was still unresolved with a liquidator, however, having been appointed to look into the firm's affairs.

Fifth, the desperation with which workers have responded to this process of de-industrialization (dramatically illustrated by company closures) has been highlighted by the increased number of demonstrations. The demonstrations often occurred outside the premises of the companies seeking

liquidation. These usually lasted for days and attracted wide press publicity. In some cases, management personnel were "locked in" to force them to make concessions on retrenchment packages. In other cases, demonstrations took the form of marches to the Ministry of Labour offices in Harare and Bulawayo to urge the government to intervene and halt the liquidation process. Marches were also organized to the ruling ZANU-PF party headquarters to urge its mediation to forestall company closures. In their submissions to the government and the ruling party, workers emphasized the potential viability of the firms, possible under-hand dealings by company management leading to relocation, and the potential capacity of workers to take over the running of the firms.

Subscribing to market dogma under ESAP, the government and the ruling party have become schizophrenic over how to respond to these desperate appeals from workers to stem de-industrialization. No practical initiative appears to have been attempted as the government seeks to avoid any financial commitment that would be necessary for the resuscitation of firms facing liquidation. The government's weak response to liquidations also echoes the lack of a defined industrial policy for the country. It has not gone beyond warning companies not to engage in economic sabotage and using liquidation as a first step towards relocating in countries with a more favourable investment climate. In mid-1996, the government indicated that it would review the country's liquidation and retrenchment regulations.

Sixth, the response of workers to liquidation has sometimes been violent. Arson attacks occurred at Cone Textiles in September 1994, causing considerable damage. Much more recently, arson was suspected at the David Whitehead plant in mid-1995. Causing damage estimated at Z\$63 million, this was probably the largest loss suffered by a firm during ESAP from alleged arson. Both machinery and stocks were lost in the fire which occurred in the context of a bitter dispute over job evaluation between workers and management. This occurred simultaneously with the termination of contracts of contract workers numbering about 700 (David Whitehead, 1995). Other forms of violence or damage to property at companies which retrenched workers have occurred but went unreported. In sum, workers found themselves at the receiving end as firms downsized or liquidated under ESAP. The desperate attempts by workers to block liquidation were, nevertheless, largely unsuccessful although they sometimes succeeded in obtaining improved severance packages.

The increased frustration of workers has also been expressed through organised industrial action. This type of action was organised at two of the firms—Merlin and ZISCO—covered in this survey. The strike at Merlin was essentially against the impending liquidation while that at ZISCO concerned the failure of management to honour the collective bargaining agreement that

was reached in 1995. ZISCO had refused to honour the 20 per cent increase, across the board, in the wages of workers. Following the strike in March 1995, 58 workers were suspended and they, in turn, challenged the decision in the court. Thus, in spite of the heightened sense of insecurity on the part of workers, the strike weapon is still usable for them. The potential use of the weapon makes management of firms wary of taking even more draconian measures than they have carried out so far.

3.7 Towards a Compromise?

Although there are major areas of contention between management and workers, as we observed above, there are also significant points of common interest between the two sides. The first area of convergence of interest relates to the joint commitment to sustain the institutional framework of labour relations in the two industries. Under ESAP, useful progress was made in the consolidation of a collective bargaining system in both the metal and textile industries. Free collective bargaining was grudgingly but gradually accepted by the government, while there was much enthusiasm for it amongst the bi-partite partners. The formation of national employment councils in the two sectors was a step in the right direction. These councils have been the focal point for negotiations about wages and general working conditions; agreements on these aspects have been codified into collective bargaining agreements (CBAs). The CBAs have been the outcome of sometimes protracted negotiations between the trade union and employers' organisation in respect of industry under the auspices of a national employment council (NEC).

To ensure that the provisions of agreements are consistently adhered to by both sides, the NEC appoints designated agents for that purpose. Central to the governance of work place relations is the Code of Conduct which often forms part of the CBA. The code contains the obligations of both parties and penalties for their transgression. However, it would appear that in addition to the code contained in the CBA, firms can also formulate their own company code of conduct. In general, however, the Zimbabwe Textile Workers' Union (ZTWU), the National Engineering Workers' Union (NEWU) and the Iron and Steel Workers' Union of Zimbabwe (ISWUZ) have managed to negotiate reasonable annual increases with employers since the launch of ESAP and despite the considerable hardships experienced by the two sectors. Industrial action relating to wage disputes has not been more widespread nor regular than in these sub-sectors compared to other industrial sectors. On the whole, there has been some commitment both to the institutional structure centred on the NEC and to the negotiation and implementation of CBA's by both parties. This institutional framework has regulated conflict which could have flared out of hand given the tremendous pressures on the two sub-sectors.

Furthermore, the crisis conditions in the two sub-sectors appear to have convinced both management and workers to take a common position on a number of policy and technical issues. Both parties generally agree that the time frame for trade liberalization was precipitous and that the outcome has been a damaging one. Trade unions broadly agreed with sentiments such as:

the government should have convinced the World Bank and the IMF that 10 years of phased trade liberalization was a better plan ... Allowing second-hand clothes into the country was a disaster for the textile industry and showed crookery on the part of politicians. (Interview with an Executive of the Central African Textile Manufacturers' Association (CATMA), November 1995.)

The union in the textile industry strongly criticized both the open-door policy to second-hand clothing and the low duties charged on imports. On the whole, the union excoriated the government for "failing to provide a favourable investment policy and for lack of foresight in industrial policy planning" (Interview with the Secretary-General of the ZTWU, February 1996).

Unionists contrasted the government's removal of export incentives and other forms of support to local manufacturers with the active support provided to competing companies by their home governments. Thus, the common perspective of industrialists and unionists in the textile and metal industries was that a substantial policy orientation by the government was necessary because it had "botched" the implementation of adjustment. Both sides viewed the future of their industries as tied up with raising tariffs on imports and reducing interest rates on borrowed capital. However, while there is a general consensus on the causes of the crisis in the two sectors, this does not necessarily imply that this extends to other issues (including liquidation) as we observed above. But it is a consensus which can form the basis for building checks and balances to support a compromise by the parties on other issues.

Finally, there has been a practical illustration of the articulation of a joint position on an issue of mutual concern to industrialists and the unions. This issue was the re-negotiation of the preferential trade agreement between Zimbabwe and South Africa. The original agreement expired in December 1992 and had an immediate, substantially negative impact on the textile and metal industries. For firms such as Merlin and ZISCO, the protective tariffs slapped on Zimbabwean exports undermined their competitiveness in the South African market almost immediately. For the four subsequent years, the strong lobby of South African industrialists on their government to limit textile imports particularly appeared to have won its case. However, strident threats of possible retaliation by Zimbabwean industrialists and the government appeared, by 1995, to create a sense of urgency to renegotiate on the part of the South African government. In the subsequent negotiations stretching

between 1994 and August 1996, both the textile union and industrial association, together with the Zimbabwean government, were jointly involved in defining the country's negotiating positions. The union was now viewed as a major partner in negotiations; this was similar to the inclusion of the Southern African Clothing and Textile Workers' Union (SACTWU) in the South African team. Our observation here is that the mutual participation of unions and employers' organizations in complex negotiations which determine the fate of their industry is a learning process that has the potential to increase mutual respect and the determination to achieve common interests. The insight of both sides on issues concerning technological change, effects of tariffs, and labour's welfare, among others, is bound to deepen as they seek to build common negotiating positions.

Chapter 4

Income Patterns, Living Standards and Coping Strategies

4.1 Introduction

This chapter focuses attention on the income patterns of textile and metal workers, and also examines their living standards and coping strategies. In general, real wages have declined substantially in the manufacturing industry under ESAP, and the textile and metal sectors have been no exception. The decline has a direct bearing on workers' consumption levels which inevitably have been adversely affected. The significance of the decline relates to its depth and sustained character compared with the pre-ESAP period. The pressure on living standards has been severe thus compelling workers to cut down on normal consumption levels and to seek coping mechanisms to supplement wages. This chapter draws on questionnaire responses and group discussions with representatives of workers' committees and unions. It relates the findings to those of the previous survey carried out in 1993, and more generally to the expanding literature on multiple sources of livelihood which workers seek through various coping strategies (Mustapha 1992; Bangura 1994; Sachikonye 1995; Olukoshi 1996).

Evidence is presented on the changing situation regarding workers' access to various benefits under adjustment. The deteriorating position concerning access to health, housing and education for their children is also examined. The participation of workers in supplementary income-generating activities in the informal sector, in savings clubs, and burial societies is explored to show the diversity of the response of workers to the restructuring process under ESAP.

4.2 Income Patterns in the Textile and Metal Sub-Sectors

As we observed in our previous survey, the average incomes of textile workers have historically been amongst the lowest in the manufacturing sector. Under the 1993 wage agreement for the textile industry, the basic wage for manual labourers (unskilled workers) varied between Z\$88 and Z\$96 per week. These rates increased to Z\$129 per week in 1995, a 32 per cent increase

over a period of two years. The minimum weekly wages negotiated in 1995 are set out in Table 4.1.

Table 4.1 Occupations and wage scales in the textile industry, 1995

Level	Examples of occupations	Minimum weekly wage \$
1	General workers, trimmers, pacers	129.30
2	Baling press operator, maintenance worker, zip joiner	133.63
3	Button marker, top stop machine operator, gapping machine operator	138.07
4	Baling machine operator, spinning machine operator, bar filler, blend line operator	148.06
5	Beam gaiter, dyeing operator's assistant II, knitting machine operator II	158.19
6	Data entry clerk, weaver II, sizing machine operator, leaching hand I	172.00
7	Carpet fitter, dyehouse recipe clerk, boiler maintenance attendance	203.56
8	Leading hand II, maintenance worker III, motor driver II, electrical worker I	245.00
9	Dye recipe preparer, textile mechanic, Jacquard design copyist, workshop machine operator	280.71
10	Computer operator, electrical work II, data entry supervisor	376.73
11	Garment pattern maker, supervisor, software operator, textile mechanic II	406.87
12	Textile mechanic III, workshop machine operator III, buyer, supervisor II	439.42
13	Laboratory controller, personnel officer, work study officer, salesperson	474.57
14	Senior mechanic, senior laboratory controller, shift controller	512.54
15	Print designer, training officer	553.54
16	Quality controller	597.82

Source: National Employment Council for the Textile Industry, Statutory Instrument 254 of 1995, pp 1529-1535

The range of the weekly wages generally confirms the relatively low character of the wage structure in the textile sector as compared with most other industrial sectors. Levels 1 to level 7 cover the majority of workers, including those in the unskilled and semi-skilled categories, and yet, the wages are still generally low as Table 4.1 shows.

The wage conditions in the metal sector are also depressed. In our 1993 survey, the range of monthly wages amongst unskilled workers was between Z\$200 and Z\$400 per month. However, there is a clearer grading of workers in this sector into three main categories. Instead of designated levels, there are graded jobs ranging from C1 to A1 for unskilled and semi-skilled workers. For the skilled workers, there are two grades: skilled worker trainee and

skilled worker. The minimum hourly rates paid to the workers are specified in Table 4.2.

Table 4.2 Metal workers' wage scales, 1995

Graded jobs	Minimum hourly rate cents
C1	1,032
B4	830
B3	708
B2	564
B1	471
A2	412
A1	364
<i>Skilled Worker Trainee</i>	
Trainee Class 1	1,129
Trainee Class 2	947
Trainee Class 3	773
Trainee Class 4	661
<i>Skilled Worker Category</i>	
Class 1	1,291
Class 2	1,036
Class 3	869
Class 4	711

Source: Statutory Instrument 90 of 1996.

The findings from our 1995 survey show some improvement over 1993 in the distribution of wage rates in the textile industry. About 24 workers out of the total sample (17 per cent) received between Z\$401 and Z\$600 a month while 57 workers (40 per cent) received between Z\$601 and Z\$800. At least 16 workers (11 per cent) were earning between Z\$1,001 and Z\$1,500 compared with 19 workers (13 per cent) who earned above Z\$1,501. Nevertheless, the low-wage character of the sector is underscored by the fact that only workers at level 8 and above earned a gross monthly wage of at least Z\$1,000, or slightly above US\$100 at 1995 rates. The highest paid grade (level 16) was remunerated at about \$2,600 or US\$265 per month at 1995 rates. It is noteworthy that when asked how long their monthly income lasted, 38 workers (27 per cent) stated that they spent it within a week, while for 58 (41 per cent), the income lasted up to 2 weeks, and 38 (27 per cent) survived on the income for up to 3 weeks. Only 3 workers could save and draw on that income for four weeks.

Our 1995 findings on income levels in the metal industry show that they are relatively higher than those in textiles. For example, only about 10 per cent of the sampled workers earned between Z\$401 and Z\$600, while about 24 per cent earned between Z\$601 and Z\$800. Another 10 per cent received from Z\$801 to Z\$1,000. Nearly 26 per cent earned Z\$1,501 and above. In general, wage levels are higher in the metal industry, and both the semi-skilled and skilled workers earn much better wages than their counterparts in the textile

industry. However in view of the inflationary trends (inflation was above 25 per cent during much of 1995) and the general increase in the cost of living, metal workers found it just as hard as textile workers to make ends meet.

Table 4.3 Collective bargaining awards in the textile and metal sub-sectors, 1993 and 1995

	1993 (%)	1995(%)
Workers who received awards of 1–5 per cent	22.0	12
Workers who received awards of 6–10 per cent	27.0	23
Workers who received awards of 11–20 per cent	18.0	42
Overall award for the textile industry	12.5	–
Overall award for the metal industry	13.0	–

42 of the sampled metal workers who responded to the question on their spending patterns remarked that their incomes often lasted 2 weeks while 29 (30 per cent) said they lasted up to 3 weeks. Only 4 still had some income to draw upon at the end of the month. Of course, most of the sampled workers still had some minimal income by the time they received their monthly pay; they might, however, have under-estimated their income out of which they drew for transport and basic foodstuffs in the home. Nevertheless, as we will observe in a section below, an increasing number of workers resorted to borrowing especially in the last two weeks of the month. Those who were paid weekly needed to borrow as well by mid-week before the next pay. We explore in greater detail (in a later section) the impact of these income patterns on consumption levels.

4.3 Changing Situation on Workers' Benefits

In our 1993 survey, we observed that for most formal sector workers, especially those employed in large companies, direct incomes were traditionally supplemented by a variety of benefits that amounted to an indirect wage. At that time, over a third of the sampled workers had witnessed their access to at least some important benefits reduced or withdrawn (Sachikonye, 1995: 119). The benefits extended to workers had included assistance with housing and transport, workers' tuition expenses, and children's fees. In addition, firms paid annual bonuses (or the 13th cheque) and insurance payments. The housing benefit consisted either of company assistance in a mortgage scheme for a group of its workers or subsidized company housing. At least 22 of the sampled workers indicated that the housing benefit had either been reduced or withdrawn. It appeared that the trend was that firms were shedding a previous paternalist-laden responsibility to ensure that their labour-force had some access to accommodation. The costs associated with restructuring now dissuaded most firms from assisting with housing or

mortgage schemes for their workers. However, the growing indifference of firms to the housing needs of workers has been countered by self-help initiatives, as we will observe in the section on coping strategies.

The second example of benefits relates to transport to places of work. Some firms provided transport for their workers to work-places and back to their dwelling areas. There was certainly calculated self-interest in this on the part of firms but it also alleviated the burden and expense of an inefficient public transport system which workers would normally have borne. This also saved the firms many man-hours through avoidance of late reporting for duty. In the 1995 survey, about 28 workers (12 per cent of the sample) reported that their transport benefits had been reduced or withdrawn. This compares with a higher proportion of 38 per cent in the 1993 survey, although the caveat is that this proportion had covered other sectors besides textiles and metals. Interestingly, there had been a restoration of the transport benefit during this period to 14 workers (6 per cent), signalling that some firms still saw greater benefits in providing rather than withdrawing it.

Other sets of benefits relate to tuition expenses or courses relevant to the operations of a firm, and to assistance with children's education. Few companies have rigorous and formal training courses and so the common arrangement is to encourage their employees to receive training in certificated courses at accredited institutions. As an incentive, firms re-imburse the training expenses incurred by their employees on the successful completion of courses. This tuition assistance is one of the benefits which has been withdrawn as firms seek to contain the costs associated with restructuring. About 19 of the sampled workers (8 per cent) reported the termination of this particular benefit. Similarly, 14 of the interviewees stated that they no longer received assistance for their children's education from firms. This is a perk which is normally restricted to managerial or skilled worker grades and it is significant that it has been withdrawn in some of the firms, particularly those in the metal sector.

Finally, there has been a mixed picture concerning continued access to the annual bonus which most firms insist is a privilege rather than a right. All the firms surveyed paid out bonuses in 1995. However, 42 of the sampled workers (10 per cent) remarked that the annual bonus had been reduced or withdrawn. Thus, it would appear that although the surveyed firms still made provision for it, workers who did not perform according to management expectations had their annual bonuses reduced. The costs associated with restructuring are likely to force more firms to further reduce, if not totally withdraw, the annual bonus.

Interestingly, the proportion (18 per cent) of those workers whose bonus had been reduced in 1995 may be compared with the 19 per cent of those sampled in the 1993 survey who indicated that they had had a similar

experience. The proportion has not changed significantly. However, there has been a marked decline in the proportion of sampled workers whose medical insurance benefit was reduced or withdrawn in 1995. Whereas the proportion was 32 per cent in 1993, it was about 6 per cent in 1995. This points to the institutionalization of health insurance in most firms and a reluctance to whittle away one of the few remaining benefits for workers. However, this is also an insurance scheme to which workers contribute through deductions from their pay-cheques. It is an example of a work place scheme to which both employers and employees contribute, and hence it is relatively less onerous on the firms.

4.4 Social Consumption Patterns

At the time of our previous survey carried out in 1993, there was already a noticeable decline in social consumption as a consequence of the combination of the removal of subsidies and the decline in real wages (Sachikonye, 1995). We sought to find out whether workers still had access to the commodities that make up a basic consumption basket. The basket consisted of the staple maize meal, bread, milk, beef, soap and tooth paste. In addition, we asked them whether they could afford newspapers and soft drinks. The same questions were asked about a similar basket of commodities in 1995.

Table 4.4 Consumer inflation, 1990–1996

Year	Consumer prices index (1990 = 100)
1990	100
1991	123
1992	175
1993	224
1994	273
1995	335
1996	407

Source: Standard Chartered Bank, 1997.

The findings from the 1995 sample show a significant decline in social consumption among textile and metal workers. This is all the more worrying because the trends compare quite unfavourably with those of 1993 which included locally-paid agricultural workers. Between 1993 and 1995, all the basic consumer commodities underwent price mark-ups; some, like milk, beef and bread, even doubled in price. Whereas 86 per cent of the workers sampled in 1993 still had a stock of maize meal before the next pay, the proportion had declined to 68 per cent in 1995. The levels of affordability had also declined precipitously in the case of bread and milk. In 1993, 65 per cent of the workers interviewed could still purchase bread before the next pay cheque while only 21 per cent could do so in 1995. Those able to afford milk

had shrunk from 52 per cent in 1993 to 15 per cent, and those able to buy beef from 47 per cent in 1993 to 13 per cent in 1995. The changes in proportions of access during the two periods is rather alarming, 44 per cent in the case of bread, 37 per cent for milk and 34 per cent for beef.

Thus, increasingly bread, milk and beef have fast become "luxuries" in the experience of a growing number of workers. Even more of a luxury are newspapers which only 6 per cent of our sampled workers could afford in 1995 compared to 26 per cent in 1993. This is scarcely surprising because daily newspapers doubled in price during this period. As for soft drinks, only 1.2 per cent of workers could still afford them in their households before the next pay. Necessities such as soap and tooth paste were no longer as relatively affordable to workers as they were to 83 per cent and 64 per cent respectively of the workers sampled in 1993. In 1995, the proportion of workers able to afford soap and tooth paste by month-end and before the next pay day had declined to 48 per cent and 36 per cent respectively of the sample.

Table 4.5 Social consumption among workers

Workers who still had the following items at month-end	1993 (%)	1995 (%)	% Change
Maize meal	86	68	18
Bread	65	21	44
Milk	52	15	37
Beef	47	13	34
Soft drinks	30	2	28
Soap	83	48	35
Tooth paste	64	36	28
Newspapers	26	6	20

Source: Field Interviews, November 1995–March 1996.

Table 4.6 Workers still able to afford certain goods on a regular basis

	%
New clothes	17
New shoes	15
Beer	8
Presents for children	3

Source: Field Interviews, November 1995–March 1996.

Furthermore, a series of necessities were no longer affordable to workers on a regular basis. As in the 1993 survey, these included clothing, shoes, presents for children, and other food items. Only 15 per cent of the sample had been able to purchase new shoes and 17 per cent had purchased clothes during the previous year. Those who could afford to buy presents for their children amounted to 3 per cent of the total sample. However, those who reported that they could still afford beer were 8 per cent of the sampled total in 1995.

The evidence appears to point to a slide in living standards during the period. Of course, some strata of workers were more adversely prone to this slide than others. Workers in the lower grades were forced to cut their previous consumption levels. Textile workers in levels 1 to 7 earning between Z\$130 to Z\$205 per week could no longer maintain previous consumption levels. In general, workers earning below Z\$1,000 or about US\$110 at 1995 prices were in severe difficulties in meeting basic consumption basket costs. It was even more severe for those metal workers in the A1 bracket who received Z\$700 per month. In general, metal workers in the A1 to B4 grades had a difficult time making ends meet.

4.6 Access to Education, Health and Housing

The declining value of real wages has been further undermined as a consequence of the escalation of the prices of social services following the introduction of cost-recovery measures under ESAP. Fees charged for education and health care steadily increased under ESAP. The cost of decent accommodation has escalated out of the reach of most low and middle-income workers. In our 1993 survey, we established that at least 10.7 per cent of sampled workers had withdrawn one or more of their children from school owing to their inability to pay school fees. This was buttressed by another survey carried out at the same juncture (McGarry, 1993). It would appear that amongst sampled metal workers, almost 25 per cent of them had withdrawn one or more children from school in 1995 due to their inability to pay the necessary fees. The proportion of working parents who had withdrawn children from school was much less at 10 per cent amongst textile workers. This would indicate that the impacts of cost-recovery measures vary significantly from sector to sector. Quite clearly, though, there has been no decline in the proportion of working parents who cannot afford to send some of their children to school. This is a very unfortunate development under ESAP.

Group discussions with workers' representatives painted a more graphic picture of the diminishing access to education and health. It was, for instance, pointed out by workers at S K Textiles that:

it is no wonder that street kids are increasing. Children no longer go to pre-school. (Interviews, November 1995.)

Other workers made these observations:

some workers have sent their children to non-fee paying rural schools since they cannot afford fees ... the quality of education is dropping as most children are hungry ... it is now more difficult to send children to secondary school, and those who do, now sit fewer subjects due to high fees. (Interviews with workers at Merlin, David Whitehead and Zimbabwe Spinners and Weavers, November 1995.)

Metal workers at several firms confirmed a similar trend, reporting that, from their point of view, school fees were now too high, especially at secondary school level (interviews at ZISCO and Tandem, March 1996). On the whole, the constraints on the social reproduction capacity of the working class have become heavier under adjustment.

Similarly, there appears to be diminishing access to decent health services. In spite of access to medical insurance, most complained of poor health care conditions such as lack of medicines. For example, textile workers reported that:

it is difficult to cope with health fees, and sometimes there is no medicine in the firm's clinic ... But since there are few or no medicines, workers have to go to private doctors ... At the same time, hospitals and clinics are deteriorating due to less medical supplies, and health administration is going down. (Interviews with workers at Textile Mills, Zimbabwe Spinners and Weavers and David Whitehead, November 1995.)

It was also charged that workers were not periodically checked for cotton-related diseases:

once sick, workers go home and die. No industrial doctor attends to them, and no X-ray examinations are conducted. (Ibid.)

A sombre picture of deteriorating health conditions was painted; the AIDS epidemic has contributed to this as well:

people are dying in tens and sent to rural areas to die. (Ibid.)

Amongst metal workers there was great concern over the escalation of hospital bed and maternity fees. The latter had been pegged at Z\$500 in the steel town of Redcliff. Workers sought salary advances in order to meet these inflated fees. Existing health insurance schemes appear inadequate in the face of the steep rises in the cost of health care. At one firm, workers covered by the CIMAS insurance scheme were forced to borrow additional resources from a welfare fund to supplement the inadequate scheme. In general, health facilities in the public sector almost collapsed in 1995 due to government budgetary constraints. Patronized by low income workers, these facilities encountered problems of lack of food and certain types of medicine. There was, thus, no exaggeration in the statements made by workers regarding the deterioration of health conditions under ESAP.

Let us now turn to the issue of access to accommodation by textile and metal workers. For the majority of the sampled workers, accommodation is mainly rented rather than occupier-owned. Two of the firms surveyed, David Whitehead and ZISCO, had spawned the growth of what may be termed "company towns" when they expanded in the 1950s and 1960s. By the 1990s,

however, municipal councils were now largely in charge of the housing stock as company control or ownership of housing came to an end. To a certain extent, company-tied housing in the larger cities of Bulawayo and Harare also ended. In the context of a huge housing backlog, this put a tremendous strain on workers—particularly those in the low and middle-income strata—to obtain affordable housing. Those on the lower end of the wage scale stated that some of them were “living in cabins” (small timber houses) because they could not afford better accommodation. These constraints were often cited:

there is lack of capital to buy houses ... the deposits for houses are high at Z\$3,000 making it difficult to qualify for a housing scheme. (Interviews, November 1995.)

Due to these constraints, most workers were “lodgers” (or living in sublet accommodation consisting of a single or several rooms). Those fortunate few who owned houses tended to be in arrears while in several cases defaulters had had their homes auctioned. At the ZISCO steel firm, it was observed that accommodation rents had increased by 25 per cent every six months since the withdrawal of the firm’s housing subsidy. As was pointed out:

it is a disastrous situation making it difficult to meet rental payments. Several workers have no fixed abode. (Ibid.)

As we will explore in the next section, difficulties relating to access to decent accommodation have convinced some of the workers to organise savings schemes specifically aimed at housing construction. This is on a very modest scale though, given the income constraints discussed at some length in a previous section. Furthermore, most firms have been reluctant to assist in mortgage scheme arrangements for their workers.

In sum, there was a general mood of despondency, if not fatalism, amongst the groups of workers with whom we discussed the decline in social conditions. As two groups of metal and steel workers put it:

it has now become very difficult to survive under ESAP ... the standard of living has drastically declined. (Ibid.)

Textile workers said that some of them now walked up to 25 kms per day to and from work to save on transport fares. Others waxed somewhat sentimentally that:

before ESAP, we used to have a better life and protective welfare system. Personnel managers used to assist workers but this has now changed. Too many laws demoralize workers... (Ibid.)

More prostitution was occurring due to the hardships; workers lived on *chimbadzwa* or borrowed money “from Peter to pay Paul”. Nevertheless,

workers have devised coping strategies to adjust to these difficult conditions. We turn to these strategies in the next section.

4.6 Coping Strategies

Coping strategies have become indispensable to a sizeable proportion of workers in order to stem the downward slide in real wages and living standards. Here, coping strategies are defined as the various ways in which individuals and households organize themselves to make a living or supplement their incomes. These strategies are largely influenced:

by the way individuals and groups are structured in society; their cultural values, belief systems and social networks, including their ability to mobilize family resources; the skills, assets and political connections at their disposal; the type of jobs they do; their gender; and personal motivations. This range of possible determinants makes it difficult to talk about a unified response to changing opportunities, underscoring a need always to differentiate and classify individuals in as many ways as possible. (Bangura, 1994: 5.)

These strategies have also been termed multiple modes of social livelihood which are "an aspect of the concept of household survival strategies" (Mustapha, 1992:189). The concept attempts to explain the mutual interactions between domestic units and macro socio-economic structures and processes, especially in periods of rapid change and increased social stress (ibid.).

A key feature of multiple survival strategies is the tendency of individuals or households to diversify sources of income as single activities prove insufficient to sustain livelihoods. Diversification strategies include remunerative work on commission or wage basis, self-employment in urban informal activities and farming. The dramatic increase in such strategies in the 1990s stems from

economic vulnerability and declining levels of expectations, and affects all income groups ... For wage sector groups, sharp declines in real wages and social benefits, growing casualization of the work force, periodic compulsory leaves and threats of unemployment act as catalysts to diversify employment and income sources. (Bangura, 1994: 6.)

In this section, we explore the various coping strategies which textile and metal workers have adopted in order to cushion themselves against ESAP. Most of these strategies are work place-based strategies, or at least based on income or resources obtained through employment status. The three sets of strategies relate to work place-based activities such as savings, welfare and housing schemes, informal sector activities, and linkages with the rural economy.

At most firms, workers have established savings clubs which assume different names such as "welfare fund" and "housing fund". These clubs represent an attempt by workers to create networks at work places to pool together a part of their regular wages and salaries. In the 1993 survey, we observed that there was a proliferation of such schemes in such diverse sectors as textiles, agro-industry and the parastatals. These savings schemes were a flexible attempt to facilitate savings of modest amounts each week or month by workers. At times of hardship or bereavement, borrowing by workers from these schemes was facilitated at low interest. This was the major attraction of the schemes to workers, especially those in the low-income stratum whose access to commercial bank loans could not be guaranteed.

In our 1995 survey, we sought information concerning the size of the funds generated by the various savings schemes. At several firms, the schemes had funds amounting to Z\$500,000 reflecting a considerable amount of saving. The savings ranged from Z\$100,000 in the case of smaller firms such as Twine and Cordage to Z\$400,000 and Z\$500,000 in the case of Textile Mills and Merlin respectively. Workers at new and small firms like SK Textiles had smaller reserves of just about \$10,000 but this may be explained by the relatively low contributions of Z\$2 per week per member. Thus, the size and regularity of individual contributions are a major factor in the growth of these schemes. There are also burial societies to which workers belong and make regular financial contributions. These contributions mostly vary from Z\$15 to Z\$20 per month. These societies co-exist with the newer savings schemes but they have been in existence for a much longer period, in some cases going back to the colonial era. However, the emphasis of these societies tends to be on the provision of benefits on a member's death or bereavement rather than assistance associated with alleviating the effects of ESAP (Mate, 1997).

Table 4.7 Workers with membership in savings clubs, credit groups, burial societies and housing cooperatives

Institution	No.	% of Total
Savings Clubs	52	22
Credit Groups	11	5
Burial Societies	95	40
Housing Cooperatives	17	7
Total	175	75

The new savings schemes which have blossomed in the context of ESAP have the main advantage of facilitating access to cheap loans to members. For example, workers at Merlin could borrow up to Z\$2,000 at 7 per cent interest compared to the 30 per cent rate of interest charged in 1995 by commercial banks. A higher maximum loan of Z\$5,000 was available for members at David Whitehead. However, the interest charge was also slightly higher at 13

per cent. Amounts offered by burial societies to bereaved members varied but up to \$1,500 could be immediately disbursed. To diversify their source of funds, workers often belonged to more than one saving scheme; for instance, the proportion of those who belonged to burial societies was notable at 36 per cent of the total sample. The proportion of workers who belonged to one or more savings schemes was relatively high at approximately 62 per cent or nearly two-thirds of the sample.

It would appear that workers draw on their savings in the schemes quite regularly. They borrowed in order to pay school fees, health charges and accommodation expenses. Those who did not borrow during the course of the year received interest on their money calculated at commercial bank rates at year-end.

An innovative savings scheme had to do with housing funds. Groups of workers set up housing trust funds from which they drew money to purchase council stands or obtain mortgage loans. In one scheme, workers had managed to purchase housing stands valued at Z\$5,000 each. However, most housing schemes were at tentative stages that were dependent on the cooperation and support of the respective firm. One textile firm was considering the utilization of a pension fund to purchase stands for housing for its work force. Another has been requested to provide a guarantee for fifty houses financed by a building society. At one metal firm, a group of 25 workers each saved \$100 per month for housing stands and deposited the amount in a building society. Clearly, the housing savings schemes appear ambitious in view of the difficult financial situation of firms and the context of employment insecurity under ESAP. At the same time, they reflect an emerging and potentially vibrant spirit of self-reliance which has inspired a proliferation of housing cooperatives in the past four years. Interestingly, most such cooperatives were founded by low-income employees such as domestic workers, but a number of them have nevertheless striven against heavy odds.

A number of constraints hamper the unfettered growth of the saving schemes of textile and metal workers. These largely centre on administrative weaknesses given the limited skills and resources at their disposal. In the case of one savings scheme, there was no binding constitution to serve as a guide to the administration of the scheme. In another, there were misgivings about the amount of interest being charged. Yet another group of workers claimed that unions were not very supportive of these savings schemes (Interviews with textile and metal workers, November 1995). Finally, some of the savings schemes were too small to be viable; in one firm, as many as 10 separate schemes existed with resources ranging from Z\$4,600 to Z\$10,000.

There are additional sources of resources for workers to borrow from. The first source is *chimbadzwa* or loans with punitively high interest rates. These are offered by informal groups of workers who tend to be in a better-off

financial situation. Other forms of borrowing include purchases from company stores where they existed. Workers would then pay back at the end of the month before borrowing again. Although this survey did not specifically assess the level of indebtedness amongst workers, the general impression was that it was considerable.

There were other types of coping strategies pursued by workers. Group discussions with workers identified some of the activities through which they supplemented their incomes. These included:

- a) selling of various goods at markets during weekends;
- b) pursuing the "booming" food business;
- c) sub-letting to "lodgers";
- d) sewing, though the market "is not good";
- e) shopping in Johannesburg and then reselling the goods back home;
- f) various "deals" and sometimes theft; and
- g) selling clothes and other types of fabrics in the flea markets.

Most of these activities properly belong to the realm of the informal sector which appears to have expanded considerably under ESAP (Mupedziswa et al., 1995; Mhone, 1995). In our 1995 survey, we sought information on the range of informal activities and apart from those listed above, there were several others. Unsurprisingly, knitting and dressmaking were one of the main activities of textile workers during their spare time. Welding, motor repair and painting were also undertaken by metal workers. However, it would appear that the most popular informal activity concerned street vending of various products (Interviews with metal and textile workers, November 1995).

The proportion of workers engaged in supplementary activities in the 1993 survey was 28 per cent. However, this survey also covered agro-industrial and parastatal sectors, and so was not restricted to manufacturing. The proportion of informal sector participation was 17 per cent of the sample of parastatal workers and 26 per cent among the sampled agro-industrial employees and textile and clothing workers. It would appear that there was relatively less engagement in informal sector operations in 1995 by metal and textile workers. In the total sample, slightly above 15 per cent had supplemented their incomes through informal sector activities. This reflects the trend in the heavy industrial sector where in 1993, an estimated 17 per cent of the sample had been involved in similar activities.

Table 4.8 Types of informal sector activities undertaken by workers

Activity	No. of Workers		Total	% of Total
	Textile Industry	Metal Industry		
Knitting	2	1	3	1
Dressmaking	2	1	3	1
Street vending	14	4	18	8
Gardening	4	–	4	2
Motor repairs	3	–	3	1
Painting	1	–	1	0.4
Welding	1	2	3	1
Soccer	1	–	1	0.4
Total	28	8	36	15

Source: Field Interviews, November 1995–March 1996.

The limited participation of the workers sampled in the 1995 survey in supplementary informal activities would seem to indicate that it is partly due to the diversification of sources of livelihood. Some of the sources include the savings schemes which we explored above. Other relevant factors include the constraints encountered in entering the sector and the limited returns from informal activities given the "overtrading" which now characterises the sector (Mupedziswa et al., 1995). The main constraints on entry into the informal sector by workers have been identified as the following:

- a) an increase in the cost of inputs;
- b) a decrease in the availability of inputs;
- c) a decrease in household savings;
- d) a decrease in the demand for informal sector products;
- e) an increase in informal sector participants; and
- f) the relaxation of foreign exchange and trade restrictions (Mhone, 1995: 23).

These observations were confirmed in the findings of a 1993 survey which saw a decline in the fortunes of informal operators in general (Mupedziswa et al., 1995). That decline was blamed on the saturation of the market

due in large measure to increased numbers of entrants, inflation which has meant increased costs of conducting business and low demand due to the eroded purchasing power of prospective customers who are largely lower class. (Ibid 132.)

Thus increased entry did not provide a positive dynamic in terms of incomes.

In analysing informal sector activities, several factors need to be borne in mind. Cost-recovery measures and the elimination of subsidies on basic commodities and on key raw material inputs such as metals and cotton lint resulted in significant price increases. Those prices reduced the real incomes of informal sector participants and their clientele while increasing the costs of inputs to the sector. This resulted:

in an increase in new informal sector participants as households have sought supplement their incomes in the face of declining formal sector employment; and second it has restructured demand in favour of food products and some durables produced in the sector but has largely resulted in a decrease in total demand of informal sector products. (Mhone, 1995: 84.)

These consequences have reinforced a negative involutory trend which has been further exacerbated by the reduction of subsidies on a number of goods and services, including basic food products, raw materials and transport for which prices have increased.

These constraints largely explain the limited involvement of textile and metal workers in the informal sector under ESAP. Metal workers at one of the firms stated that it was difficult to engage in supplementary activities in the sector due to the increased cost of scrap iron and because of lack of equipment. It was no longer possible for workers to have access to textile rejects at one of the textile firms since they were now being re-cycled or donated to charity. In general, skills were not the only consideration in venturing into informal sector activities. Just as vitally important were dependable capital equipment and goods markets. These appeared to be in short supply at the time of our 1995 survey.

Finally, another coping strategy relates to the dependence by workers on rural linkages. Workers at a metal firm reported that they supplemented their earnings through agricultural incomes earned by their wives. In addition, wives shipped food crops to their husbands and families in town. In some urban centres, wives cultivated small plots of food crops, especially maize, in order to curtail the household food bill. In spite of the growing stability of the textile and metal workers, economic circumstances often force them into adopting household coping strategies which split the family, if temporarily, each year. Wives migrate back to rural areas to raise crops and livestock and children attend non-fee-paying rural schools. There is, therefore, a transfer of resources, especially food, from rural areas to towns to feed the predominantly male labour force in manufacturing. Continued linkages between the urban work force and rural areas are captured in the remittances to the latter. Approximately 65 per cent of sampled textile employees and 67 per cent of metal workers sent average monthly remittances ranging from Z\$50 to over Z\$200 to relations in the rural areas. Thus, the urban-rural dynamic continues to play a crucial role in workers' coping strategies. The mutual dependence, with few exceptions, between the two sectors has been reinforced rather than undermined under ESAP. This also contributes to the consciousness or ideological outlook and political perceptions of metal and textile workers, an issue to which we turn in the next section.

4.9 Workers' Attitudes towards ESAP and Politics

Accurately gauging workers' attitudes towards ESAP and politics is not a simple and straightforward task. In our survey, we sought the views of both individual workers and their representatives in workers' committees and unions. The set of questions we asked concerning their attitudes to ESAP and politics were identical to those which we asked in the 1993 survey. About 88 per cent of the total sampled workers believed that ESAP had "made things worse for ordinary people" (Interviews with textile and metal workers, November 1995–March 1996). This proportion may be compared with the 88.7 per cent who held this view in the 1993 survey. This would indicate that there has been no shift in attitudes towards the adjustment programme; at the end of ESAP in 1995, workers appeared largely unconvinced about its usefulness. Indeed, 91 per cent of those sampled in 1995 believed that "things had gotten worse" in economic terms (*ibid.*). This should be set against 89 per cent who believed the same in the 1993 survey. There has been no change as well in perceptions regarding the negative effects of adjustment.

The question of who to blame for ESAP and its limitations was then broached. At least a third of the respondents in the 1995 survey blamed international agencies such as the World Bank compared to 30 per cent in 1993, again signifying no shift in perceptions. What were workers' attitudes to the role of government in ESAP? There appeared to be some slight shift of opinion on this issue as a lesser proportion of 56 per cent of those sampled in 1995 blamed the government for its role in ESAP compared to 63 per cent in 1993. Part of the explanation would lie in the relative success of the government in distancing itself from the ownership of ESAP during the intervening period between 1993 and 1995. Nevertheless, it is still significant that well over half of the sampled workers viewed the government's association with ESAP as being negative.

A much larger proportion of workers believed in 1995 that the fortunes of the economy were closely tied up with the weather. Whereas 58 per cent of the respondents believed the weather "was to blame" for the misfortunes of the economy in 1993, nearly 83 per cent thought so in 1995. Those sampled in 1995 recalled the bad droughts of 1992 and 1994; however, government officials and politicians also continuously pointed to the capriciousness of the Zimbabwean droughts. There appeared to be lesser politicization of ESAP towards its end than at its beginning.

Nevertheless, workers' political perceptions were outlined in response to questions about the performance of the government and its standing in the eyes of "ordinary people". Between 1993 and 1995, there was a sharp decline in the esteem in which government was held. Whereas in 1993, 37 per cent of sampled workers believed that the government "was doing the best it could"

regarding the economy, only 28 per cent thought so at the end of ESAP in 1995.

Table 4.9 Workers' views on ESAP and politics

Workers who believed that	No.	%
ESAP had made things worse for ordinary people	210	88
ESAP had affected white people too	47	20
The government was doing the best it could	67	22
The ZCTU stood for ordinary people	149	62
The government stood for ordinary people	62	21

Source: Field Interviews, November 1995–March 1996.

Table 4.10 Workers' views on economic conditions and their causes

Workers who believed that	No.	%
Economic conditions had got worse	217	91
The weather was to blame	119	50
The government was to blame	132	56
Foreign governments were to blame	37	15
International agencies (e.g. World Bank) were to blame	80	33
The ZCTU was to blame	24	10

Source: Field Interviews, November 1995–March 1996

On whether they agreed with the statement that "government stood for ordinary people", 30 per cent of the sample had answered in the positive in 1993. The proportion has since declined to 26 per cent in 1995. This may be contrasted with workers' attitudes toward the ZCTU. There seemed to be an increase in workers' favourable perception of the ZCTU's role from 50 per cent of the 1993 sample to 62 per cent in the 1995 sample.

Let us now turn to the unstructured views of union and workers' committee representatives on the design and implementation of ESAP. An unequivocal position was generally expressed. For instance, it was argued that:

ESAP was poorly planned ... it could only have been successful in a wealthy country ... Workers are now in arrears ... They have not seen the benefits of ESAP ... Companies have been closing ... Workers are faced with job losses, employment insecurity and too high living costs... (Field interviews.)

There was a widespread belief that the government was not in a strong position to determine economic policy. As it was pointed out:

government has no option except to toe the line of the IMF and the World Bank ... Prices have gone haywire and there is now no control over prices and labour laws. (Ibid.)

Some workers added that because the implementation of ESAP had proved problematic, the government needed to assess the reform experiences of other

countries. Those countries that had achieved successful models of ESAP should then "be invited to assist us" (ibid.). Otherwise, the majority of workers saw little value in the ESAP experiment: it had been "wrongly administered and been a total failure" (ibid.). Wider social problems tended to be also blamed on ESAP. Health problems, including the spread of HIV, rising divorce, the increasing number of school drop-outs and the declining capacity of workers to assist their extended families in both urban and rural areas, were attributed to ESAP. Nevertheless, a few of the respondents saw several advantages stemming from ESAP. These were "competitive prices", especially for imported goods such as television sets and leisure goods (ibid.) and that due to increased competition, the availability of urban transport (such as commuter buses) has improved, and become relatively cheaper (ibid.). The majority chorus though was that ESAP should be "scrapped" since it was "not creating employment" and "as it serves no purpose" (ibid.). It was emphatically added that:

we can survive without it. If a system is not benefiting its intended beneficiaries, then it should be scrapped. (Ibid.)

These negative comments on ESAP were not complemented by concrete suggestions on an alternative programme for a restructuring capable of producing more positive results. It was probably unfair to expect such blueprints from workers who did not have experience in government, let alone economic policy-making. What was useful was their consensus on a damning criticism of ESAP, criticism which was endorsed by several of the firms surveyed.

Chapter 5

Conclusion and Post-Script

5.1 Restructuring or De-Industrializing?

A major claim made for adjustment programmes is that they involve structural reforms which put an economy on a more competitive footing. More recently, as we observed in the Introduction, it has been argued that those adjusting countries which made large improvements in macro-economic policies had experienced strong increases in the growth of industry and manufacturing, with median increases close to 6 percentage points between 1981–1986 and 1987–1991 (World Bank, 1994:149). Amongst these “successful” cases of adjustment-led manufacturing were Kenya, Ghana and Tanzania. In this concluding section, we challenge the World Bank thesis that structural adjustment has indeed resulted in successful industrial restructuring. We base our critique on the Zimbabwean findings but also draw upon the wider literature critical of the Bank’s perspectives on industrial restructuring.

There was a limited focus on the requirements for industrial restructuring in Zimbabwe’s ESAP. For instance, the bulk of the government’s *Framework for Economic Reform* was taken up by an extensive discussion on fiscal and monetary policies, trade liberalization, labour market de-regulation, informal and small-scale enterprises, and public sector enterprises. Although these issues and the measures recommended had an impact on industry, there was no explicit focus on the specific requirements of the industrial sector. The unstated assumption was that this range of economic liberalization measures would “benefit” the manufacturing sector. There was no detailed discussion, beyond platitudes, of how specific policies and measures would lead to a successful restructuring of the sector. This negligence of a key sector is blamed both on the implementing government and the sponsoring Bank.

Some analysts have identified a pattern of neglect of the manufacturing sector by international financial institutions (IFIs) and observed that they tend to have an anti-industry bias (Riddell, 1994). In the 1990s, it became increasingly clear:

not only that industrial policy within the framework of orthodox SAPs was failing to lead to any form of industrial deepening, but also that the policies that were implemented had become the subject of growing opposition, not least among

industrialists. This has led to both resistance to and reversal of policies, a situation that is likely to continue. (Ibid.: 217.)

In the Zimbabwean case, evidence was marshalled to argue that certain short-term and contradictory policies—particularly those relating to monetary and trade liberalization—had undermined several manufacturing sub-sectors before they had been prepared for international competition. The industrial lobby which had originally been enthusiastic about adjustment had now become one of its bitterest critics.

Let us, however, see how the World Bank has justified its position on industrial sector adjustment. Its basic argument has been that heavy-handed government policies to promote import-substitution industrialization, at the expense of agriculture and other sectors, led to the expansion of the manufacturing sector beyond an efficient size and distorted its performance (World Bank, 1994: 150). While the policies of the government could lead to the rapid growth of output and employment in the short run, it was observed that the growth was not sustainable. It was, thus, argued that:

the economy, distorted and pushed beyond its efficient limits, requires downsizing and restructuring. In such cases, any de-industrialization is a move toward more efficient outcomes, not toward a structural maladjustment of the economy. (Ibid. 150.)

Thus in the World Bank's view, de-industrialization is one possible outcome of the restructuring process. As we observed in the Zimbabwean case, the de-industrialization of certain sub-sectors of manufacturing has accompanied the restructuring process. However, while the Bank theoretically concedes that this is a possible outcome of adjustment, it has nevertheless denied that de-industrialization has been, in reality, one of the major outcomes of structural adjustment. It pointed out that there was no systematic evidence of de-industrialization in its sample of adjusting countries (ibid.).

There are a number of indicators of the process of de-industrialization. These are:

- a) significant declines in industrial output, the manufacturing sector's share of the GDP, and manufacturing employment because of ESAP reforms;
- b) declines in factory output and employment;
- c) changes in the industrial sector which do not move the economy towards greater efficiency;
- d) policy reforms which impede long-run industrial growth and transformation by inhibiting the pace and pattern of investment, and, thus, a shift to a higher growth trajectory (ibid. 150).

In most countries which have undergone adjustment, sustainable industrial growth has not been experienced. Prospects for industrial development have

often been cancelled out by low investment levels, the flooding of the local market with competing imports, and devaluation which contributes to increased prices of imported inputs. There is a general link between the adjustment package and the weak response of the industrial sector, suggesting a mistaken mix of measures within the package.

This link between adjustment and industrial decline has been elaborated upon by other analysts. The performance of existing industries was likely to be affected negatively by increased competition from imports and rising interest rates (Stein, 1992; Lall, 1995). The adjustment package was not likely to work because the neo-classical model underlying it missed the fundamental structural causes of industrial malaise in sub-Saharan Africa. Those causes included deteriorating terms of trade, high indebtedness and a weak entrepreneurial class. Other analysts concluded that an effective adjustment strategy needed to incorporate policy measures to remove barriers to the expansion of aggregate supply in Africa (Mosley and Weeks, 1994). Such measures included selective tariff protection to promote manufactured exports. Similarly, others have argued for gradual trade liberalization in order to permit industry to undertake costly re-learning while adjusting to competition. However, such gradualism needed to be complemented by the provision of adequate supply-side support, including the creation of general and specific skills and technological support systems for industry.

The evidence from our Zimbabwean case-studies points to a lack of coherence in the adjustment package for the manufacturing industry. Some of the problems relating to high indebtedness, capacity under-utilization and import competition could have been avoided or alleviated if a more innovative package had existed. A clear trend towards de-industrialization in the Zimbabwean case is corroborated by trade unions. Citing 72 firms out of 280 firms which were closed in the clothing sub-sector between 1991 and 1992, the Zimbabwe Congress of Trade Unions observed that:

based on such evidence, there has been some de-industrialization in the sub-sector occasioned by ESAP ... The clothing industry appears to be typical of trends in the textile industry as well ... Apart from the problems caused by the liberalization of competing imports, the evolving tariff structure has contributed to the de-industrialization of the Zimbabwean economy. Generally, duties on imported inputs are higher than those on finished goods. This has tended to increasingly turn manufacturers into traders. (ZCTU, 1996: 48-49.)

On the whole, much of the evidence from SSA suggests that the process of de-industrialization is occurring, and the implementation of the adjustment package has contributed to this. This suggests some weaknesses and an anti-industry bias in the package. It would seem that the World Bank and adjusting countries have not been candid enough to admit that structural adjust-

ment has undermined the manufacturing industry. The real risk is that the damage will not be short-term but permanent.

Some analysts have observed that de-industrialization "does not just happen"; rather, conscious decisions are made by corporate managers to move a factory from one location to another, to buy up a going concern, or to dispose of one, or to shut down a facility altogether (Bluestone and Harrison, 1982:6). While there was little room for manoeuvre left for Zimbabwean industrialists, some of them made conscious decisions to relocate their plants to Botswana and South Africa. Furthermore, the evidence relating to the social impact of de-industrialization tends to be submerged in GNP accounts and disguised by poorly measured and impersonal unemployment figures (ibid.). The impact can be measured by assessing the degree of long-term unemployment, income loss, and deterioration in physical and emotional well-being caused by particular plant closures. Further effects of de-industrialization include loss of part of pension rights, poverty, physical and mental health problems, loss of social networks created at work places, and anomie resulting from disorientation, anxiety and isolation amongst displaced workers.

In our 1993 survey of the effects of adjustment on several sub-sectors of the Zimbabwean manufacturing, we were equivocal about whether the process under way would lead to de-industrialization. Our somewhat optimistic assumption was that the negative outcomes in the sectors would be short-term. Three years later, it appears that some sub-sectors, such as textiles and metals, are now in the doldrums. This would appear to require a review of policy towards these sectors which were initially viewed as potential "high-fliers" under adjustment. Something went amiss. In the next section, we explore what the elements of an alternative package for the manufacturing sector in a developing country like Zimbabwe could be.

5.2 Towards a New Industrial Policy Framework

The evidence on the outcome of structural adjustment in sub-Saharan Africa in the past two decades has not been positive in relation to industrial restructuring. As we observed from our Zimbabwean findings, adjustment has tended to result in the contraction of the manufacturing sector. Several related issues, therefore, arise. For example, is the basic neo-liberal market approach underlying the adjustment programmes not flawed? At the same time, was the old economic policy framework also not flawed? If both were flawed, what elements could constitute the basis for a more sustainable policy framework? In this section, we argue that a new industrial policy should be designed to rescue a vital sector in African economies. Our argument is largely based on our evaluation of current economic conditions in Africa (in

particular, the Zimbabwean cases surveyed in this study) and on the comparative experiences of the Asian newly-industrializing countries (NICs). In this process, we draw from the insights of several industrial policy analysts, including Riddell (1994.) and Wade (1990), Mkandawire (1988) and Lall (1995).

There have been two competing positions on industrialization in sub-Saharan Africa. The two have been termed the "industrialize at all costs" and the "harsh withdrawal" approaches (Riddell, 1994: 218). The "industrialize at all costs" approach is, as the name suggests, strongly for manufacturing and, more broadly, industrial development to be vigorously promoted at almost all costs. The strategy is rooted in the view that industry is the main lever of African development, and built upon the belief that African countries can short-circuit the normal process of development and leap to the stage of mature industrialization. Mainly to be achieved through the promotion of new industries initially through import-substitution:

the strategy involves the setting up of a range of, first consumer-goods, and then more complex industries, with production initially replacing imports, but then hopefully sustained by a mix of increased domestic and export demand. (Ibid, 219.)

However, this approach appears to be no longer taken seriously outside and within Africa. There is little political support for it among the ruling elites and insufficient funds to return to such a strategy of economic engineering. Under the "harsh withdrawal" approach, the manufacturing industry and its development are placed firmly within the broader macro-economic framework. The shape and manner of the evolution of manufacturing are influenced predominantly by short-run market and price signals, as the state stages a series of retreats from direct involvement in manufacturing and other sectors, and as state marketing declines (ibid.: 220). In this approach:

manufacturing is treated no differently from other productive sectors, and any special treatment historically accorded the sector is withdrawn. Thus, subsidies to and incentives for manufacturing are removed, protection through banning the import of competitive products ceases, and competitive imports are increasingly permitted at the same time as tariff levels are lowered. (Ibid.)

One possible outcome of this approach is the contraction of the sector and the spectre of de-industrialization, as we observed above. As it has been further argued, African economies then find themselves denied the use of the state "which has been a major source of dynamism in industrialization while awaiting, in the absence of indigenous capital, the arrival of foreign investment that remains sceptical of export-oriented industrialization in Africa. The result has been stagnation and de-industrialization", (Mkandawire, 1988.)

We need to explore an alternative approach to these two self-destructive strategies. A number of elements are crucial for such an alternative approach. It is an approach that has been successful in East Asia where instead of "a free market" solution, "a governed market" strategy has instead been implemented. In the regulated market strategy, the state has played a central role. The alternative strategy is based on a governed market theory which dismisses the neo-liberal market approach and emphasizes capital accumulation as the principal general force for growth (Wade, 1990 : 29). In the East Asian cases which he evaluates, Wade argued that government policies deliberately got some prices "wrong" so as to change the signals to which decentralized market agents responded. Non-price means were used to alter the behaviour of market agents. Other instruments which were at the disposal of governments in the NICs were trade and forex controls, export and tax incentives, selective credit allocation and other means of punishing firms that did not comply (ibid. 32).

For example, the governments of Taiwan and South Korea did not so much pick "winners" as make them. They did so by creating a larger environment conducive to the viability of new industries, especially by shaping the social structure of investment so as to encourage productive investment. The governments discouraged unproductive investment and by controlling the key parameters on investment decisions, they ensured greater predictability. The key instruments chosen were (a) protection of domestic industries to modulate international competition; (b) restrictions on capital outflow to intensify re-investment; and (c) controls on domestic financial institutions.

Furthermore, the NICs combined their "outward orientation" on the export side with an "inward orientation" on the import side. They undertook trade and foreign exchange liberalization very gradually, placing the emphasis on export promotion (ibid. 336). Export competitiveness was not attained by greatly liberalizing imports except for imports used in export production. What differentiated the industrial targeting efforts of these governments compared to others, including those in sub-Saharan Africa, was their combination of a stable investment climate, a consistent and co-ordinated attentiveness to the problems and opportunities of the designated industries, and a commitment to industrial competition in world markets.

In contrast to the prescriptions enshrined in adjustment packages, the state in the Asian NICs had a firm regulatory hand in steering the economy to sustainable growth. Of course, the regulatory power of the state could have been abused as was the case in most SSA countries. It was not abused in the Asian context due to the institutional and political framework which was supportive of positive state intervention. Let us, following Wade, briefly summarize an alternative list of prescriptions in contradistinction to the neo-liberal market approach.

First, protection can be carefully utilized to help create an internationally competitive set of industries. In developing countries such as those in Africa, it makes little sense to talk of protection only as a temporary measure designed to assist the emergence of infant industries to be able within 5 to 10 years to compete against international firms without protection. As we observed above, protection has to be seen as part of longer-term measures aimed at enabling developing countries to gain experience of industry and large-scale organization. The challenge will be to use such longer-term protection in a way which does not eliminate all competitive pressures.

Second, if the wider strategy calls for heavy reliance on trade, high priority should be given to export promotion policies. Without a quick and automatic access to imported inputs at world market prices, free of customs duty, quantitative restrictions, and indirect taxes, would-be exporters would be handicapped in world markets by being forced to pay more than competitors for the same inputs, or by being forced to use inferior domestic substitutes. An export subsidy scheme may be needed to make export sales as attractive as domestic market-related sales. Furthermore, at any one time, export promotion and import substitution should co-exist, reflecting different stages of different industries (*ibid.* 362–363).

Third, trade and financial liberalization should be carried out gradually in a sequenced manner. Neo-classical analysts and the World Bank urge large-scale and rapid liberalization to get a whole package of reforms in place before opposition builds up. By contrast, the East Asian experience is consistent with a prescription for more gradual change and a different sequence. In designing economic liberalization—whether in trade, finance or other spheres—it is important to address the question of what kinds of private sector would gain from the change. For, it cannot be assumed that they would choose to be entrepreneurial investors rather than luxury consumers.

Fourth, it would be necessary to establish a “pilot agency” or “economic general staff” within the central bureaucracy whose policy heartland would be the industrial and trade profile of the economy and its future growth path (*ibid.* 371). For an industrial policy to be effective, one or two agencies should steer the formulation and application of policy instruments. Such a pilot agency should be concerned with formulating operational goals, such as diversification of industries and markets, reduced dependence on raw material imports, and greater employment in certain industries, and with analysing how various policies affect these goals.

Finally, it will be imperative to develop effective institutions of political authority to direct economic reforms, and this should go hand in hand with the development of corporatist institutions. State effectiveness depends on the coherence of state policies, which is difficult to maintain when important parts of the state are beholden to sectoral, ethnic or regional interests. Effect-

iveness is, therefore, a function of the degree of insulation or autonomy from the surrounding social structure. In this instance, insulation is a function of, among other things, officials' dependence on the state for their income, and not on interest groups; official expertise, which gives them grounds for asserting their own preferences for state action against those of interest groups', and the extent to which the nation faces a threat to "national interests" from other states, in response to which non-state groups are likely to confer substantial autonomy on state officials (ibid.).

The elements which have been identified should be seriously considered in the African context. Our argument is not that a replication of the East Asian industrialisation model should be attempted, nor that it is the most appropriate within the African context. Historical and strategic factors provided different types of impetus to the industrialization of such anti-communist bastions as Taiwan and South Korea. They occupied key positions in US global and regional strategy; in consequence they received disproportionately large amounts of foreign aid (Dixon, 1995: 206). Highly distinctive national and regional circumstances, especially Japan's historical and contemporary role, have clearly shaped economic development in the region. Nevertheless, the paradigm of "a governed market" directed by a strong state is one that sub-Saharan Africa (SSA) has not seriously pursued. An alternative industrial policy should be seriously considered in individual states. It should lie at the base of development plans and should be vigorously articulated in negotiations with the IFIs, so that it gets incorporated into adjustment packages. This alternative approach has been dubbed "a benign interventionist" approach by some analysts (Riddell, 1994: 221). This approach is far from dismissive of the importance of responding to market and price signals, and of the need to eliminate macro-economic distortions and imbalances. Its differences from previous approaches:

lie in the timing of the adjustment process, in the mechanisms to be used to promote a more efficient type of industry, in the longer adjustment period envisaged, and in precisely how to respond to price signals ... (Ibid. 222.)

According to this perspective, the future prosperity of SSA is likely to be enhanced by a three-pronged type of industrialization. Firstly, policies to promote the expansion of manufactured exports, and secondly a more systematic approach to further import substitution need to be vigorously implemented, not in isolation but thirdly in conjunction with policies that seek to raise the efficiency of existing manufacturing enterprises .

From the foregoing, it is imperative that SSA states (Zimbabwe included) review their industrial policy framework as a matter of urgency. Current adjustment packages have engendered de-industrialization rather than sustainable restructuring while earlier macro-economic policies had proved

unsuccessful. This makes the challenge of designing a new industrial policy framework all the more daunting.

5.3 Summary of Findings

This study, like the previous one in 1993, sought to provide a critical analysis of the adjustment process in the manufacturing sector in Zimbabwe. It undertook case-studies of the textile and metal sub-sectors and evaluated them in the broad context of a growing literature which is critical of adjustment measures in manufacturing in Africa.

We observed that although the main argument for introducing ESAP was that the manufacturing sector had been uncompetitive, earlier studies in the 1980s had reached a different conclusion. One of the firm-level studies by the World Bank itself had shown that in spite of protective tariffs, most manufacturing firms had remained relatively efficient by international standards. The inconsistency between this earlier favourable rating of the sector and the hasty liberalization contained in the World Bank-sponsored ESAP convinced some analysts that its subsequent action was not based on whether previous policies were working reasonably, but on whether they were working according to "free market" dogma.

In presenting an overview of the manufacturing sector, it was observed that a major assumption behind the ESAP strategy was that it would trigger a significant surge in investment, especially foreign investment. Although domestic investment directed at re-tooling picked up significantly during 1990–1992, it soon became unsustainable due to an escalation in interest rates. We argued that the twin objectives of achieving high positive interest rates and substantial investment levels became mutually contradictory under ESAP. Furthermore, manufactured exports had not significantly expanded due to negative factors such as expensive borrowing and restructuring. Trade liberalization opened the flood-gates to imports which competed directly with certain industries such as textiles and metals.

The study then examined in detail, the process of restructuring in these two industries under adjustment. After examining the dimensions of the process, it was argued that ESAP appeared to have weakened rather than strengthened the performance of the two sub-sectors. Yet if there had been industries better positioned for a potential take-off in a significant way, it was these two.

From field surveys and material obtained from industrial associations, it emerged that most textile firms had, by 1995, experienced acute hardships in attempting to modernize their plants. As we observed, the cost of re-equipment was astronomically high due to escalating interest rates. The combination of fiscal constraints and a difficult macro-economic environment

delayed extensive modernization and this had an adverse impact on the industry's capacity to improve its competitiveness. To that extent, the restructuring process in the textile industry was partially stalled, ensuring that full benefits from it could not be realized. Conditions in the metal industry were similar. There was capacity under-utilization at the surveyed firms as a consequence of difficult access to capital. Exports plummeted while steel and metal imports rose significantly between 1991 and 1995.

In particular, the removal of the export incentive scheme by the government in 1994 was perceived as a major setback by firms especially in view of the assistance which their external rivals received from their own governments. Textile firms complained of the removal being ill-timed in that it came a little over a year after South Africa had imposed restrictive tariffs to reduce textile and clothing imports from Zimbabwe. The study then explored the specific effects of trade liberalization on the textile and metal industries. It was observed that there had been a significant take-over of the domestic market in both textiles and metals by imports, a development which triggered industrialists' complaints that ESAP had been "poorly" and "negatively" implemented. Textile firms criticized the influx of second-hand clothes and cheaper textile imports. Iron and metal manufacturers were furious about the four-fold expansion of imports of iron and steel plates and sheets between 1990 and 1994.

The study then explored how the process of restructuring had affected the content and tone of labour relations. In a new legal and institutional framework, greater flexibility had been awarded to management in recruiting and sacking workers while easier access to new technology affected the organization of the work process itself. New trends in supervision—reflecting changes in the work place labour regime—had emerged.

Field surveys suggested that supervision had intensified with two-thirds of textile and metal workers confirming intensified supervision. Against the background of a substantial debt burden and intensified foreign competition in the domestic market, there was a particular interest by the management of manufacturing firms to speed up the work process, and maintain original levels of work content even where large retrenchments had occurred. We observed that the supervision process had become a key element in the production systems of the surveyed firms; however, it was a process characterized by authoritarianism, frustration and insecurity from the viewpoint of workers. An important outcome of this tighter supervision regime was the growing trend towards polyvalency.

Firms still invested considerably in skills training at the work place though not to the same degree as in 1993 when we carried out a similar survey. Nevertheless, approximately half of the sampled textile and metal workers had received skills training ranging from one week to six months. In some

instances, workers who had participated in these skills training programmes had subsequently been upgraded. In other instances, they had not been and this created tension in management-labour relations. From the field survey, it emerged that more than half of those sampled characterized firm-level labour relations as "not good". In the two industries, management had found it difficult to maintain worker motivation, productivity and the legitimacy of the new work regime in a consistent manner. The study also assessed the response of workers to retrenchments and liquidations, observing that these had sometimes led to strike action.

In spite of the difficult climate in labour relations, a considerable strengthening of the collective bargaining system under ESAP had occurred. Free collective bargaining gradually but grudgingly was accepted by the government, while there was much enthusiasm for it amongst employer and labour organizations. The crisis conditions in the two industries appear to have convinced both management and labour to take common positions on a number of policy issues. Such was the case with their joint critique of the time frame of trade liberalization and the "open-door" policy on textile and clothing imports, including second-hand clothes. The two parties also developed a joint position in the trade negotiations with South Africa.

The study observed that, in general, real wages had declined substantially in the manufacturing sector, and that the textile and metal sub-sectors were no exception. However, the significance of this decline related to its depth and sustained character compared with the pre-ESAP period. The pressure on living standards had, therefore, been quite severe on most categories of workers, forcing them to cut down on basic consumption levels.

Our findings on income patterns from the 1995 survey showed some slightly nominal improvement over the 1993 distribution of wages in the textile and metal industries. In general, however, wage levels were higher in the metal industry where semi-skilled and skilled workers earned much higher wages than their counterparts in the textile industry. However, the inflationary trends and the increased cost of living ensured that metal workers, like their colleagues in the textile sub-sector, found it similarly difficult to make ends meet. An increasing number of workers resorted to borrowing, especially in the last two weeks of the month before the next pay.

An analysis of social consumption patterns showed a noticeable decline in access to basic commodities and services in comparison to our 1993 survey. Data concerning access to maize meal, bread, beef and milk, and apparent "non-essentials" such as soft drinks and newspapers was consistent in illustrating reduced access by most workers. A similar trend was reflected in the growing inability of workers to afford health, housing and their children's education. We drew on group discussions with workers' committee members and unionists to illustrate the social consumption crisis.

The study then explored at some length, the coping strategies which workers have adopted to ameliorate their almost desperate conditions. Most of these strategies by textile and metal workers were devised at work places, or at least based on income and other resources obtained through employment status. The three sets of strategies examined were savings, welfare and housing schemes; informal sector activities; and activities based on linkages with the rural economy. Participation in these activities by workers was not insignificant and had generated supplementary income to augment depleted earnings.

Not only workers but firms as well had resorted to coping strategies. We observed that the firms surveyed had attempted to cope by diversifying their product range, seeking new export outlets, raising new share capital, and through relocating their operations. For example, the diversification of product range in the domestic market had paid dividends to some metal firms. There were nevertheless limits to these coping strategies as some of the firms eventually were in such considerable distress that they had to undergo liquidation.

5.4 Post-Script

In the remainder of this concluding chapter, we add a post-script on developments in the Zimbabwean economy since the expiry of ESAP in 1995. We will briefly assess the overall outcome of ESAP, and review the specific effects on the manufacturing sector and its attempts at re-adjustment up to mid-1997. We also spell out the principal elements of a proposed successor programme to ESAP, the Zimbabwe Programme for Social and Economic Transformation (ZIMPREST). The broad regional context in which these developments have occurred is examined with particular emphasis on its significance for the outcome of restructuring.

5.4.1 The Outcome of ESAP

For a programme launched with such a huge political fanfare, the outcome of ESAP was most unimpressive. First, growth was almost stagnant at less than an average rate of one per cent between 1990 and 1995. In particular, the volume of manufacturing output sank below the pre-adjustment period (ZCTU, 1996). As we observed in the case-studies, the combination of high interest rates, devaluation and low domestic demand hurt certain sub-sectors, especially the textile, clothing and metal sub-sectors. Exports plummeted. The value of exports in US dollars, which had grown at an annual average of nine per cent between 1985 and 1990, declined to an estimated three per cent average between 1990 and 1993. Statistics on the production volume in the

first eight months of 1995 showed that half of the manufacturing sub-sectors had witnessed their volume fall to, or below, the levels recorded in 1980 (FMB, December 1995). As we illustrated in our case-studies, textiles and metals were amongst the sub-sectors which performed below their 1980 averages.

Most of the economic reform measures had been implemented by the end of 1995. In particular, significant progress had been accomplished in the area of investment and trade liberalization, and in the de-regulation of financial, labour market and price controls. As we observed in our case-studies, there was no attempt to synchronize trade liberalization and the sustainable modernization of the manufacturing sector. The implementation of trade liberalization may have been ahead of schedule but this was a hollow achievement given the setbacks which some manufacturing sub-sectors experienced owing to the un-regulated flows of competing imports.

The World Bank has been candid enough to concede the unsatisfactory outcome of the ESAP. It now agrees that the Zimbabwe adjustment experience pointed to the importance of proper sequencing. In its own words:

trade liberalization and the rationalization of tariff, tax and export incentive regimes need to be sequenced carefully. The failure in Zimbabwe to properly synchronize these measures and to establish the conditions for rapid expansion of exports early on, placed many domestic firms at a disadvantage and delayed the supply response. (World Bank, 1995.)

Of course, this newly-found wisdom was an attribute of hindsight for the World Bank itself had originally been dogmatic about a "big bang" approach to stabilization and adjustment. As in similar cases of adjustment programmes gone awry, it was the implementing government, and not the World Bank, which picked up the tab for the expensive blunders. A performance audit report from the World Bank acknowledged precisely the constraints that had arisen half way through ESAP:

many firms feel that they have been given a less than level playing field as a result of having to contend with increased competition while confronting tax and tariff and regional trade anomalies. (Ibid.)

Yet, there was no attempt to readjust the policy measures which were contributing to the woes of the manufacturing sector. In spite of its crucial role in the designing of the ESAP, the World Bank would later seek to distance itself from the flawed outcome.

In the public enterprise sector, which this study did not cover, reform seriously lagged behind with largely negative macro-economic consequences. For instance, in 1993–94 the total operating deficit of the nine major enterprises amounted to 3.3 per cent of GDP. In 1995, the government inherited

parastatal debts amounting to Z\$4 billion. Persistent lack-lustre performance and losses by public sector enterprises weighed heavily on the public finance necessitating increasing government indebtedness through domestic borrowing, and reduced availability of finance for private sector investment. ESAP objectives did not materialize. Government's expectations that ESAP would result in increased investment, accelerated growth, and rising incomes "had not yet been met". (Ibid.)

The sustainability of the reform measures was uncertain at the end of 1995. This was exemplified by the suspension of disbursements by the World Bank and IMF in late 1995. They still had not been resumed in June 1997 when this study was being written up.

5.4.2 Industry under Adjustment: Further Developments

There have been several notable developments since 1995 concerning the sub-sectors covered in this study. We will provide a brief account of those developments as they have impinged on some of the firms sampled in our survey. Principally, these developments relate to the reversal of trade liberalization in the manufacturing sector, and restructuring through merger and management shake-up in some of the sampled firms. The partial reversal which was evidently a belated response to strident lobbying by industrialists, took the form of a re-imposition of tariffs on finished imports. Under a new tariff regime introduced in February 1997, finished imports, including textile and metal products would attract duty ranging from 40 to 85 per cent. As a notable incentive, firms would henceforth be able to import capital equipment, raw materials, tools, spares, partially processed inputs, intermediate goods and consumables without duty or at very low rates (*The Herald*, 17 February 1997). It was still too early in mid-1997 to assess the impact of the new tariff regime on manufacturing. The least it could achieve would be to make competing imports much more expensive than before in comparison to domestic products. The sampled textile and metal firms regard the new tariff regime as much more favourable than the one that was overturned. However, there have been more far-reaching developments pertaining to internal restructuring within the firms. We will here make specific references to the textile firms of Cone, Merlin and Zimbabwe Spinners and Weavers, and to the steel firm of ZISCO.

As we observed in the main text of our study, Cone Textiles had undergone liquidation in 1994 and Merlin had been placed under provisional liquidation in 1996. By early 1997, both firms had been resuscitated but under different ownership and financing arrangements. The resuscitation of Cone Textiles was made possible by a joint ownership and financing arrangement between a parastatal corporation, the Industrial Development Corporation

(IDC), and an Iranian firm. In mid-1997, the textile firm had begun operating on a modest basis; it would take time to achieve its erstwhile capacity. Ironically, the amount of finance required to regenerate production at the firm exceeded the amount of debt which had precipitated its liquidation.

The principle of a joint venture ownership structure was replicated in the arrangement between Zimbabwe Spinners and Weavers and a German textile firm called Daun and Cie in early 1997. The decision by the Zimbabwean firm was motivated by a very sharp fall in its profits in 1996. In spite of investing Z\$145 m on refurbishment between 1993 and 1996, the firm had witnessed its profits plummet from Z\$23 m in 1995 to Z\$4.4m in 1996 (*Financial Gazette*, 12 June 1997).

Financial and management restructuring at Merlin also involved external players. The two multinational corporations, Anglo-American Corporation and Old Mutual, both based in South Africa raised their shareholding to 64 per cent. This enabled them to take effective control of this originally family-owned firm. The capital investment and management changes put the textile firm on a more stable footing. Under these changes, Merlin now operated as a subsidiary of Merspin, a firm which also had originally belonged to a family-owned stable of companies. Finally, the restructuring at ZISCO was largely to involve partial privatization which would nevertheless result in a significant reduction in the size of government ownership. In early 1997, tenders had been sought from firms keen to invest in and operate the steel plant.

These restructuring strategies need to be related firstly to a government-led attempt to design an industrial policy, and secondly to the wider regional context. In the first half of 1997, a draft industrial policy paper appeared. Some of the specific issues it attempts to address relate to restructuring and de-industrialization. The paper presents a number of propositions such as that:

government will resist and reject any tendencies or steps that may lead to de-industrialization ... It will aim at an average growth rate of at least 5 per cent for a ten-year period. No stone will be left unturned to broaden the industrial base in order to achieve growth in an export-led strategy. (Ministry of Industry and Commerce, 1997.)

The policy paper identifies a number of priority areas to be addressed in the next 10 years. These include indigenization, parastatal reform and the promotion of Export Processing Zones (EPZs). Furthermore, a Tariff Commission would be established to examine the structure of import tariffs on an ongoing basis "to ensure that the tariff structure is as supportive as possible to business" (*ibid.*). To promote healthy competition in the domestic economy and curb restrictive trade practices and thus protect the welfare of consumers, an Industry and Trade Competition Commission would be set up. However,

the policy paper often reads like a long wish-list rather than a realistic and coherent plan to stimulate and sustain industrial growth. There is scarcely originality in aiming at a 5 per cent growth rate; this was an ESAP target which failed to materialize. The paper does not go beyond generalities. For instance, it observes that the best guarantee for industrial growth and competitiveness "is a stable macro-economic environment of low fiscal deficits, low inflation and low interest rates" but does not elaborate on how this may be attained. It also makes somewhat simplistic prescriptions for endangered industries:

some of the older industries based on local resources such as the clothing and textile sector will be encouraged to improve their production process through the importation of the relevant skills where these are in short supply and through research and development to improve the supply and quality of raw materials for these industries. (Ibid.)

Such general solutions are presented without further elaboration or critical evaluation of why they proved inadequate under ESAP. There is also no indication regarding the institutional framework and coalition of interests that would be more supportive of a more vigorous and realistic industrial policy.

The regional context in which ESAP was implemented and in which a new industrial policy is being formulated is one of pronounced rivalry between the two major economies of Southern Africa, namely, Zimbabwe and South Africa. Our case-studies illustrated the painful effects of the punitive tariffs imposed by South Africa on Zimbabwean textile exports. A much larger economy, South African exports to Zimbabwe are more than double those of the latter to South Africa. Since 1990, the trend in trade has largely been in South Africa's favour. However, it was not until early in 1997 that a new trade agreement was signed between the two countries which lowered tariffs on Zimbabwean textile and clothing exports. By then, a great deal of damage had already been inflicted on the Zimbabwean textile and clothing industry. The regional dominance of the South African economy exerts an obvious powerful influence on Zimbabwe's manufacturing and trade patterns. The competition between the two economies needs to be moderated. It was the lobbying arising from the intense competition between the textile industries in the two countries which delayed a trade agreement. A specialized regional division of labour may offer an alternative to trade conflicts. Countries should be encouraged to exploit their comparative advantage based on their natural resources and industrial base. In the long run, however, there is a recognition that a regional common market which encourages competition and diversity may be a more permanent solution to bilateral trade conflicts.

5.4.3 Main Elements of ZIMPREST

The Zimbabwe Programme for Economic and Social Transformation (ZIMPREST) was conceived as a successor to ESAP reform measures, most of which had failed to achieve the objectives for which they were introduced. The principal elements of ZIMPREST were spelt out in mid-1996 and became the focus of intensive discussions between the Zimbabwe Government and the World Bank and the IMF. Instructively, the government decided against christening these reform measures ESAP II because of the extremely poor image of ESAP. ZIMPREST would nevertheless be a continuation of orthodox economic liberalization measures under a different name.

The ZIMPREST programme seeks to achieve several objectives over a period of five years. Like ESAP before it, it aims at an annual growth rate of 5 per cent during this period, with higher growth envisaged in non-drought years. Other principal objectives are:

- (a) a consistent reduction in the budget deficit from 10.2 per cent in 1995–1996 to 2.9 per cent by 2000–2001;
- (b) continuous growth in exports with a minimum annual increase of 7 per cent; and
- (c) sustained investment growth of 25 per cent of GDP annually.

Associated measures would include raising revenue levels from 28 per cent of GDP in 1995–1996 to 31 per cent by 2000–2001, a squeeze on wages and salaries and substantial public enterprise reform.

ZIMPREST is weak, like ESAP was, in spelling out the practical steps of implementation and the synchronization of the policy measures on which it is built. Unfortunately, it reads much like a long wish list in the tradition of post-independence development plans which were only half-heartedly implemented. That so many of ESAP's macro-economic and institutional targets were missed is a reminder that there is much more to economic reform than designing programmes and making optimistic projections.

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