EXPORT DIVERSIFICATION AND THE LABOUR MARKET: KEY ISSUES IN BOTSWANA

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EXECUTIVE SUMMARY

SUMMARY

This paper reviews a range of issues that affect the availability of and demand for competitively priced and appropriately trained labour for export businesses in Botswana. On the supply side, the focus is on the availability and costs of labour. The following issues are investigated: the overall influence of the public sector on private sector employment, the actual and projected impact of the AIDS epidemic, the role of immigration, and education and training provision. With respect to demand, the paper looks briefly at the specific skills and labour profiles demanded by different scenarios of export growth. In addition, the role of government regulation is reviewed, in particular the impact of the minimum wage and the role of work permits and immigration regulations.

LABOUR AVAILABILITY

The education system was seriously neglected throughout the colonial period. However, by African standards, Botswana now has a well-resourced education and training system. The key education goal is that all children receive ten years of good quality and relevant basic education. Enrolment rates for both primary and secondary schooling are very high. The growth in public expenditure on education has averaged nearly 15 percent per annum since 1997/98.

Unemployment rates vary inversely with the level of education and training attainment (see Table 1).

Table 1: Unemployment rates by level of training attainment, 2001

	Female	Male	All
No training	28.4	21.2	24.5
All certificates	14	7.4	9.9
All diplomas	4.5	4.2	4.4
All degrees	3.6	2.6	3
OVERALL	23.6	16.2	19.5

Source: 2001 Population and Housing Census

The vocational training system focuses mainly on pre-employment, time-bound technician and craft-level skills training for predominantly male primary and secondary school leavers at government-funded vocational training centres. In the absence of any systematic human resource planning, the training system has been essentially supply-driven with relatively limited involvement of employers in the development of course content and training standards.

Most high-level personnel are trained at the University of Botswana. Total enrolments have grown extremely rapidly- from just under four thousand in 1992/93 to over 13,000 in 2002/03. However, science and engineering and

technology account for only 20 per cent of enrolments. There was almost complete gender parity in enrolments in 2002/03.

Foreign personnel

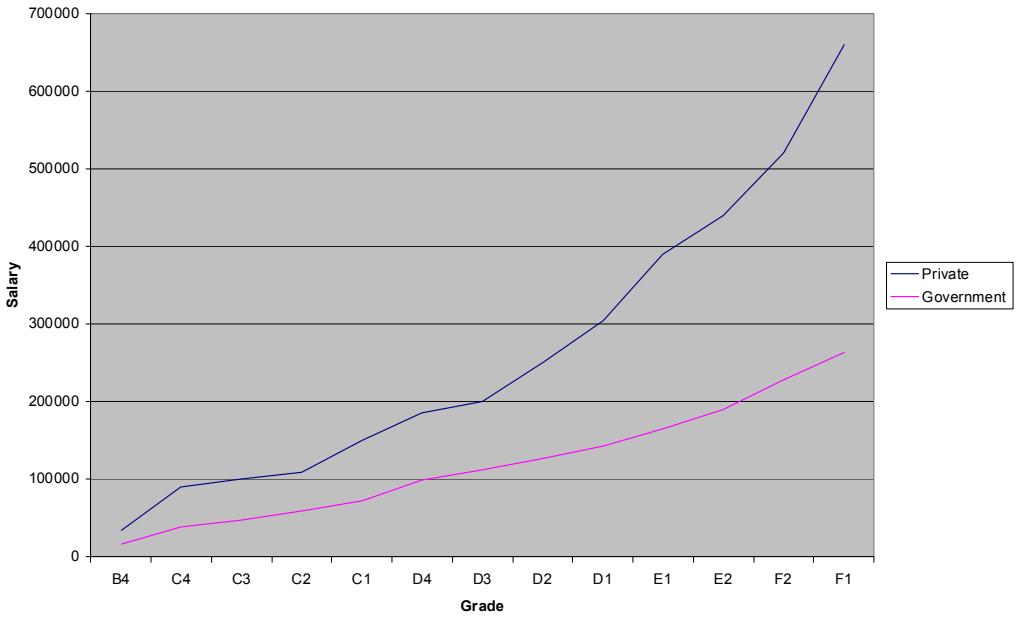
There could be as many as 15,000 foreigners working in the private sector. With regard to manufacturing activities, Batswana generally do not have the experience-based expertise of expatriates. It is not the case therefore that nationals could replace most foreign workers from the open labour market.

The problems encountered by enterprises of employing foreign personnel may well be over-stated. Not only are Batswana with the requisite skills generally unavailable, but enterprises are able to draw on a large pool of experienced production workers from South and South East Asia as well as neighbouring countries

Impact of the public sector

While public sector employment did dominate high and middle level labour markets during the 1970s and 1980s, this has been increasingly less so since the mid-late 1990s. In overall terms, the share of wage employment accounted for by central and local government was only 27.4 percent in 2001. Government introduced a national prices and incomes policy in 1972, whose main objective was to ensure wage restraint in the private and parastatal sectors. Private sector employers were legally not allowed to pay more than equivalent occupations in the public sector, which impacted negatively on their recruitment and retention of middle and senior level personnel. However, since 1990 private sector employers have not been subject to restrictions and public-private sector income differentials among skilled labour categories are now sizeable (see Figure 1).

Figure 1: Private and government salaries by grade, October 3003



Source: BIDPA, 2004

LABOUR PRODUCTIVITY

There is a lack of consistency in the findings and conclusions of studies and other reports with respect to labour productivity in the manufacturing sector. The FIAS Report concludes that 'employers (especially foreign ones) complain about the low productivity of Botswana (sic) labour' (FIAS, 2003, p. 52). However, the Fourth Evaluation of the FAP found that 'most companies did not appear to be overly concerned with productivity levels, and only a small minority pro-actively adopted productivity enhancing measures such as bonus or incentive schemes.' The responses of managers at 11 manufacturing enterprises who were interviewed for this study suggest that labour productivity is generally much lower than in Asia, but at about the same level as other countries in the region. However, they do not have strong views about the quality and/or relevance of primary and secondary education.

The lack of a strong work ethic among Batswana is widely commented upon in reports and was also frequently mentioned by enterprise respondents.

Manufacturing enterprises rely almost totally on on the job training for both production workers and other staff. This level of isolation of manufacturing enterprises from the formal vocational system is the norm in sub-Sahara Africa. The National Policy on Vocational Education and Training of 1997 seeks to redress these weaknesses by creating an integrated, national VET system, rationalise courses and qualifications through the establishment of a national qualifications framework. The Botswana Training Authority and the Tertiary Education Council have been established to spearhead the reform process. However, progress to date has been limited and their concerns that training provision will not become demand-driven.

GOVERNMENT REGULATION

Flexible labour markets are essential in order to achieve international competitiveness. Flexibility refers to all aspects of employment including hiring and firing, salary and wages, retrenchment, and employment standards. Although some employers do have concerns about specific areas of government policy and practice, the large majority of enterprise respondents are satisfied with the overall regulatory framework for labour in Botswana. The FIAS report also concludes that 'generally, employers do not see labour regulations as an impediment to doing business in the country' (FIAS, 2003, p.52).

Obtaining work and residence permits has been consistently identified as among the most difficult investment procedures in Botswana. The total backlog of work permit applications was 7474 in late 2004. However, temporary work permit waivers enable most foreign investors to circumvent unwieldy and bureaucratic work permit procedures.

Labour relations in Botswana are generally good, especially compared with South Africa. The level of trade union membership is low as is the incidence of industrial action. The general consensus is that the minimum wage in the private sector has not seriously affected employment creation and productivity. Up until recently, many manufacturing employers have not been unduly concerned about the minimum wage because their labour costs have been heavily subsidised as part of the FAP.

FUTURE LABOUR SUPPLY AND DEMAND

A key issue is the extent to which export-oriented enterprises will have to compete for labour, and especially high and middle level personnel, with other industries as well as the public sector. Future growth in public sector employment is likely to be limited as government seeks to control public expenditure and increasingly focuses on private sector development. The growing numbers of graduates from post-secondary training institutions will therefore have to be absorbed by the private sector.

The AIDS epidemic is projected to have a devastating impact on the labour force in Botswana. The overall adult HIV prevalence rate was 25.3 percent in mid 2004. However, only one of the 11 companies that were visited indicated that the AIDS epidemic has had a significant impact to date on their workforce both in terms of morbidity (sickness) and mortality. The direct employment costs of the HIV/AIDS were also reported to be negligible in all companies.

The absence of detailed and robust manpower planning means that no coherent set of projections exist with regard to occupational outputs from all the key post-secondary educational and training institutions. Projections for specific institutions have been made, but these are not part of a comprehensive national human resource development strategy.

POLICY RECOMMENDATIONS

Human resource planning

Government urgently needs to produce a detailed and comprehensive national human resources development strategy, which focuses in particular on the occupational requirements of the key growth sectors in the economy. These include mining, financial services, manufacturing, and tourism. The development of a labour market information system is essential.

Employment and incomes

Current employment and incomes policies are generally supportive of the overall government goal of ensuring that the private sector is at the forefront of the development process in Botswana. The abolition of the minimum wage is neither desirable nor feasible. While it is important to maintain and improve the quality of public services, the bulk of the most able and dynamic individuals should be attracted into the private sector.

Education and training

The current thrust of government education policy to improve the overall standards and relevance of both primary and secondary schooling is in line with international best practice. However, the VET sector in Botswana needs to be comprehensively reformed. In particular, the continued emphasis on pre-employment training in the traditional manual trades does not correspond to the skill needs of manufacturing and other key sectors. Training services should be directly targeted on the priority needs of the key growth sectors (including tourism), which should have their own lead bodies for training. The bulk of this training is likely to be job-related. Training policy and practice is still too compartmentalised between BOTA, TEC, and the Ministry of Education.

More concerted efforts are needed to increase cost recovery for all post-secondary education and training. Income-contingent loan repayment schemes are feasible in the Botswana context. The loan-grant system should be comprehensively reviewed.

Botswana has the resources to develop world-class universities and other higher training institutions, which will form the basis of a successful knowledge economy. But this can only be achieved by attracting top class teachers and researchers.

HIV/AIDS

The mass provision of anti-retroviral drugs should considerably mitigate the impact of the AIDS epidemic on the workforce. It is very important that potential investors are made aware of the limited impact of the epidemic on enterprises to date and are reassured that the direct and indirect employment costs of the epidemic are likely to be limited.

Non-citizen employment

Approval of work permits should be based on a points system. There should also be much closer monitoring of company localisation plans.

With the growing importance of the service sectors in Botswana, one of the key roles of expatriates will be to promote the all-important ‘service culture’.

1. INTRODUCTION

This paper reviews a range of issues that affect the availability of and demand for competitively priced and appropriately trained labour for export businesses in Botswana. On the supply side, the focus is on the availability and costs of labour. The following issues are investigated: the overall influence of the public sector on private sector employment, the actual and projected impact of the AIDS epidemic, the role of immigration, and education and training provision. With respect to demand, the paper looks briefly at the specific skills and labour profiles demanded by different scenarios of export growth. In addition, the role of government regulation is reviewed, in particular the impact of the minimum wage and the role of work permits and immigration regulations. Annex A presents background information on exports, foreign investment and employment.

All relevant documentation was reviewed including major surveys (Labour Force, Household Income and Expenditure[1], Population Census, CSO education, labour, and industrial statistics) and interviews were conducted with senior officials and managers in relevant ministries and other organisations (see Annex A). In addition, senior managers at 11 manufacturing enterprises who produce mainly for export were interviewed (see Table 1)[2].

Table 1: Sector and employment among case study manufacturing enterprises, November 2004

Enterprise	Activity	Year established	Receiving FAP	Total employment Start	Total employment End 2004	Wage bill % total costs
A	Textiles	2000	Yes		515	40
B	Textiles	2000	Yes		422	65
C	Textiles	2000	Yes		859	10
D	Textiles	1998	No	250	1200	60
E	Textiles	2003	No		200	na
F	Textiles	1999	No		13	6
G	Metal fabrication	2001	Yes	98	28	2
H	Plastic	1988	No	100	43	na
I	Shoes					
J	Food	1985	No	1000	521	30
K	Food	2003	No	200	200	20

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[1] Data from the latest Household Expenditure will not be available until February-March 2005.
[2] Six were telephone interviews.

2. LABOUR AVAILABILITY

The total population of Botswana aged 12 and over was just under 1.2 million in 2001, who were almost equally divided between the 'economically active' (589,000) and the 'economically inactive' (598,000) (see Table 2).

2.1 Overview

The education system was seriously neglected throughout the colonial period. At Independence in 1966, there were only around 40 university graduates and no more than 100 school leavers with the senior secondary certificate. Consequently, localisation in both the public and private sectors was very limited. As late as 1964, Batswana were employed in only 24 of the 184 administrative positions in government[3]. Missionaries and other philanthropic organisations had established most of the small number of schools. All Batswana wanting to undertake post-secondary education and training had to attend overseas institutions, mainly in South Africa.

The new government had little alternative therefore but to invest heavily in education and training. Even so, severe shortages of skilled manpower have persisted mainly due to the long time lags inherent in human resource development coupled with very rapid economic growth, which further increased the demand for educated people. Most of these critical shortages were met by the importation of relatively costly foreign personnel.

Table 3: Enrolments, enrolment rates, dropout and pupil teacher ratios at Primary and secondary schools, 2001

	Duration	Enrolments ('000)			Enrolment rates		Student-
	(years)	Female	Male	Total	Gross	Net	teacher ratio
Primary	7	164	166	330	111.4	87.2	26.6
Junior secondary	3	58	55	113	72.5	52.5	16.4
Senior secondary	2	20	18	38			

Note: Secondary enrolment rates and PTRs are for both junior and senior levels
Source: Ministry of Education, Education Statistics 2002

By African standards, Botswana now has a well-resourced education and training system. The key education goal is that all children receive ten years of good quality and relevant basic education. Enrolment rates for both primary and secondary schooling are very high (see Table 3). Dropout rates are minimal (primary 1.8 percent, secondary 2.6 percent). The transition rate between primary and junior secondary education was 96 percent in 2001 and 53 percent between junior and senior secondary i.e. from Form 3 to Form 4.

There are no gender disparities in enrolments at either primary or secondary education. Pupil teacher ratios are low (27 primary, 16 secondary) and most

[3] The corresponding figures for the technical, executive and secretarial grades were 275 out of a total of 653.

Insert table 2

schools are well constructed with sufficient classroom accommodation and learning materials. Teachers are adequately trained and are relatively well remunerated.

Total expenditure on the education and training sector is P.4.7 billion for 2004/05. The growth in public expenditure on education has averaged nearly 15 percent per annum since 1997/98. The share of education in total public spending has increased from 16.9 percent in 1983/84 to 25.8 percent in 2004/05. Education expenditure is 7.5 percent of GDP compared to 4 percent for sub-Saharan Africa as a whole.

For almost all levels of educational attainment, female and male unemployment rates increased between 1991 and 2001 (see Table 4). The largest increases were for individuals with upper secondary and post-secondary education.

Table 4:Unemployment rates by educational attainment, 1991 and 2001

	1999		2001	
Education level	Female	Male	Female	Male
No education	13.3	11.3	17.8	13.5
Std 1-4	12.9	12.2	18.6	17.0
Std 5-7	21.4	13.9	20.5	15.2
Form 1-3	21.5	12.5	28.9	20.8
Form 4-6	11.1	9.1	24.0	15.2
Post-secondary	2.7	2.1	9.1	8.1

Source: Population Censuses,1991 and 2001

2.1.1 Un and semi-skilled labour

Table 5 shows the breakdown of the labour force by level of training attainment in 2001. Slightly more than 80 percent of the work force had received no formal training. Despite very high rates of economic growth over the last three decades, there is still an excess supply of semi and unskilled labour in Botswana. The overall unemployment rate for individuals with no training was 28.4 percent for females and 22.1 percent for males in 2001 (see Table 6)[4]. High rates of rural-urban migration are leading to rapid urbanisation, especially in and around Gaborone (see Annex table 1).

Table 5: Population aged 12 and over by training attainment and sex, 2001

	Total (rounded '000)			% of over 12 population		
	Female	Male	Total	Female	Male	Total
No training	526	434	960	84.6	76.5	80.7
Certificate	62	93	155	10	16.3	13
Diploma	21	21	42	3.4	3.7	3.6
Degree	11	17	28	1.8	3	2.4
TOTAL	620	565	1185	100	100	100

Source: 2001 Population and Housing Census

[4] Data on unemployment by training attainment was not collected for the 1991 Population Census.

The majority of newly recruited semi- and unskilled workers in formal sector enterprises in Botswana have completed ten years of education (seven years primary and three years junior secondary school). The rapid expansion of education provision, particularly lower secondary education, during the 1990s, has dramatically improved the education attainment profile of the labour force Whereas only 58 percent of the working population aged 40-44 had completed primary education, this had increased to 82 percent among the 20-24 age cohort (see Annex tables 2 and 3).

Table 6: Unemployment rates by level of training attainment, 2001

	Female	Male	All
No training	**28.4**	**21.2**	**24.5**
Apprentice certificate	14.2	7.3	9.4
Brigades certificate	28.3	16	18.4
Vocational certificate	20.1	11.4	14.9
Educational college certificate	2	2.5	2.1
University certificate	8.5	7.8	8.1
Other certificate	15.6	4.7	8.1
All certificates	**14**	**7.4**	**9.9**
Vocational diploma	8.9	5.9	6.8
Education college diploma	1.9	2.1	2
University diploma	4.1	4.6	4.3
HIS diploma	0.7	2.6	1.1
Other diploma	8.5	4.7	6.3
All diplomas	**4.5**	**4.2**	**4.4**
University degree	3.9	2.8	3.2
Other degree	2.6	1.8	2.1
All degrees	**3.6**	**2.6**	**3**
ALL	**23.6**	**16.2**	**19.5**

Source: 2001 Population and Housing Census

2.1.2. Middle-level personnel

In 2001, 17 percent of the labour force had certificate and diploma level qualifications (see Table 5). The vocational training system in Botswana focuses mainly on pre-employment, time-bound technician and craft-level skills training for predominantly male primary and secondary school leavers at government-funded vocational training centres. In the absence of any systematic human resource planning, the training system has been essentially supply-driven with relatively limited involvement of employers in the development of course content and training standards.

Skilled manual workers receive two-three years formal training at six vocational training centres (VTCs), 31 Brigades training centres, and one automotive trades training centre. Middle-level business and accountancy and health personnel are trained at the Botswana Institute of Accountancy and Computing and six health institutes. Total enrolments at middle-level training institutions were slightly under 11,000 in 2002 (see Table 7). It is noticeable that VTC and health institute enrolments fell by 10 percent and 7.5 percent

Insert table 7

respectively between 1999 and 2002. There were 65 registered private vocational training centres in June 2000.

Form 3 and 5 secondary school leavers account for most of the student intakes at these institutions. There were 17,500 Form 3 and 18,500 Form 5 leavers in 2001. First year enrolments at middle-level training institution totalled 5000 in that year. Another 4200 secondary school leavers enrolled at the University of Botswana and overseas training institutions. Thus, only around 25 percent of secondary school leavers could find places at post-secondary education and training institutions. There are very sizeable gender disparities in enrolments at this level of training. Student-teacher ratios are low by international standards (see Table 7).

The British apprenticeship system was introduced during the late colonial period with apprentices indentured to employers across the main artisan trades. VTCs provide virtually no job-related short-term training. Employer demand for traditional apprenticeships remains very limited and numbers of indentured apprentices have declined steeply in recent years. Most employers also object to paying government-prescribed minimum wages for apprentices, which are relatively high. The national trade testing system is also in serious crisis with poor administration of tests and seriously outdated course content.

There is considerable excess supply of certificate level workers who have been trained at the Brigades and VTCs (see Table 6). According to the 2001 Census, unemployment rates are very high for Brigade-trained workers, especially females. However, unemployment rates among diploma-level personnel are low.

The 2001 BIDPA Report on Employment and Manpower Planning states that 'recent surveys have indicated that a sizeable proportion of employers feel that Batswana vocational education and training graduates have inadequate practical skills training and poor attitudes towards work' (BIDPA, 2001).

2.1. 3 High-level personnel

Most high-level personnel are trained at the University of Botswana. Total enrolments have grown extremely rapidly- from just under four thousand in 1992/93 to over 13,000 in 2002/03. However, science and engineering and technology account for only 20 per cent of enrolments. There was almost complete gender parity in enrolments in 2002/03 (see Table 8).

The government also funds a sizeable scholarship programme for degree and diploma level training at domestic and overseas universities and other training institutions. A total of 27,5000 students are currently receiving bursaries at a total cost of P. 756 million. Bursaries were awarded to 1475 new students to attend overseas institutions in 2001 (South Africa 120, elsewhere in the Southern Africa region 120, and USA, Europe, Asia 255). A total of 3875 new bursaries were awarded for students at national institutions. A substantial

share of the overseas training is for subject specialisations that are not offered by local institutions, including tourism and hotel management[5].

Table 8: Enrolments at the University of Botswana, 2002/03

Faculty	Female	Male	Total
Social Science	1092	953	2045
Business	481	443	924
Education	1325	975	2300
Humanities	1645	1091	2736
Engineering and technology	160	1131	1291
Science	336	974	1310
Continuing Education	1296	597	1893
Graduate studies	313	409	722
Total	6648	6573	13221

Source: Ministry of Education, Education Statistics 2002

A loan-grant scheme for higher education students was introduced in 1993. Loans are payable on a sliding scale. Students studying in subject areas that are deemed to be in shortest supply are awarded 100 percent grants. Lower priority areas attract only 50 percent grants. To date, however, the scheme has had limited success in increasing outputs of students in priority areas and loan repayment rates remain loan (mainly because of poor information on graduates). Given the tightness of the labour market for graduates (at least up until recently), it may be that the net advantages of studying what are generally perceived to be difficult subject areas (especially science and engineering) are not sufficiently great relative to other degree courses.

Unemployment rates for university graduates were less than 3 percent in 2001 (see Table 6). Overseas migration of skilled personnel remains low, but has been increasing in recent years among some groups (including nurses).

2.2 FOREIGN PERSONNEL

According to the 2001 Population Census, there were 22,709 non-citizens in the country who were economically active. The percentage breakdown by occupational group was as follows: managers and administrators 19 percent, professionals 19 percent, technicians 13 percent, clerks 5 percent, craft workers 21 percent, operators and elementary occupations 16 percent.

A total of 6068 work permits were granted in 2000, which is the last year for which reliable data is available[6]. Another 12,000 waivers were granted in 2001 and 2002 and around 2000 non-citizens are currently on ministerial exemptions (see Chapter 4). CSO statistics indicate that 11,518 non-citizens were employed in the private sector in September 2002, up from 10,568 in March 2001 (see Annex table 4). However, the 2004 Report on Incomes Policy estimates that this figure 'could be as many as 15,000'.

[5] Data on overseas enrolments by specialisation were not available.
[6] According to the the Report on Incomes Policy 'since 2002, CSO have not been capturing any data on new and renewed permits because of what appears to be a breakdown in communications between the Department of Labour and CSO' (p. 97).

Most non-citizens employed by manufacturing enterprises in Botswana have acquired their skills as a result of protracted on the job experience often with little or no formal training and thus certification. Even though there are unemployed Batswana with vocational qualifications, they generally do not have this level of experience-based expertise, which usually is directly related to very specific production processes and technologies. It is not the case therefore that nationals could replace most foreign workers from the open labour market.

The problems encountered by enterprises of employing foreign personnel may well be over-stated. Companies are able to recruit foreign workers relatively easily at short notice because the Department of Labour issues work permit waivers (see Chapter 4). These have to be renewed every three months, but this is a relatively straightforward process and can be done at District Labour Offices.

Not only are Batswana with the requisite skills generally unavailable, but enterprises are able to draw on a large pool of experienced production workers from South and South East Asia as well as neighbouring countries (most notably Zimbabwe and Zambia). More research is needed, but it appears that the salary costs of these expatriate personnel are not much higher than for locally hired Batswana. Experienced Zimbabwean skilled workers are 'good and cheap'. The total employment costs of supervisors and other skilled workers from South Asia are typically in the range of P.3000-6000 per month. Taiwanese technicians at one of the garment factories that were visited earn no more than US$800-900 per month. Some company respondents also noted that the salaries for professional staff are higher in Botswana than in South Africa.

2.3 IMPACT OF THE PUBLIC SECTOR

It has been suggested that the relatively large size of the public sector employment coupled with high levels of public sector incomes has been the main transmission for Dutch Disease in Botswana. Sufficient data are not available to test robustly the extent to which public sector employment has affected the development of the private sector. However, it would appear that, while public sector employment did dominate high and middle level labour markets during the 1970s and 1980s, this has been increasingly less so since the mid-late 1990s.

2.3.1 Sectoral employment shares

In overall terms, the share of total formal sector employment accounted for by central and local government is not exceptionally high. According to CSO Labour Statistics, these two sectors employed 32.0 percent of paid employees in registered establishments employing more than four people in September 1990 and 38.8 percent in September 2003. The break in CSO Labour Statistics in 1997 means that it is not possible to draw conclusions about inter-sectoral employment trends during the 1990s. Population Census data are

likely to be more accurate than CSO Labour Statistics, which are derived from sample surveys. The 2001 Census reports 369,000 employees paid cash, in which case central and local government employment amounted to 27.4 percent of total wage employment in late 2001. The corresponding figure for 1991 is 31 percent.

Unfortunately, consistent time-series data of public and private sector employment for high and middle level occupations is not available. In fact, it is only possible to derive a breakdown of public and private sector wage employment by broad occupational category from the 1995/96 Labour Force Survey. Table 9 shows that, while central and local government employed around three-quarters of 'professionals' and 'technicians and para-professionals', the private sector employed the bulk of 'administrators and managers'. According to the 2001 Population Census, only 12.5 percent of professionals and 19 percent of technicians and para-professionals were employed in 'public administration'. 'Education' accounted for 63 percent of professionals and 42 percent of technicians and para-professionals (see Table 10).

Notwithstanding the difficulty of interpreting this data, it would appear that the very rapid expansion of the public sector from the mid 1970s onwards attracted the bulk of university graduates and other trained personnel. This is typical of the immediate post-independence period in Anglophone Africa, but was somewhat more exaggerated in Botswana as a result of the extremely rapid increase in government revenues arising from diamond production coupled with the very undeveloped level of public infrastructure and services at the time of Independence. Another important factor is, unlike most other countries in Africa, the real value of public sector salaries, has not declined, which means that there has not been an exodus of qualified personnel from government to the private sector and/or overseas. Secondary employment activity (i.e. moonlighting) among public servants has also been curtailed, which has seriously eroded the efficiency and effectiveness of the public sector in most of Africa.

Table 9: Occupational breakdown public and private sectors 1995/96

Occupational Category	Central government	Local government	Parastatals	NGO	Private
Administrators and managers	15%	7%	5%	1%	72%
Professionals	73%	4%	6%	3%	14%
Technicians and para-professionals	65%	10%	3%	1%	21%
Clerks	34%	13%	11%	1%	41%
Service and sales workers	23%	4%	1%	1%	70%
Craft and trade workers	12%	7%	5%	1%	76%
Operators	15%	14%	5%	1%	66%
Elementary occupations	7%	17%	2%	0%	73%

Source: 1995/96 Labour Force Survey

In the absence of data, it is not possible to establish with any precision the extent to which these employment patterns with respect to skilled personnel have changed since the mid 1990s. Government provided most of the growth

in employment opportunities during the first half of the 1990s, but since1997, most of this growth has been accounted for by the private sector. The overall vacancy rate for government positions was as high as 20 percent in 2001.

Table 10: Occupational breakdown of population in wage employment by sector, 2001

Occupational Category	Manufacturing	Public administration	Education	Other sectors	Total	Pub admin % total
Administrators and managers	734	2264	172	6392	9562	23.7
Professionals	222	2338	11702	4431	18693	12.5
Technicians and para professionals	454	6111	13619	12427	32611	18.7
Clerks	1875	11104	1826	24484	39289	28.3
Craft and trade workers	16200	5748	914	43538	66400	8.7
Operators	3714	6129	532	16717	27092	22.6
Elementary occupations	3449	14729	5336	84188	107702	13.7
TOTAL	28396	69955	37468	233133	368952	19.0

Note: Aged 12 years and over
Source: Population and Housing Census 2001

Given persistently high levels of unemployment throughout the 1990s, there have been no shortages of unskilled labour. According to the Population Census, there were nearly 115,000 job seekers in 2001, 19.5 percent of the economically active population. The unemployment rate was around 14 percent in 1991.

2.3.2 Incomes

Table 11 shows average monthly wage income by industry and citizenship for September 2002. It is difficult to draw conclusions about labour market conditions from income data at this level of aggregation. Nonetheless, it is interesting to note that average monthly incomes are lowest in the manufacturing sector for both citizens and non-citizens. Higher mean incomes in the parastatal and government sectors are a direct consequence of the relatively high skill-intensity of these sectors.

Government introduced a national prices and incomes policy in 1972, whose main objective was to ensure wage restraint in the private and parastatal sectors. Given serious shortages of skilled personnel, government was concerned that wage costs would escalate and inflation would get out of control. Private sector employers were legally not allowed to pay more than equivalent occupations in the public sector, which impacted negatively on their recruitment and retention of middle and senior level personnel.

The incomes policy was comprehensively revised in 1990. Since then, private sector employers have not been subject to restrictions on the maximum salaries paid to any category of personnel. As a result, public-private sector income differentials among skilled labour categories (Grades B4 to F) have increased appreciably. By the mid 1990s, private sector salaries for skilled personnel were, on average, twice as high as in central government (see Table 12). These high public-private income differentials have persisted. Figure 1 shows that for all the skilled grades (Grades B4 to F) central

government pay scales in mid-late 2003 were less than half the mean (total package) incomes for the equivalent occupations in the private and parastatal sectors (see also Annex table 5). This is despite the fact that government pay scales for higher grades were 'decompressed' in 1998 in an attempt to prevent the outflow of skilled personnel to the private sector.

Table 11: Monthly average income by industry and citizenship, September 2002

Industry & sector	Citizens	Non-citizens	Non-cit/citizen
Agriculture	563	1631	2.9
Mining	3206	14912	4.7
Manufacturing	849	4750	5.6
Electricity & water	4517	23807	5.3
Construction	997	4718	4.7
Wholesale & retail	1177	5257	4.5
Hotel & restaurant	800	4071	5.1
Transport & communication	3510	4413	1.3
Finance & business services	4135	16225	3.9
Real estate & business activities	1977	12768	6.5
Education	2895	6499	2.2
Health & social work	2820	6297	2.2
Other community activities	1176	4502	3.8
Private	1300	6251	4.8
Parastatal	4461	12596	2.8
Central government	2804	6342	2.3
Local government	1866	7538	4.0

Source: CSO Labour Statistics Report 2003

Table 12. Average wage incomes by employment sector, 1995-96 (Pula).

Occupation	**Central Govt**	**Local Govt**	**Parastatals**	**Private**
Administrators and managers	2232	1414	6063	4390
Professionals	2479	3395	4088	4315
Technicians and para professionals	1343	1436	2310	2532
Clerks	875	993	1229	1259
Service workers	924	786	633	741
Craft and related trade workers	928	536	1151	732
Plant and machine operators	718	592	1417	947
Elementary occupation	448	226	515	454

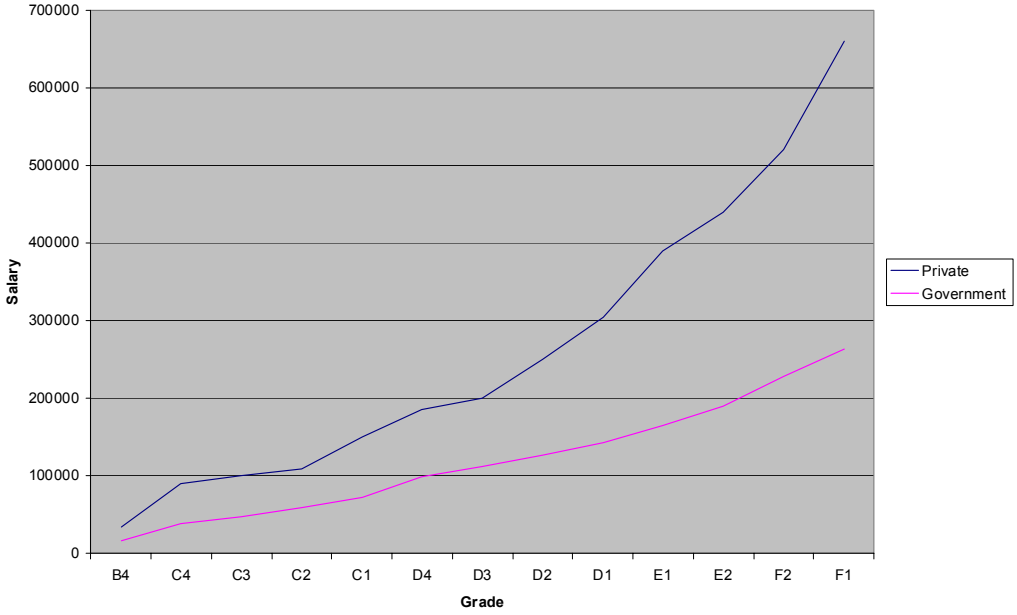
Source: CSO, Labour Force Survey data

Public-private income differentials among lower grade, predominantly semi- and unskilled workers, are much less than for skilled workers. In the mid 1990s, average pay for 'elementary occupations' was about the same in both sectors, but the private sector paid considerably more to 'plant and machine operators', which are the largest group of employers in the manufacturing sector (see table 12). Current pay rates for unskilled labour (bottom Grade A3) in central government are around 45 percent higher than the minimum wage for unskilled labour in the private sector. It is difficult to say how these relatively higher levels of public sector pay for unskilled labour have affected pay levels and labour availability in the private sector. They may have

contributed to upward pressure on the minimum wage and possibly reservation wages, although unskilled labour in the public sector accounted for less than one quarter of total employment of this group in the mid-late 1990s. Interestingly, though, in a recent survey of private sector employers, around 40 percent of respondents indicated that government pay increases have a 'major' influence on their pay policies and practices. Also, over half of the firms surveyed review their wages and salaries at the same time of the year as government, which is normally in April (see Tsa Badiri, 2004).

The Government's incomes and prices policy prior to 1990s meant that wages and salary increase were strictly regulated. Thus, rapidly growing diamond revenues were not allowed to cause Dutch Disease through wage inflation. However, with the revision of the incomes policy in 1990, wage increases have become a major source of inflation.

Figure 1: Private and government salaries by grade, October 3003



Source: BIDPA, 2004

2.4 POVERTY REDUCTION PROGRAMMES

Prior to 2003, the Government did not have a truly comprehensive poverty reduction strategy. There were, however, three types of policy interventions specifically geared towards poverty reduction: (i) Direct employment enhancing programmes (for example the Financial Assistance Policy); (ii) Employment generation in the rural areas, most notably the Drought Relief Programme and ALDEP; and (iii) Safety nets for other target groups, including 'destitutes', the elderly and sick, and orphans. While all these programmes have had positive impacts in terms of poverty reduction, some of them have impacted the labour market negatively. In particular, they have contributed to the withdrawal of some people from the labour market, especially the Basarwa and other poorer communities.

Another major concern has been the development of a syndrome of dependency on government programmes by some Batswana. This 'dependency culture' has been identified as a major contributory factor in depressing labour market productivity. The issue is that people are not motivated to work hard because they can fall back on these programmes. The 2003 Poverty Reduction Strategy (see GoB, 2003) proposes therefore that only the genuinely need will in future be entitled to welfare benefits.

3. LABOUR PRODUCTIVITY

There is a lack of consistency in the findings and conclusions of studies and other reports with respect to labour productivity in the manufacturing sector. A major reason for this is the paucity of sufficiently detailed and reliable data. In particular, recent and accurate statistics on physical production at enterprise level are not available. CSO requests this information, as part of its industrial survey, but the overall response rate from the surveyed enterprises is less than 50 percent.

The FIAS Report concludes that 'employers (especially foreign ones) complain about the low productivity of Botswana (sic) labour. Weak labour discipline and a high rate of absenteeism are among the most frequently mentioned problems of labour management. But, these problems seem to be more related to culture than regulations' (FIAS, 2003, p. 52). However, the Fourth Evaluation of the FAP found that 'most companies did not appear to be overly concerned with productivity levels, and only a small minority pro-actively adopted productivity enhancing measures such as bonus or incentive schemes. Most do not set productivity targets and were therefore unable to measure the level of productivity of their workforce. Erratic production has also made productivity targets difficult to introduce. The very high level of labour subsidy means that there is no incentive to minimise inputs. Lack of management expertise is also a factor. Even where productivity levels are relatively low, no measures are being taken so it is difficult to understand how enterprises will survive once the subsidy is removed' (BIDPA, 2000, p.119).

In marked contrast, a small survey by Jefferis of nine export-oriented manufacturing firms in 1996 reports that 'all except one (enterprise) concluded that productivity was acceptable, or was anticipated to be acceptable within the near future, in the sense that at current wage rates, labour costs were not seen as a factor jeopardising the viability of the operation… Labour costs are competitive by South African standards; although productivity is generally at or below South African levels, wages in Botswana are significantly lower, giving Botswana an overall labour cost advantage' (Jefferis, 1997, p.20-21). Most firms had 'devoted considerable effort' to mainly on the job training and, all but one, had introduced productivity-related bonus schemes. The recent survey of automotive sector enterprises by Pillai reaches similar conclusions (see Pillai, 2004). It should be pointed out, however, that four of the nine firms surveyed by Jefferis have since closed down and current employment levels in three other companies are much lower.

The responses of enterprise respondents concerning labour productivity are summarised in Box A. These indicate that labour productivity is estimated to be lower in the large majority of enterprises, particularly those in the textiles sector. Nearly all have introduced bonus payment schemes for production workers based on piece rates, but views are fairly mixed about the effectiveness of these schemes. For example, one manager commented that 'we have a bonus system, but it is not very effective because Batswana have a culture of not being interested in work'. However, the majority of bonus schemes enable the most productive workers to increase their incomes to

two-three times the minimum wage. Half of respondents indicated that productivity is improving. Only one said that it is declining. Some enterprises operate a 'finish and go' system, where workers can go home once the normal output for a full day's production has been reached. In one company, workers usually manage to do this in five as opposed to nine hours.

Box A: Summary views of enterprise respondents on labour productivity

Productivity is lower here…the learning curve for Batswana is much longer.
Labour productivity is higher compared to other countries in the region
Our workers are 30 percent less productive than in Asia.
Taiwanese workers are three times more productive, but they have spent most of their lives doing this work.
Productivity is at least half than in South Asia.
Productivity is about the same as in South Africa. It is 60-70 percent higher in India, but product quality is a lot lower. Motivating our workers is a major problem.
Our workers are more productive than in similar factories in South Africa. We sell labour to South Africa.
Productivity here is a bit lower than in neighbouring countries mainly because workers are not self-motivated, especially men who are generally lazy.
Productivity is lower than other countries in the region mainly because of lack of experience and relevant training.
Workers in similar plants in South Africa are 15 percent more productive, but we have only been in production for a year or so. Our workers willingly do as they are told, but they tend to take it easy when they can and they show too little initiative.

3.1 BASIC COMPETENCIES

There has been a longstanding debate about the quality and relevance of basic education in Botswana. In particular, there continue to be strong pressures to vocationalise the curriculum and improve basic competencies (the three Rs). It is also alleged that the education system is biased towards the needs of the public sector and neglects the needs of private sector and professions. The 1994 Education Commission concluded that, while there had been impressive growth in the size of the education and training system, the quality and relevance of learning outcomes were generally poor. Lack of key inputs (especially classrooms and appropriate learning materials) and low teacher morale were identified as key issues. Public criticism focused on junior secondary education. Most of the key recommendations of the Commission were accepted and implemented by Government. These include the introduction of the 7-3-2 schooling cycle[7], the upgrading of primary school teachers to the diploma level, a 50 percent transition rate from junior to senior secondary education, introduction of English as the medium of instruction in Standard 2, and smaller class sizes in primary schools.

[7] Junior secondary education was increased from two to three years.

Robust information on learning outcomes from primary and secondary education is still not available. A comprehensive assessment exercise of primary school students was undertaken in 2001 as part of the on-going programme of the Southern African Consortium for Monitoring Educational Quality (SACMEQ), which should enable comparisons in learning achievements to be made between countries in the SADC region. However, the results for Botswana are still not available.

The overall pass rates for the primary school leaving ands junior certificate examinations are around 75 percent, but fewer than 10 percent of candidates for both examinations achieve 'A' grades (see Table 13). Since these examinations are not criterion referenced, it is not possible to compare examination performance over time. Form 5 students take Botswana Certificate of School Education ('O' level) examinations[8]. The results for the core subjects (English, mathematics, and science) are poor with only around one-quarter of the candidates obtaining a C grade or higher.

Table 13: Primary and secondary school examination results, 2002

Examination	A	B	C	D	E or lower
Primary school leaving examination	8.5	28.1	41.4	21.3	0.7
Junior certificate (Form 3)	2.7	23.9	50	22.9	1.4
Cambridge Overseas School Certificate					
English	0.9	5.8	17.6	44.3	31.4
Mathematics	2.7	3.1	20	14.7	59.5
Science	2.6	4.8	16.6	17.1	59

Source: Ministry of Education, Education Statistics 2002

Enterprise respondents do not have strong views about the quality and/or relevance of primary and secondary education. Most of the manufacturing companies that were contacted recruit primary and junior secondary school leavers. There is broad agreement that more educated workers are generally more trainable and productive, but the main problem is that 'they leave at the first opportunity'. A few companies employ mainly school dropouts in an attempt to reduce labour turnover. However, they are generally not satisfied with the overall educational quality of these workers.

A recent report on enterprise productivity noted that, given the reliance on primary and lower secondary leavers, 'employers are finding it difficult to develop multi-skilled workers or employees capable of using initiative beyond automated repetition of tasks learnt by rote' (BNPC, 2002). A minority of respondents stated that the overall quality of education is higher in neighbouring countries (particularly, Zambia, Zimbabwe and South Africa).

[8] The GCSE has recently replaced the Cambridge Overseas Certificate of Education.

3.2 OCCUPATIONAL AND JOB-RELATED SKILLS

Pre-employment training

Manufacturing enterprises in Botswana rely mainly on on the job training for both production workers and other staff. Consequently, all enterprise respondents stated that hardly any of their staff undertake formal training activities and that they have, therefore, little or no involvement with either government or private training institutions. This level of isolation of manufacturing enterprises from the formal vocational system is the norm in sub-Sahara Africa.

The Fourth FAP Evaluation noted that that, while there were skill shortages of pre-employment occupations, suitable training in Botswana was generally unavailable, training overseas was too costly, and relatively inexpensive foreign labour with the requisite skills could be easily recruited.

Job-related training

The FAP made available training grants for supported enterprises. Up to half of approved training costs could be reimbursed. The Fourth Evaluation of FAP in 2000 concluded that there is 'little evidence that the training grant has made any contribution to either enhancing skill levels or promoting productivity' (BIDPA, 2000, p.116). Since only formal, off the job training was eligible for support, most employers did not bother to apply for training grants. For those companies that did obtain grants, 'there is a widely held perception that they were used to subsidise production supervisors under the guise of trainers'.

All registered enterprises can claim an income tax rebate of 200 percent on approved training activities. However, only one of the 11 case study enterprises has availed itself of this training incentive and is unlikely to do so in the future because 'the system is too bureaucratic'.

System reform

The 1994 Education Commission concluded that the training system was fragmented with poor planning and coordination, the training provided was of uneven and generally poor quality, did not meet the skill requirements of most industries, and that access to training opportunities was too restricted (see GoB, 1994).

The National Policy on Vocational Education and Training of 1997 seeks to redress these weaknesses by creating an integrated, national VET system, rationalise courses and qualifications through the establishment of a national qualifications framework, and according VET the same status as conventional, academic education routes. To this end, the Vocational Training Act of 1998 established the Botswana Training Authority (under the Ministry of Labour and Home Affairs) and the Tertiary Education Act established the Tertiary Education Council (under the Ministry of Education). BOTA is

responsible for all training up to and including 'certificate-level' qualifications, while TEC is responsible for education and training at the diploma level and above. BOTA's main focus is the promotion of structured work-based training based on competency-based modular training across all general and industry-specific skill areas.

BOTA's main responsibilities are to register and accredit training institutions, trainers and assessors, establish national training standards, regulate assessment, and establish the Botswana National Qualifications Framework. Progress to date with respect to all these areas remains limited. Only 25 private training centres have been registered. Another four public training centres have also been registered, although they are not legally obliged to do so. Only 16 out of a total of 300 proposed training modules have been developed. There is still very little awareness in government and among employers of the importance of recognising prior learning among workers, which is the key concept that underpins work-based training programmes.

BOTA will also manage the Vocational Training Fund. Under the provisions of the 1998 Vocational Training Act, all registered enterprises with a turnover of P. 250,000 are required to pay a training levy of 0.2 percent of total turnover. The Fund will only reimburse approved training activities. Nearly all levy-grant training schemes of this kind that have been introduced in sub-Saharan Africa during the last 30 years have failed to achieve their objectives. Most employers have treated the training levy as a tax and not bothered to undertake approved training. The administration of these schemes has been excessively bureaucratic with little or no industry control over the utilisation of levy resources. Most governments have also tended to use levy proceeds to supplement the budgets of seriously under-resourced (but unreformed) government training centres. Another major limitation of the scheme in Botswana is that only formal, off the job training for 'certificate level' workers will be eligible for reimbursement.

The other major reform initiative is the introduction of competency-based modular training at the six vocational training centres managed by the Ministry of Education. The Botswana Technical Education Programme (BTEP) is being financially supported by the European Commission with the Scottish Vocational Education and Training Council providing technical assistance. There are four course levels (foundation, certificate, diploma, advanced diploma) with clear learning pathways between them. All six VTCs have now been approved to offer foundation-level courses. The successful introduction of the BTEP curricula reforms will go a long way to improve the quality and relevance of VTC training provision. However, the main focus continues to be on pre-employment training for technician and artisan occupations. The lack of incentives for VTCs to improve their efficiency and effectiveness is another critical issue. Each centre will continue to be fully funded by government regardless of performance and all training is provided free of charge. Experience elsewhere in Africa suggests that, without major changes in the incentive structure, public sector training institutions will not meet the main objectives of training reforms. In particular, training provision will not become demand-driven.

3.3 ATTITUDES AND MOTIVATION

As noted earlier, the lack of a strong work ethic among Batswana is widely commented upon in reports and was also frequently mentioned by enterprise respondents. Several mangers commented that 'our workers know more of their rights than their duties' and many 'have a negative attitude towards work'. Similar concerns about worker motivation and inappropriate attitudes and behaviour have been commonplace in other countries such as Botswana, which are in the early stages of industrial development and where therefore individuals have little or no experience of working in modern factory or office environments. The impact of mining in Botswana has made this transition from a pre-capitalist, predominantly pastoral peasantry to an urban proletariat that much more dramatic and potentially more problematic[9]. A rapid process of acculturation to these new living and working environments is expected by politicians and policymakers in order to achieve rapid economic development, but the necessary changes in cultural values, attitudes, and behaviour cannot be achieved in the space of a few years. Where, however, employers have made concerted efforts to create a stable workforce and introduced best practice productivity enhancing measures, then it appears that labour productivity need not be a major issue.

Poor motivation is reflected in relatively high levels of labour absenteeism and turnover. This is despite the fact that jobs are very scarce. The majority of enterprise respondents indicate that absenteeism rates are too high, especially at the end of the month when workers are paid (see Table 14). Labour turnover varies considerably across manufacturing enterprises, but it is high in a sizeable minority of companies[10]. At one large garment factory, only one-third of the workers who were originally recruited in 1998 are still employed. The manager commented that 'we are like a training academy'. Other managers complained that 'workers just leave without warning'. However, labour market flexibility helps to keep down the direct costs of high labour turnover.

Table 14: Absenteeism, mortality and turnover

Enterprise	Absenteeism rate	Mortality rate	Turnover Rate
A	5	1	6
B	10	1.2	7
C	10	0.7	1
D	3	3.3	15
E	6	1.0	30
F	20	0	Na
G	3	0	40
H	4	7.0	Na
I	3	2.8	Na
J	Na	0.6	3
K	2	0.5	3

Source: Enterprise interviews

[9] This workforce is increasingly working in service-orientated activities.
[10] Data on labour turnover rates by occupational category in other countries are not available.

4. GOVERNMENT REGULATION

Flexible labour markets are essential in order to achieve international competitiveness. Flexibility refers to all aspects of employment including hiring and firing, salary and wages, retrenchment, and employment standards. Although some employers do have concerns about specific areas of government policy and practice, the large majority of enterprise respondents are satisfied with the overall regulatory framework for labour in Botswana. The FIAS report also concludes that 'generally, employers do not see labour regulations as an impediment to doing business in the country' (FIAS, 2003, p.52).

4.1 Work permits for non-citizens

There are three ways foreigners can legally work in the private sector in Botswana[11]: normal work permits, exemptions granted by the Minster of Labour for designated companies and NGOs (including Debswana and BEDIA and IFSC approved investors), and work permit waivers, which are granted pending consideration for a long-term work permit. Work permit waivers are granted for three months, but can be renewed for an indefinite period at District Labour Offices. While official statistics are available on the numbers of these three types of work permits that have been approved or granted, no accurate information exists on the actual numbers of employed and self-employed foreigners who are currently working in the country.

In April 2002, the Department of Labour issued a list of 'scarce skills'. Work permit applicants with these skills qualify for 'fast track' procedure in which the requirement for evidence that no suitably qualified citizens are available is waived. However, according to the FIAS report, 'even the fast track is not much faster than the regular procedure' (ibid, p.36).

Since mid 2003, the Botswana Export Development and Investment Agency (BEDIA) has been given statutory powers to assess residence and work permit applications of foreign investors. However, fewer than 10 companies have been processed by BEDIA since then. These exemptions are valid for five years.

The FIAS Report concluded that obtaining work and residence permits is 'among the most difficult investment procedures in Botswana... Overall, 44.4 percent of the 207 companies responding to the survey complained about the procedures required in this area, making it one of the top two concerns of investors' (FIAS, 2003, p.34). Nearly 60 percent of the foreign firms surveyed cited this as 'a problem'. Most complain that 'the procedure is not transparent and it is difficult, if not impossible, to obtain information about the status of the application or the expected decision' (FIAS, 2003 p. 37).

[11] Work permits are not required for non-citizens employed in the public sector.

The total backlog of work permit applications was 7474 in late 2004[12]. The main bottleneck is for applicants to the Gaborone Regional Immigration Selection Board. Applications for the other three boards (Francistown, Lobatse and Selibwe Phikwe) only take, on average, six weeks to process compared to well over a year in Gaborone[13]. The Department of Labour has only 25 labour officers and is seriously short-staffed. The Department of Immigration has five times as many officers.

In order to deal with this situation, the Gaborone RISB now meets weekly and a second Board will be established once premises can be found. Each applicant now has a single file whereas previously separate files were kept by the Department of Labour (for work permits) and the Department of Immigration (for residence permits). This has eliminated the bureaucratic paper chase that had seriously bogged down the whole process.

Temporary work permit waivers enable most foreign investors to circumvent unwieldy and bureaucratic work permit procedures. As the FIAS study correctly points out 'it is easy for a foreigner to live and work in Botswana for several years because it is so easy to obtain a temporary permit' (FIAS, 2003, p.42)[14]. Table 15 shows the extent to which the surveyed enterprises rely on waivers. Some foreigners are reported to have been on waivers for more than three years. It is alleged that some companies may prefer to rely on waivers because of concerns that Immigration Boards may question the credentials of applicants, especially where they have no formal qualifications. However, it is still the case that the high degree of uncertainty and delays in obtaining full work permits is a major frustration for foreign investors.

Table 15: Non-citizens employed by case study enterprises, November 2004

Enterprise	Start	End 2004	Waivers
A	12	20	0
B	3	11	4
C	6	14	5
D	30	20	19
E	17	17	Na
F	3	5	0
G	3	3	3
H	Na	0	0
I	3	6	3
J	7	15	12
K	7	7	Na

[12] The breakdown by Regional Immigration Board at the end of 2004 was as follows: Francistown 152, Selibwe Phikwe 278, Lobatse 61, and Gaborone 6983 (up to November only). A total of 400 Exemption Certificates were approved during 2004 (church applicants 181 and applicants from other organisations 236).
[13] The Regional Immigration Boards meet weekly (except Lobatse which meets fortnightly).
[14] Consultants are widely used by companies to renew waivers, which is quite costly (with fees of up to US$200 per employee).

It is also noticeable that the number of non-citizens employed has increased quite significantly in many of the surveyed companies[15]. All but two of the start dates are within the last six years. Data on the composition of these expatriates by nationality and occupation was not collected. Increased employment of expatriates has arisen due to enterprise expansion, adoption of new technology, and the greater availability of job seekers from neighbouring countries, especially Zimbabwe.

4.2 Dismissals and redundancy

Managers at four out of the 11 manufacturing enterprises that were surveyed complained about difficulties encountered in trying to dismiss one or more workers. They believe that the process is too bureaucratic and therefore takes far too long. There is a perception that the Department of Labour 'favours workers' and that 'the employer is always on the wrong side'.

According to the Employment Act, an employer can make employees redundant for the purpose of reducing the size of the work force. Manufacturing companies retrenched nearly 2000 workers in 2003/04 (see Annex table 7). Three of the survey enterprises had retrenched workers during the last year. None reported any difficulties.

4.3 Employment standards

Maternity leave is granted six weeks before and eight weeks after birth with 25 percent of basic salary paid by the employer. Managers of enterprises employing mostly female workers commented that maternity leave can be quite disruptive. Otherwise, enterprise respondents had no specific concerns about either economy or industry wide employment standards.

4.4 Labour relations

Labour relations in Botswana are generally good, especially compared with South Africa. The level of trade union membership is low as is the incidence of industrial action. Only three strikes were reported by the Department of Labour during 2003 involving just 130 workers (see Annex table 8).

4.6 Minimum wage

Critics of minimum wages argue that they constrain employment creation and negatively affect international competitiveness. Table 16 shows that the minimum wage rate for the manufacturing sector increased from 44 thebe in 1982 to 290 thebe in 2004. However, in real terms, it fell by nearly 18 percent between 1990 and 2003. Most of this decline occurred in 1993 and 1994, when the Minimum Wages Board decided that minimum wages were too high and reduced them by 15-20 percent. In real terms, they have remained largely unchanged since then.

[15] Pillai reports that the incidence of expatriates employed by automotive component manufacturing companies has fallen (see Pillai, 2004).

Table 16: Nominal and real minimum wage for the manufacturing sector

Year	1982	1990	1995	2003	2004
Nominal (thebe)	44	92	135	260	290
Real (2003=100)	125	122	99	100	Na

Source: BIDPA, 2004

The Review of the National Incomes Policy concludes that 'past studies done on the impact of minimum wages in Botswana have shown that the impact of increases in minimum wages is insignificant in most industries' (p.40). The coefficients on the minimum wage variable in a standard employment demand function for three sectors (commerce, manufacturing and construction) are statistically insignificant at the five percent level. The report states that 'the notion of a labour market distortion caused by minimum wage is flawed, especially given that the minimum wage has fallen significantly since the time when FAP was introduced in 1980' (BIDPA, 2004, p.138). In the late 1990s, 'other economic distortions were more serious, including lack of citizen entrepreneurial capacity, skills and attitudes of the workforce, and inflexible system of work permits for skilled labour'.

Firm surveys have also consistently found that the large majority of employers do not generally strongly object either to the principle of a minimum wage or prevailing minimum wage rates[16]. However, five of the 11 managers interviewed for this study were concerned about the overall level of the minimum wage and its impact on worker motivation. As one put it, 'most workers put in less effort because they have guaranteed pay'. These managers believe that the minimum wage should be abolished and replaced by piece rate payment systems. Enterprises where the minimum wage is not considered to be a serious issue typically pay most of their production workers well above the minimum wage and labour costs account for a relatively small share of total costs (i.e. less than 20 percent).

Minimum wage rates in Botswana are two-three times less than in South Africa, which is a key factor for those enterprises that export mainly to the Southern African region.

Since trade unions are not strong in Botswana, it is also argued that some minimum wage protection is needed. The minimum wage is a key component of the government's poverty reduction strategy. Currently, minimum wage rates are around four times the one-dollar a day poverty datum line. The 2004 BIDPA Report on Incomes Policy recommended that domestic and agricultural workers should also be covered by minimum wage legislation.

[16] With regard to the automotive components sub-sector, Pillai states that 'the general impression of relatively high wage levels in Botswana was not shared by the (survey) firms. Skilled workers earn P. 1000-1200 per month, which 'is relatively low' compared to similar plants in South Africa (see Pillai, 2004).

4.6.1Creating a stable, trainable workforce

A key feature of the early development of the manufacturing sector in post-colonial Africa and in other developing regions has been the need for enterprises to recruit and retain a stable and trainable workforce. Botswana is no exception. This is particularly the case for the majority of manufacturing enterprises, which rely primarily on semi-skilled labour for relatively simple production operations. Since the required skills are mainly job-specific and are acquired almost exclusively on the job, employers are usually keen to minimise job turnover and encourage more experienced workers to train new recruits. Consequently, in what are in effect 'internal labour markets', pay levels are set at levels, which are adequate to meet the basic needs of the worker and her/his family. Too low pay would mean that families would have to continue to live in the rural areas, which would fuel circular rural-urban migration and thus contribute to dysfunctionally high labour turnover.

4.6.2 Labour subsidies

Another reason why many employers have not been unduly concerned about the minimum wage is that a large proportion of medium and large manufacturing enterprises have received sizeable labour subsidies as part of the FAP. Between 1982 and 1998, 751 medium and 84 large grants were approved[17]. Total disbursement up until March 1999 stood at P.309 million. In 2001, government decided to discontinue the FAP, but some enterprises continue to receive support. Of the 11 companies interviewed for this study, five were still receiving labour subsidies as part of FAP[18]. FAP encouraged enterprises to take on excess levels of labour in order to maximise labour subsidy payments and generally discouraged enterprises from utilising labour efficiently.

Un and semi-skilled labour has been heavily subsidised as part of the FAP. Medium and large-scale enterprise grants are calculated against actual or expected job creation. Labour subsidy is paid against the wages of unskilled workers at a declining rate over five years. The labour rebate is 80 percent for the first and second years, 60 percent in the third year, 40 percent in the fourth, and 20 percent in the fifth year. It can be claimed for workers who earn up to three times the minimum wage although the maximum rebate is limited to double the minimum wage.

The FAP was built around the labour subsidy to encourage labour intensive, relatively low-tech investment. However, there is 'no evidence that this has influenced the choice of technology' (BIDPA, 2000). Interestingly, another reason for the labour subsidy was the belief that 'the minimum wage was relatively high regionally and globally and this made it difficult for companies to compete in export markets' (ibid, p. 77) plus the fact that 'productivity of

[17] Textile enterprises accounted for 74 percent of large commitments, building materials 7, plastics 3, and metal products 7.

[18] These firms are approved in 2000 and 2001 and will therefore continue to receive FAP labour subsidies until 2004-2005.

Botswana labour was lower than in more industrialised countries'. But, in practice, 'most companies report that wage levels are not the most crucial factor affecting the financial profitability of their business. The cost of raw materials, servicing loan financing, shortage of skilled, supervisory labour and, in particular, access to markets are viewed as being much more critical… Production-related labour costs accounted for 15-20 per cent of total costs and, in some companies, the cost of managerial and skilled labour exceeds the cost of production workers' (ibid, p.79).

By the late 1990s, wages in most FAP enterprises had 'floated' above the minimum wage and were concentrated in the range P2.5 to 3.5 per hour, 32-84 percent higher than the prevailing minimum wage rate of P.1.9/hour. The main reasons for this are the need to reward length of service of employees and 'to differentiate between unskilled labourers and production workers who have been trained to operate machines, plant and equipment' (ibid, p79).

4.6.3 Non-compliance

Relatively high levels of minimum wage non-compliance by employers are also likely to be an important factor, especially in smaller enterprises. Around 20 percent of manufacturing and construction workers reported being paid below the minimum wage in the mid 1990s (see Labour Force Survey, 1996). The overall contravention rate was as high as 28 percent in 1998. This does suggest therefore that the proper enforcement of the minimum wage could impact negatively on employment levels and overall unit costs in small enterprises.

5. FUTURE LABOUR SUPPLY AND DEMAND

A key issue is the extent to which export-oriented enterprises will have to compete for labour, and especially high and middle level personnel, with other industries as well as the public sector. As was discussed earlier, most export-oriented manufacturing enterprises in Botswana have only limited requirements for formally qualified high and middle level personnel. They rely primarily on recruiting young workers with basic levels of education who can be trained to acquire a usually quite limited range of competencies on the job. Future growth in public sector employment is also likely to be limited as government seeks to control public expenditure and increasingly focuses on private sector development. The growing numbers of graduates from post-secondary training institutions will therefore have to be absorbed by the private sector.

5.1 Human resource planning

Given the importance that is attached to the preparation and implementation of the national five year development plans in Botswana, it is surprising that so little human resource planning has been undertaken. The last National Manpower Development Plan was published in 1987. The Employment and Manpower Planning team in the Ministry of Finance and Development Planning have overall responsibility for producing these plans, but have been unable to do so, in part because of staffing constraints. The poor quality of earlier manpower plans may have adversely government commitment to national human resource planning as a whole.

The government commissioned BIDPA in 2001 to review the current status of human resource planning and make some preliminary projections of human resource requirements (see BIDPA, 2001). These were generated for activity areas up to 2010 using standard (input-output) manpower planning methodology based on three scenarios of projected output by sector. A serious lack of data meant that it was not possible to make projections for occupations and training institution enrolments. The shortcomings of this type of manpower planning methodology are also well known.

5.2 Future labour availability

5.2.1 Impact of the AIDS epidemic

The AIDS epidemic is projected to have a devastating impact on the labour force in Botswana. Overall HIV prevalence rates among pregnant women tested at 21 sentinel survey sites across the country remained largely unchanged at around 35-37 percent between 2001 and 2003. The female and male 15-49 HIV prevalence rates at voluntary counselling and testing centres were 37.4 percent and 23.9 percent respectively in 2003. Population-based HIV testing of the adult population as a whole was carried out for the first time in mid 2004. However, given that 38 percent of respondents refused to be tested, the results of the survey will need to be treated with considerable caution. Refusal rates were particularly high in urban areas. Preliminary

results from the survey put the adult (15-49) adult prevalence rate at 25.3 percent, which is one-third lower than the national estimate based on antenatal clinic test data[19].

Table 14 shows the mortality rates during the last 12 month among workers employed at the 11 case study enterprises. Surprisingly, only one respondent indicated that the AIDS epidemic has had a significant impact on the workforce both in terms of morbidity (sickness) and mortality. Three out of 43 workers employed by this company had died during the last year and another nine workers (20 percent of total employment) are currently taking anti-retroviral drugs[20]. The direct employment costs of the HIV/AIDS were reported to be negligible in all companies.

The reported limited impact of the AIDS epidemic may be due to relatively high levels of labour turnover in some companies. Workers who become incapacitated with AIDS-related illnesses may simply quit. Since there are no sickness benefit entitlements (unlike in the public sector), managements may have little idea about how many workers are leaving for reasons of ill health and how many eventually die.

A study on the impact of HIV/AIDS on productivity in four enterprises by the Botswana National Productivity Centre in 2002 found that AIDS-related morbidity and mortality had had a serious impact on the two transport companies included in the study, but that the other two case study enterprises (a media company and a hotel) were relatively unaffected (see BPNC, 2002). According to the 2004 survey of private sector employers undertaken by Tsa Badiri, ill health accounted for only 10 percent of staff turnover (see Tsa Badiri, 2004).

Table 16: Projected HIV prevalence and AIDS-related morbidity and mortality 2000-2010

Year	HIV adult prevalence	No AIDS death rate	Adult AIDS cases	Adult AIDS death rate
2000	31.6	0.85	2.32	1.59
2001	33	0.83	2.7	1.84
2002	34.1	0.82	3.08	2.1
2003	34.9	0.8	3.44	2.34
2004	35.6	0.79	3.78	2.56
2005	36	0.78	4.09	2.77
2006	36.4	0.76	4.36	2.94
2007	36.7	0.75	4.59	3.09
2008	37	0.74	4.77	3.2
2009	37.3	0.73	4.92	3.3
2010	37.6	0.73	5.03	3.37

Source: AbT, 2000

[19] Gender disaggregated data is not yet available.

[20] The incidence of ARV uptake is currently 10 percent of the workforce of one parastatal, which is predominantly white-collar and relatively well educated.

The 2000 report by AbT Associates on 'the impact of HIV/AIDS on current and future population characteristics and demographics in Botswana' is the most comprehensive and detailed assessment that has been undertaken to date. Demographic projections are based on the Metropolitan-Doyle and Spectrum models. Assuming no major changes in sexual behaviour or other interventions that would lead to significant reductions in infection, morbidity and mortality rates, the percentage of adults aged 15 to 49 with full blown AIDS is projected to increase from 2.3 percent in 2000 to 5.0 percent in 2010. Annual AIDS-related deaths are projected to increase from 1.6 percent to 3.4 percent during this period. Overall population growth rates are projected to become negative from 2004 onwards (see Tables 16 and 17). Without AIDS, the labour force is projected to increase by nearly 40 percent between 1999 and 2010, but the impact of AIDS reduces this increase to barely 8 percent (see Table 18).

Table 17: Projected population growth rates 2000-2009

	No AIDS	AIDS no interventions
2000	2.52	0.64
2001	2.5	0.43
2002	2.47	0.23
2003	2.44	0.05
2004	2.4	-0.12
2005	2.37	-0.26
2006	2.33	-0.38
2007	2.29	-0.48
2008	2.26	-0.56
2009	2.24	-0.62

Source: AbT 2000

The AbT report states that 'it is safest to assume that the projections have inaccurately predicted the timing rather the scale of the impacts' (ibid p.50). However, the mass provision of life-prolonging anti-retroviral drugs will probably lead to very sizeable reductions in morbidity and mortality rates. Large numbers of public sector workers have been accessing these drugs as part of medical aid schemes since the late 1990s. In the case of teachers, this has already resulted in declining mortality rates (see Bennell et al, 2002). The decision of the government to make ARVs available free of charge to all citizens who need them could therefore result in similar declines in morbidity and mortality in the population as a whole. ARVs have been made available to 35,000 people during the last two years as part of the government's new programme. Another 9600 have been assessed as requiring this medication, but lack of resources and medical backup is preventing them from receiving support. Around 5000 individuals currently access ARVs through the main medical aid organisations (BPOMAS and BOMAID). It is expected that 65,000 individuals out of an estimated target population of 110,000 will be receiving ARVs as part of the government's public programme by early 2006.

Table 18: Projected labour force (15-64), 1999 and 2010 ('000)

	NO AIDS			AIDS		
Age	1999	2010	% change	1999	2010	% change
15-24	343	423	23.3	337	390	15.7
25-34	235	329	40	207	230	11.1
35-44	157	230	46.5	142	90	-57.8
45-44	102	160	56.9	99	107	8.1
55-64	68	112	64.7	68	102	50
Total	905	1254	38.6	853	919	7.7

Source: Computed from AbT 2000

Another key issue is that the impact of the epidemic is likely to vary significantly across the adult population. Unfortunately, data on deaths disaggregated by occupational and socio-economic status were not collected as part of the 2001 Population Census. However, other information suggests that adult mortality rates have been highest among individuals who are less well educated and have lower socio-economic status[21]. For example, in Gaborone, where the bulk of manufacturing activity is concentrated, HIV prevalence rates in 2003 were over 50 percent among pregnant women with no education and primary education, but only 16.7 percent among pregnant university graduates (see Table 19).

Table 19: HIV prevalence among pregnant women at ante natal clinics by level of education, 2003

Sentinel site	No education	Primary	Secondary	University
Gaborone	52.6	53.4	45.6	16.7
Francistown	36.8	52.2	46.7	38.1
Selebi Phikwe	58.8	63.3	52.7	25
Entire country	34.4	44.7	38.8	26.6

Notes: Total of 22 sentinel survey sites in 2003
Source: NACA, 2003

The 2001 Population Census shows that mortality rates are much higher in rural areas (see Annex table 8). There was also a strong inverse relationship between mortality rates and civil service grade among government personnel during the early 1990s (see Bennell et al, 2002). Similarly, the national diamond company, Debswana, undertook voluntary anonymous testing of its workforce in 2000, which indicated that HIV prevalence rates were twice as high among miners than among middle and senior managers. However, the mass provision of ARVs as a public good is likely to result in consistently, much lower mortality rates across all socio-economic groups.

More recently, Bulatao has produced another set of population projections, which are based on 'low', 'medium' and 'high' scenarios for both the AIDS

[21] Data from the 2001 Population Census also show that there is a strong negative relationship between individuals who are economically inactive due to sickness and educational and training attainment.

epidemic and the decline in female fertility. Table 20 summarises these projections for the three AIDS scenarios with a medium decline in total fertility rates[22]. It is noticeable that, in contrast to the AbT projections, this modelling exercise yields projected population growth rates that remain positive under all three AIDS scenarios right up until 2031. Assuming the long-term efficacy of ARVs and/or the eventual introduction of an AIDS vaccine, the low AIDS scenarios is probably the most likely outcome, in which case average annual population growth will be 1.7 percent between 2001 and 2031 (see Bulatao, 2003).

Table 20: Bulatao population projections 2001 to 2031
under medium total fertility rate decline scenario (millions)

	AIDS scenario		
	High	Medium	Low
2006	1.64	1.64	1.68
2011	1.69	1.7	1.79
2016	1.76	1.87	1.92
2021	1.79	1.98	2.07
2031	1.84	2.17	2.39

Source: Bulatao, 2003

5.2.2. Enrolment projections

The absence of detailed and robust manpower planning means that no coherent set of projections exist with regard to occupational outputs from all the key post-secondary educational and training institutions. Projections for specific institutions have been made, but these are not part of a comprehensive national human resource development strategy. For example, the Ministry of Education plans to increase total enrolments at the Brigades and vocational training centres to 9500 in 2009 and build two new training centres in Francistown and Oodi. However, given the high rates of unemployment for graduates from these centres, it is difficult to see how such a large increase in enrolments can be justified.

As part of it ten-year strategy, enrolments at the University of Botswana are projected to increase to 15,000 by 2009. A new School of Business Management is currently under construction. Government has also recently announced that a second university is to be established at Serowe, which will have a strong science and technology orientation.

5.3 Demand and skill requirements for export growth

The government is pursuing a two-pronged export diversification strategy. Until recently, the primary focus of this strategy was the promotion of relatively labour-intensive manufacturing exports, particularly in the textiles sub-sector. However, with rapidly declining trade barriers, there are growing concerns about the likelihood of these enterprises being able to compete successfully

[22] The differences in projected population across the three fertility scenarios are very small, both in absolute terms and in relation to the differences across the three AIDS scenarios.

with overseas producers, particularly in Asia. The occupational profiles of the 11 case study enterprises are characterised by a preponderance of semi-skilled operatives with usually no more than 5-10 percent of skilled manual and non-manual personnel (see Table 21). The demand for formally trained technical personnel within the manufacturing sector is likely therefore to be relatively limited.

GoB's export diversification strategy is focusing more on financial and other services, which are knowledge-intensive and have therefore relatively high-level skill/occupational profiles. To date, the International Financial Services Centre has supported 21 companies. Data on the occupational profiles of these companies is not available. However, 'professional appointments' accounted for the 'majority' of the 121 jobs that had been created by the end of the IFSC's first year of operation in 2003/04 (see IFSC, 2004). These included accountants, insurance risk consultants, fund managers and administrators, IT professionals and financial market analysts. Expatriates have been recruited for one-third of these jobs. Labour costs are a key factor in high-skill service sectors. It is reported that average costs of professionals employed by IFSC companies are twice as high as in Mauritius.

Insert table 21

6. POLICY RECOMMENDATIONS

6.1 Human resource planning

Government urgently needs to produce a detailed and comprehensive national human resources development strategy, which focuses in particular on the occupational requirements of the key growth sectors in the economy. These include mining, financial services, manufacturing, and tourism. The development of a labour market information system is essential. Preliminary steps have been taken to establish a Labour Market Observatory, but it should be pointed that similar initiatives in other African countries have been largely unsuccessful. The top priorities are to obtain accurate information from employers on their current and likely future training needs and to undertake quick tracer studies of graduates from all major training courses.

6.2 Employment and incomes

Current employment and incomes policies are generally supportive of the overall government goal of ensuring that the private sector is at the forefront of the development process in Botswana. The abolition of the minimum wage is neither desirable nor feasible. While it is important to maintain and improve the quality of public services, the bulk of the most able and dynamic individuals should be attracted into the private sector. The effective implementation of the Performance and Management system in all ministries is also essential, especially in order to ensure that under-performing staff are weeded out and that working for government is not seen as a soft-option. The current private-public sector income differentials for skilled personnel of around 2:1 should be maintained.

6.3 Education and training

The current thrust of government education policy to improve the overall standards and relevance of both primary and secondary schooling is in line with international best practice. However, the VET sector in Botswana needs to be comprehensively reformed. In particular, the continued emphasis on pre-employment training in the traditional manual trades does not correspond to the skill needs of manufacturing and other key sectors. Training services should be directly targeted on the priority needs of the key growth sectors, which should have their own lead bodies for training[23]. The bulk of this training is likely to be job-related. Training policy and practice is still too compartmentalised between BOTA, TEC, and the Ministry of Education.

There also needs to be a clear separation between the regulation and funding of training activities and the actual provision of training services. Public funding for all training activities should therefore be controlled by a national council for human resource development, which is private sector driven. The National Training Fund should be extended to cover all types of training

[23] The establishment of a Tourism Training College is one of the main recommendations of the tourism sector report, which has been prepared as part of the export diversification study.

activity, and not just certificate level as is currently planned. Where possible, public funding of training services should be contracted out on a competitive basis, which means that public training institutions should no longer receive assured public funding.

More concerted efforts are needed to increase cost recovery for all post-secondary education and training. Income-contingent loan repayment schemes are feasible in the Botswana context. The loan-grant system should be comprehensively reviewed.

Botswana has the resources to develop world-class universities and other higher training institutions, which will form the basis of a successful knowledge economy. But this can only be achieved by attracting top class teachers and researchers.

6.4 HIV/AIDS

The mass provision of anti-retroviral drugs should considerably mitigate the impact of the AIDS epidemic on the workforce. It is very important that potential investors are made aware of the limited impact of the epidemic on enterprises to date and are reassured that the direct and indirect employment costs of the epidemic are likely to be limited.

6.5 Non-citizen employment

Officials at the Department of Labour and Immigration are confident that once the work permit system is properly resourced with sufficient capacity (in particular with the establishment of a second RISB for the Gaborone Region), it will be possible to reduce quickly the backlog of applications and process all new applications within two months. They do not believe therefore that the system itself needs to be fundamentally reformed.

The FIAS report makes a series of recommendations concerning improvements to the work and residence permit systems. These include issuing 'clear government policies for foreign investors and foreign employees', the decision criteria and priorities for each group need to be quite separate and should therefore be clearly delineated, and there should be a 'fast-track system for highly skilled jobs'.

The Report on Incomes Policy recommends that 'a non-regulatory approach' should be adopted where, as long as a company can demonstrate that they have tried to find a Motswana, the granting of a permit should be an 'administrative decision' (p. 108). The advantages of adopting this approach include removing the need for waivers and exemptions, elimination of bureaucratic decision making in the entire approvals process and thus the need for immigration boards, and much improved transparency and reduced scope for corruption.

Other possible reforms include much higher work permit fees, which are increased progressively for renewals, the introduction of work permit point

systems (as in Australia and Singapore), and the automatic issuing of work permits (as in Lesotho) where the number of permits granted is dependent on the size of the inward investment. A work points permit system is probably the most appropriate.

Finally, there should be much closer monitoring of company localisation plans. Government needs to develop sufficient expertise so that this can done efficiently and effectively. It is important to remember though that a key factor in the success of the Asian tiger economies was their ability to learn from foreigners. During the early stages of their industrialisation processes, enterprises in effect 'apprenticed' themselves to foreign machinery suppliers and other types of foreign technical assistance (see Amsden, 1989). Post-independence nationalism has tended to undermine this learning process in virtually all countries in sub-Saharan Africa. However, traditionally very restrictive immigration policy regimes are beginning to be liberalised in a number of countries in the region (including Zambia, Mozambique and Tanzania) as governments increasingly realise the importance of accessing key skills in the context of rapid globalisation, and also as part of wider efforts to encourage foreign investment.

With the growing importance of the service sectors in Botswana, one of the key roles of expatriates will be to promote the all-important 'service culture'.

ANNEX TABLES

Table 1: Domestic and international migration, 2001 ('000)

	Female	Male	Total	% population
Usually living in Botswana and abroad	5	6.9	11.9	0.7
Usually living abroad	3.5	3.9	7.4	0.4
Sub-total	8.5	10.8	19.3	1.1
Between districts migrants during last 12 months	65.5	64.6	130.1	7.7
Non-migrants	767.8	711	1478.8	92.3

Source: Population and Housing Census 2001

Table 2. Primary and secondary school enrolments, 1991-2002

Year	Primary	Secondary
1991	292,233	68,487
1992	301,482	75,873
1993	305,479	85,689
1994	310,128	86,684
1995	313,693	103,159
1996	318,629	108,353
1997	322,268	116,976
1998	322,690	143,604
1999	323,874	148,076
2000	324,283	152,246
2001	329,451	151,847
2002	332,777	156,024

Source: CSO, Statistical Bulletin, 2002.

Table 3: Educational attainment of the working population aged 12 years and over, 2001 (rounded percentages)

Age Cohort	No education	Incomplete primary	Complete primary	Form 1-4	Completed secondary
20-24	6	10	6	51	26
40-44	23	20	21	20	17
All	18	17	14	29	22

Source: Population and Housing Census 2001

Table 4: Estimated number of paid non-citizens by economic activity, 2001 and 2002

Industry and sector	March 2001	September 2002
Agriculture	393	268
Mining and quarrying	315	301
Manufacturing	1348	1412
Electricity and water	74	64
Construction	2196	2131
Wholesale and retail	2349	2813
Hotels and restaurants	357	557
Transport and communication	665	1036
Finance	261	279
Business activites	1123	803
Education	1557	1769
Health and social work	417	498
Other community activities	217	248
TOTAL	11272	12179
Private	10568	11518
Parastatal	707	661
Central government	2701	3171
Local government	222	223
TOTAL	14198	15573

Source: CSO, Labour Statistics 2003

Table 5: Private and central government income differentials for
Grades B4 to F, October 2003

	B4	C4	C3	C2	C1	D4	D3
Private	35000	90000	100000	110000	150000	185000	200000
Government	16500	38832	48324	59388	72966	98934	111882

	D2	D1	E1	E2	F2	F1
Private	250000	305000	390000	440000	520000	660000
Government	126534	143136	165354	190176	228900	263220

Notes: Private incomes are estimated from Chart IV:2a in BIDPA's Report on Incomes Policy.
Private incomes are 'total package'. Government salary scalesare for April 2003 and are the mid-point for each gra
Source: BIDPA, 2004.

Table 6: Retrenchments by industry 1998/99-2003/04

Industry	1998	1999	2000	2001	2002	2003
Construction	1394	1957	2989	2740	1473	417
Manufacturing	1069	842	345	1627	1007	1857
Hotels etc	21	0	73	194	67	280
Garage	5	7	6	85	97	105
Wholesale	23	16	0	0	0	56
Retail	47	135	40	186	147	1427
TOTAL	2559	2957	3453	4832	2791	4142

Source: Department of Labour

Table 7: Industrial action by sector 2000-2003

	2000		2001		2002		2003	
Industry	Strikes	Number workers	Strikes	Number workers	Strikes	Number workers	Strikes	Nur wor
Manufacturing	8	542	1	600	2	20	2	13
Construction	5	685	1	364	2	222	0	
Hotel and catering	1	9	2	1224	0	0	0	
Garage, motor repair	0	0	0	0	0	0	0	
Whole and retail	0	0	0	0	0	0	1	r
TOTAL	14	1236	4	2188	4	242	3	13

Source: Department of Labour

Table 8: Urban and rural mortality rates by sex, 2001

	RURAL		URBAN	
AGE	Female	Male	Female	Male
15 to 19	0.24	0.18	0.17	0.18
20 to 24	1.24	0.65	0.63	0.39
25 to 29	2.52	1.64	1.24	0.94
30 to 34	2.73	3.12	1.48	1.77
35 to 39	2.33	3.50	1.49	1.96
40 to 44	1.89	3.10	1.37	2.25
45 to 49	1.54	3.09	1.31	2.50
50 to 54	1.37	2.69	1.42	2.24
55 to 59	1.38	2.56	1.53	2.75

Source: Population and Housing Survey, 2001

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ANNEX A: LIST OF INTERVIEWEES

Dr. Oluyele Akinkugbe, Senior Lecturer, Department of Economic, University of Botswana
Mr. Alan Boeschoen, Executive Director, International Financial Services Centre.
Mr. Peter Fleming, Director Quality Assurance, Botswna Training Authority
Mr. D.M. Gaseitsiwe, Director of Economic Affairs (Employment and Manpower Planning), Ministry of Finance and Development Planning.
Dr. K. Jefferis, Deputy Governor, Bank of Botswana
Mr. M. Shadid Ghafoor, Managing Director, Western Apparels (Pty.) Ltd
Mr. M. Kaetwa, Principal Technical Education Officer, Ministry of Education.
Mrs. Majelantle, Government Statistician, Central Statistical Office.
Mr. Claude A. Mojafi, Commissioner of Labour, Department of Labour and Social Security.
Mr. K. Moloswai, Managing Director, BIC Tau (Pty.) Ltd.
Mrs G.S. Nkumane, Head of Migration and Visa, Department of Immigration
Mr G. Kombani, Deputy Permanent Secretary, Ministry of Trade and Industry
Ms F.M. Leboko Principal Labour Officer, Department of Labour and Social Security
Mr. Kabo Mbaakanyi, Director, Auto Ancilliaries Botswana (Pty.) Ltd
Mrs. Oniretse Scitta Monagen, Investor Services Manager, Botswana Export Development and Investment Authority.
Mr. Ketlaaleka, Membership Services Manager, Botswana Confederation of Commerce, Industry and Manpower
Mr Leon Myburgh, Chief Executive Officer, Bokomo Botswana (Pty.) Ltd
Mr Peter Olsen, Managing Director, Tsa Badiri Consultancy Ltd.
Dr. P. Mohanan Pillai, Senior Research Fellow, Botswana Institute for Development Policy Analysis
Dr. Jay Salkin, Senior Research Fellow, Botswana Institute for Development Policy Analysis.
Mr. Tally Tshekiso, Excutive Director, Caratex Botswana (Pty.) Ltd.
Mrs. Monica Tselayakgosi, Programme Planning Manager, National AIDS Coordinating Agency.

ANNEX B: BACKGROUND INFORMATION ON EXPORTS, FOREIGN INVESTMENT AND EMPLOYMENT

At independence, Botswana's major foreign exchange earner was beef and remittances from migrant labour working in the South African mines. Being landlocked and having a small population, the Country realised the need to adopt an export-oriented strategy. Soon after independence, the country began to exploit diamond mining profitably, and diamonds began to dominate the economy both in terms of being the major foreign exchange earner and being a major contributor to national output. Diamond mining is however capital intensive, and therefore has limited direct contribution to employment creation. It is this limitation together with the fear of over-reliance on a single exhaustible resource that has seen the country come up with strategies from economic diversification away from diamond and beef. Despite this emphasis as has been reflected in the themes of the various National Development Plans and Budget speeches, very little economic diversification has happened. Table 1 shows the value of exports by major commodity for period 1995-2002, while Table 2 shows the percentage shares for each of the major commodities for the same period. Meat, diamond and copper were making up 75.6 percent of the total exports in 1995, and the share has been steadily growing over time reaching 95 percent by 2002. A major contribution to export shares, which contributed to a steady decline in share of diamond, was the vehicle exports, particularly the Hyundai motor exports. Following the closure of this plant in 1998, the share of this item in exports began to decline reaching 2 percent in 2001 from 16 percent share recorded in 1995. Other commodities like textile, which government had hopes of diversifying into also did not do too well. The share of textile to exports has been declining from 2.5 in 1995 to about one percent in 2002. Not much export diversification has therefore happened over the years, and that remains the biggest challenge for the Botswana economy. Its importance is also made more pertinent by the fact the dominant export commodity is not capable of employing many Batswana because of its capital intensive nature and the lack of both backward and forward linkages.

In terms of employment by sector, the private sector employs more employees than the rest of the sectors with 57 percent of the share of employment in 1995. The second largest employer in 1995 is government with 40 percent (combining both local and central government) and the smallest share to employment is parastatals with5.8 percent in 1995. Within the private sector, the biggest share of employment is commerce with between 18 and 19 percent of the share to employment Manufacturing and construction are the second largest contributors to employment with between 9 and 10 percent each for the period 1995 to 2001. Mining and quarrying has one of the smallest shares to employment in Botswana, which has declined from about 5 percent in the early 1990s to about 3 percent in 2001. This is very much in contrast to its major contribution to both output and export as discussed earlier. It is this structure of the economy among other things that is partly responsible for the economy's failure to address the employment and poverty problems. Another source of problem is the lack of adequate economic diversification as has been shown in Tables 1 and 2.

An area that Botswana has focused on in terms of economic diversification is manufacturing. The country had hopes that manufacturing will offer a route out of the dominance of minerals. Most of the incentives and effort were focussed on manufacturing[24]. Financial Assistance Policy (FAP), which between 1982 and 2001 was the main financial incentive for economic diversification did not until later include services and other activities. Table 5 shows the number of people employed in manufacturing industry in 2001 for each of the manufacturing activities. The highest number of employees, representing about 30 percent, were employed in textile and clothing industry, a significant majority of who were women. Clothing and textile also employ more number of no-citizens than the other manufacturing industries. Non-metallic minerals and fabricated metal products are the second and third largest employers of labour in manufacturing industry.

FOREIGN DIRECT INVESTMENT

At independence, Botswana hardly had any locational advantages for FDI given its small and poor population living in the rural areas. When most African countries chose state controlled based economies in the 1960s and 1970s, Botswana chose to liberalize its economy and adopt a pro-market economy. Government still had a very central position in terms of planning economic activities, but it had always been understood that in time government should give way to private sector driven economy and allow the market to take a central role. At the political level Botswana chose to have multi-party democracy, with elections held every five years since 1966. Even though no change of government has ever occurred, the elections have so far been regarded as free and fair. In terms of FDI, the political stability has provided a positive environment for its attraction to Botswana. It is also well documented that Botswana has had very sound management of its diamond commodity boom, avoiding to a larger extent the “Dutch Disease”, which had been a major problem for most countries that had commodity booms. Rather than nationalize as was fashionable then, Botswana chose to go into partnership with foreign investors, DeBeers Mining Company on an 85: 15 share, which was later re-negotiated to a 50:50 partnership.

Botswana has had several policies and strategies that directly affect FDI ranging from trade agreements to financial assistance policies. Given the small market, it was quite imperative that the country should adopt an export led growth strategy implying entering into trade agreements (Bank of Botswana, 2003). These trade agreements are World Trade Organization (WTO), Africa, Caribbean and Pacific (ACP), European Union (EU), African Growth and Opportunity Act (AGOA), Southern African Customs Union (SACU), and Southern African Development Community (SADC). All these trade agreements have the potential to attract FDI that seeks to locate in Botswana for the purpose of gaining access to international markets. That has been the case with AGOA and SACU particularly. SACU provides for free

[24] Currently there is recognition that services, especially tourism have the potential to contribute to employment and economic diversification.

entry of goods manufactured in Botswana to markets of members, and most important for FDI is the entry into the South African market, which is quite large in the region. Under AGOA there is duty free entry and quota free for almost all manufactured products. This mostly applies to textile, and it has had an effect of attracting more FDI to textile. After the fall of the Hyundai Motor plant, textiles make up the second biggest proportion of the manufacturing sector after beef and is the biggest employer in manufacturing sector. SADC free trade agreement is also supposed to benefit FDI through provision of free entry of goods to member countries. For Botswana' case however, that is not likely to increase the benefits substantially since the country already had free access to the biggest market in the region, South Africa, through SACU.

At a national level, one of the policies attractive for FDI has been the Financial Assistance Policy (FAP), which was replaced by Citizen Entrepreneurial Development Agency (CEDA) in 2001. FAP took the form of labour and capital subsidies, tax holidays and training subsidies. FAP was mainly centered on provision of subsidies and grants for most of its life. Many of the firms that benefited from FAP were in textile and certain small-scale agriculture. FAP was discontinued in 2001 following recommendations from its fourth review. The review had identified many implementation problems, abuse of FAP funds, and non-sustainability of projects beyond the five-year assistance from FAP amongst the chief problems. It was common for firms to relocate as soon as the five-year subsidy period lapsed. In fact some of the big textile industries set up under FAP has since closed business. One such firm is ALGO Industries, which employed over five hundred workers. The replacement to FAP, CEDA, provides financing to citizen business in all sectors of the economy in the form of subsidized loans and risk sharing, as opposed to outright grants. CEDA however has no support for FDI since it only supports locals, except perhaps where the company is jointly owned with a local. Botswana also provides a conducive tax policy with low company taxes and tax holidays. Company tax in Botswana is 25%, which is much lower than in South Africa. Moreover, company tax applicable to firms in manufacturing sector has been even lower at 15 percent, especially if you located in areas like Selibe-Phikwe.

Apart from these incentives, Botswana has had other potential advantages to attract FDI. Some of these are:

- The country has a good exchange rate policy backed up by large surpluses in Balance of Payments.
- Botswana has "good labour relations", especially in comparison with South Africa, which has strong and militant trade unions, which played a major part in the struggle to end apartheid and therefore have considerable influence within the ANC government. Trades unions in Botswana are relatively weak, resulting in strikes being few.
- Crime levels in Botswana are relatively low, especially in comparison with those in South Africa.

- Producers in Botswana have access to the South African market because of Botswana's membership of SACU, and to the Zimbabwe market because of the 1956 trade agreement.
- The Botswana Government has the financial resources to provide a relatively high level of education to all of the school-age population, and for it to be credible that current educational policies can be sustained. There is considerable evidence that the higher level of education the greater the opportunity for profitable investment in the export of both manufactured goods and services (Wood and Mayer, 1998).

Despite the existence of a more conducive enabling environment in Botswana, foreign direct investment flows (FDI) into Botswana has steadily decreased since 1997. From an annual average of $29 million for 1989-1994 period, FDI inflows reached $100 million in 1997, but declined significantly to $37 million in 1999 and 2002 (United Nations, 2003).

Table 6 shows the growth of FDI between 1997 and 2001 and the changes in its shares. Between the periods, mining FDI grew by 211 percent, retail wholesale and trade by 315 percent, finance by 220 percent, and transport by 210 percent. Manufacturing had a growth of only 11 percent between the periods, while construction actually declined. In terms of percentage shares, the second largest sector for FDI is services, accounting for 16.5 percent of the total stock of FDI. The largest industries within this sector are financial services, 7.1, Retail and Wholesale Trade, 6.2. Retail and industry is mainly dominated by large chain stores that are attracted to the small but buoyant consumer market. Manufacturing, a sector earmarked by government for economic diversification from diamond had a share of 2.6 to FDI in 2001. This is disappointing given that it is a sector that has benefited from FAP. A number of these projects were of temporary nature because FAP turned out to be too generous and thus encouraging firms to establish for the duration of the five-year subsidy and close down thereafter. Most of these were in textile business, attracted to FAP and the lucrative market in South Africa and the USA particularly under AGOA. Most of these companies do not produce for the local market because the nature of the product is such that profit can be increased by pushing more volumes. Given that Botswana has a small market, it is not possible to sell enough volumes to become profitable.

There are several reasons given for the poor performance of Botswana in attracting FDI especially with all the potential advantages the country has. Some of these are that; other countries in the region have opened up to FDI and began to receive increasing FDI, through privatization programmes and projects in natural resources or in their processing. Despite the fact that Botswana approved a privatization programme, even the first targeted industry for privatization, Air Botswana, has still not begun the process. Secondly, with the end of apartheid in 1994, South Africa became a competitor in attracting FDI into the region, and a number of South African companies with investment in Botswana returned to their home countries. Some of the frequently mentioned issues relate to constraints to importing skilled labour due to frustrating bureaucracy and delays in obtaining work

permits, high costs of utilities and transport, shortage of serviced industrial and commercial land, high cost of finance and low labour productivity.

Table 1. Exports by Principal Commodities(P'000)- 1995-2002

Year/Exports	Meat and meat product	Live Animals	Hides & Skin	Diamonds	Copper/nickel	Textiles	Soda ash	Vehicle &Parts	Other goods	Total Exports	Meat, Diamonds, copper	%of total X
1995	179,189	2,133	36,575	3,983,684	328,449	146,286	21,800	957,144	286,211	5,941,470	4,491,322	75.6
1996	206,337	1,519	28,573	5,721,880	444,745	194,296	69,066	1,144,374	322,568	8,133,358	6,372,962	78.4
1997	231,387	2,257	31,973	7,670,042	480,613	248,392	109,767	1,182,660	433,609	10,390,700	8,382,041	80.7
1998	298,537	2,966	33,602	6,040,452	435,907	302,638	98,481	965,702	518,638	8,696,922	6,774,896	77.9
1999	223,384	1,949	23,992	9,706,383	557,916	248,475	106,963	666,825	691,960	12,227,848	10,487,683	85.8
2000	263,514	1,211	43,731	11,383,587	830,322	243,683	98,129	270,419	700,087	13,834,682	12,477,423	90.2
2001	365,858	6,908	61,339	12,085,896	597,351	192,953	128,200	298,735	569,248	14,306,488	13,443,917	94.0
2002	31,834	3	8,195	3,341,730	130,993	37,208	39,618	101,463	144,755	3,835,800	3,646,528	95.1

Source: CSO, Statistical Bulletin, 2002.

Table 2. Exports by Principal Commodities- Percentages

Year/Exports	Meat and meat product	Live Animals	Hides & Skin	Diamonds	Copper/nickel	Textiles	Soda ash	Vehicle &Parts	Other goods	Total Exports	%of total X
1995	3.0	0.0	0.6	67.0	5.5	2.5	0.4	16.1	4.8	100	75.6
1996	2.5	0.0	0.4	70.4	5.5	2.4	0.8	14.1	4.0	100	78.4
1997	2.2	0.0	0.3	73.8	4.6	2.4	1.1	11.4	4.2	100	80.7
1998	3.4	0.0	0.4	69.5	5.0	3.5	1.1	11.1	6.0	100	77.9
1999	1.8	0.0	0.2	79.4	4.6	2.0	0.9	5.5	5.7	100	85.8
2000	1.9	0.0	0.3	82.3	6.0	1.8	0.7	2.0	5.1	100	90.2
2001	2.6	0.1	0.4	84.5	4.2	1.3	0.9	2.1	4.0	100	94.0
2002	0.8	0.0	0.2	87.1	3.4	1.0	1.0	2.6	3.8	100	95.1

Source: CSO, Statistical Bulletin, 2002.

Table 3. Estimated number of Paid Employees by sector and Economic Activity

Economic Activity/Year	1995	1996	1997	1998	1999	2000	2001
Agriculture	4500	4600	5000	4000	4000	5800	6300
Mining and Quarrying	8400	8400	8400	8700	8400	8100	6800
Manufacturing	23300	23200	24000	24000	23700	29300	28000
Electricity and Water	2600	2700	2500	2700	2600	2600	2800
Construction	22100	22600	23200	22500	25500	28100	27400
Commerce	45000	45800	46100	43100	43200	44800	49400
Transport and communication	9000	8800	9100	9000	8600	9100	10200
Finance and business	17500	17600	17700	16900	16100	17700	18200
Community+ pers. Services	10100	9900	10000	3900	3900	4100	4600
Education	3600	3800	3900	4700	5000	6300	6500
Private & Parastatals	146000	147100	149700	139500	140600	155900	161100
Private	132600	-	136200	125900	127000	142200	147600
Parastatals	13400	-	13500	136000	13600	13700	13400
Central Government	69400	71000	76200	818000	84900	83700	84700
Education	24200	25600	26900	30300	31900	30600	31400
Other	45200	45400	49300	51500	53100	53100	53300
Local Government	15900	16300	16600	18200	18900	20400	21000
Total	231300	234400	242500	239500	244400	260000	266700

Source: CSO, Statistical Bulletin, 2002.

Table 4. Estimated number of Paid Employees by sector and Economic Activity- percentage Distribution

Economic Activity/Year	1995	1996	1997	1998	1999	2000	2001
Agriculture	1.9	2	2.1	1.7	1.6	2.2	2.4
Mining and Quarrying	3.6	3.6	3.5	3.6	3.4	3.1	2.6
Manufacturing	10.1	9.9	9.9	10	9.7	11.3	10.5
Electricity and Water	1.1	1.2	1	1.1	1.1	1	1
Construction	9.6	9.6	9.6	9.4	10.4	10.8	10.7
Commerce	19.5	19.5	19	18	17.1	17.2	18.5
Transport and comm	3.9	3.8	3.8	3.8	3.5	3.5	3.8
Finance and business	7.6	7.5	7.3	7.1	6.6	6.8	6.8
Community+ pers. Services	4.4	4.2	4.1	1.6	1.6	1.6	1.7
Education	1.6	1.6	1.6	2	2	2.4	2.4
Private & Parastatals	63.1	62.8	61.7	58.2	57.5	60	60.4
Private	57.3	0	56.2	52.6	52	54.7	55.4
Parastatals	5.8	0	5.6	5.7	5.6	5.3	5
Central Government	30	30.3	31.4	34.2	34.7	32.2	31.7
Education	10.5	10.9	11.1	12.7	13.1	11.8	11.8
Other	19.5	19.4	20.3	21.5	21.7	20.4	20
Local Government	6.9	7	6.8	7.6	7.7	7.8	7.9

Source: CSO, Statistical Bulletin, 2002.

Table 5.Employment under manufacturing sector, September 2001

Industry	Citizens			Non- Citizens		
	Male	Female	Total	Male	Female	Total
Meat and meat products	1277	232	1509	16	2	18
Dairy products	246	128	373	42	1	43
Grain meal products	1031	373	1404	30	6	36
Bakery products	892	1086	1977	60	6	66
Other food products	247	541	787	3	0	3
Beverages	587	213	800	11	0	11
Textiles	724	1600	2324	141	26	167
Clothing	658	5785	6443	295	79	374
Tanning and leather	10	13	23	0	0	0
Footwear	37	475	512	4	0	4
Wood and wood products	364	98	462	23	2	25
Paper and paper products	109	139	248	16	1	17
Printing and publishing	389	730	1119	73	103	176
Chemical products	781	240	1020	63	1	64
Rubber and plastic	637	405	1042	65	8	72
Cement products	0	0	0	0	0	0
Non-metallic minerals	1953	593	2545	67	14	81
Basic metals	330	31	361	24	0	24
Fabricated metal products	1677	763	2440	108	22	130
Machinery and equipment	35	9	44	4	1	5
Electrical Machinery	4	12	16	4	0	4
Medical, precision instruments	7	8	15	1	1	2
Motor vehicles, trailers	29	4	33	0	2	2
Other transport equipment	20	4	24	6	0	6
Furniture	441	200	641	40	5	45
Manufacturing of jewellery	49	54	613	15	1	16
Manufacture of other products	350	916	1266	209	44	253
Total	12882	15160	28042	1320	325	1645

Source: CSO, Statistical Bulletin, 2002.

Table 6: Foreign Direct Investment by Sector: 1997-2001.

Sector/Year	1997	1998	1999	2000	2001	Share-2001	Growth
Mining	2705	4903	5524	7792	8412	80.6	211
Manufacturing	246	333	273	344	274	2.6	11
Finance	228	226	523	619	729	7.0	220
Retail and Wholesale Trade	157	392	670	773	651	6.2	315
Electricity Gas & Water	7	8	…	…	…		
Real Estate and Business Services	65	112	144	161	115	1.1	77
Transport, storage and communication	31	47	43	105	96	0.9	210
Construction	31	30	8	16	23	0.2	-26
Hospitality	44	60	83	75	135	1.3	207
Total	3514	6111	7268	9885	10435	100.0	197

Source: Bank of Botswana: Annual Report 2002.

Reference.

Republic of Botswana (April 2003), National Strategy for Poverty Reduction, Government Printer, Gaborone.