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Enclavity and Constrained Labour Absorptive Capacity in Southern African Economies*

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Introduction

The fact that the majority of the African labour force continues to be either openly unemployed or under-employed continues when many other developing countries that were similarly placed about three decades ago have made the crucial turn toward more inclusive growth and development continues to be one of the most vexing issues in economic policy analysis. This problem has continued to fester under all kinds of policy regimes thereby belying the usual optimistic assumptions by economists about the long run. Indeed the persistence of this problem remains the Achilles heel of current economic reforms, which appear to have been uncritically embraced as the panacea.

The problem of unemployment and under-employment that afflicts many of the countries in Africa is in this paper being referred to as the problem of the low labour absorptive capacity of African economies with special reference, to Southern African countries. While there may be sufficient consensus regarding the efficacy of certain packages of measures such as stabilisation and structural adjustment programmes in promoting growth, there is still much debate, if not scepticism about the ability of any measures or policies attempted so far, to resolve the perennial problem that afflicts the majority of the labour force in Africa.

The problem of the low labour absorptive capacity of African economies strikes at the heart of the growth and development problematique and should not be dismissed lightly by appealing to the long run impact of trickle down effects or the possibility of people lifting themselves up by their boot-straps as a result of the efficacy of market mechanisms. It is necessary that the debate about the paradigms informing various policy stances be opened anew.

This paper resorts to an earlier paradigm initially mooted by Arthur Lewis [Gersowitz, 1983] in a number of his writings within the context of neo-classical analysis but also propagated in various forms by Marxist inspired political analysts of under-development. More recently, the Structuralism school has continued this line of argument but often at the margin of the policy debates. This paradigm is one that looks at African economies as being afflicted by a legacy of enclave growth and development which is partly a legacy of the manner in which capitalism penetrated these countries as late comers on the global development scene; and partly as a consequence of the failure of various policy regimes of both the socialist and market oriented types to address the structural roots of the problem through policies of omission and commission. The paradigm of enclavity would link the problem of the low labour absorptive capacity of African economies to the a structural legacy of economic dualism that is in part self perpetuating, even within a market context that is ideal in terms of current structural adjustment programmes, and in part policy induced, even if inadvertently. The implications of this is that proactive polices are needed in addition to the usual market friendly measures to undo the vicious circle of perpetual under-employment that afflicts the majority of the labour force.

The Problem

It is indeed of interest that after almost a hundred years of exposure to capitalism during the colonial period, and after three decades of independence, the majority of the labour force remains unemployed and under-employed in all of the countries, the Southern African countries included. The formal sector which is the most productive and dynamic part of African economies, and accounts for less than 20% of the labour force with the exception of South Africa where it is as high as about 45%. The majority of the labour force in many countries is engaged in non-formal economic activities primarily of a survival nature. These non-formal activities are in subsistence agriculture and in informal activities.

Since many able-bodied individuals in Africa are rarely openly unemployed, it is more useful to refer to under-employment as the major problem. The persistence and pervasiveness of under-employment is a fundamental problem for both economic and social reasons. From the point of view of economic efficiency the fact that a significant proportion of the labour force, or any resource for that matter, remains under utilized must represent a constraint and a drag on economic growth and development. Indeed, the latter term, economic development, loses its meaning if economic growth does not entail the involvement of the majority in productive economic activities and the upliftment of their standards of living. At the social level, the under-employment implies that individuals in this segment of the labour force do not produce and earn enough to ensure that they have decent standards of living. The social consequences of under-employment are easily seen in the low life expectancy rates and the high incidence of health and social maladies such as high infant mortality rates, all of which are well known. Thus the persistence of under-employment is of interest on economic and humanitarian grounds.

This paper primarily addresses the economic aspects of the problem of under-employment. It is necessary to initially clarify the different meanings that may be attached to this term. It is important first to define the term in its substantive sense as an aspect of the capitalist mode of production, and then second, to define it in its technical economic sense as it relates to production per se. In many developing countries, and particularly in Africa, the social formations comprise the co-existence of capitalist and pre-capitalist modes of production, which are fused together in an uneasy and seemingly tenuous co-existence dominated by the former mode of production. Historically, the general expectation has been that the progressive nature of capitalism and the market would be such that it would overwhelm, transform and absorb pre-capitalist forms of production into its sphere. From the point of view of capitalism as a mode of production pre-capitalist forms of work, even if to some degree market related, primarily constitute non-productive labour in the sense that the labour is not aimed at profit-making or the continuous expansion of capital for its own sake. Labour that is not subsumed under the profit-making imperative of the market may be seen to be non-productive in that it does not continuously contribute to dynamic growth at the microeconomic and macroeconomic levels.

Thus, in the first place then, under-employment manifests itself as non-productive labour from the point of view of the market and capitalism since it is not embraced and captured by capital. If we refer to the capitalist part of a country's economy as the formal sector, and the pre-capitalist part as the non-formal sector we may include in the latter the subsistence and informal sectors of a survival nature. The non-formal sector then constitutes the remnant of pre-capitalist forms of production and as such constitutes non-productive labour form the point of view of capitalism. A wider definition of non-productive labour would also include any labour or work that is primarily used for consumption purposes such as housework and servants. Thus an important requirement for development under capitalism is the need to capture non-productive labour into its realm of operation. It is one thing if such labour only represents a small proportion of the labour force, but quite another when it constitutes the majority of the labour force. Indeed, both developed and developing countries have some degree of non-productive labour amidst their economies, but the major difference is that it is a small and declining proportion of the economies of the other group, and a large and increasing part of the labour force in the latter countries, and in Africa in particular, and this is what constitutes a major problem.

In the second place, the notion of under-employment may be understood in its technical sense to refer to labour for which an additional unit of effort contributes very little or nothing in terms of additional output, or for which marginal productivity is zero, low or even negative. The notion of under-employment in its technical sense is rather difficult to pinpoint both empirically and intuitively. On a normative level labour can be said to be under-employed if, under known techniques of production it is possible to reallocate the labour such that its average and marginal output could be increased. Alternatively, it could be said to be under-employed if withdrawal of some of the labour or effort could leave total output the same or increase it, even if with some reorganization of work and effort among the remaining workforce might be needed.

The under-employment in its technical form is generally obfuscated by the fact that it is shared among those that are under-employed. Thus for instance, a household engaged in subsistence farming may share the work involved in producing the same output per year regardless of the size of the household merely by varying the number of hours worked per person and by the group as a whole. By the same token informal sector participants may continue to enter a stagnant market or shrinking market for survival reasons without adding to total output or revenue for the group as a whole. In both the foregoing cases output per head would be increased if numbers were reduced even if it might imply additional work for those remaining. That proportion of the participants in the activity that is redundant is in effect in disguised unemployment and therefore under-employed. However, given that such under-employment is shared the under-employment may be generalized to the group as a whole. This technical form of under-employment is typical of the non-formal sectors and was given analytical prominence by Arthur Lewis (1954) in his analysis of its implications for the growth and development of an underdeveloped country that was being transformed by capitalism and the market.

The approach proposed by Lewis, and later elaborated by many others, attempts to demonstrate two issues that have now been under-played in conventional policy analysis of the African crisis. First it attempts to demonstrate the requirements for a capitalist growth process that can lead to the transformation of non-productive labour processes into productive ones driven by capitalist imperatives. Second, it attempts to show how, under certain conditions, the majority of the labour force may be relegated to a self -reproducing and self-reinforcing destiny of under-employment in the context of an enclave and dynamic capitalist formal economy. These aspects of the problem will be elaborated on further below.

In summary then two aspects of under-employment pose a problem of or a developing country. The first aspect relates to the fact that the majority of the labour force is trapped in pre-capitalist forms of production, which are by their nature not driven by the incessant capitalist need to employ labour for the sake of profit and further expansion of capital. The second concerns the fact that the under-employment represents low levels of productivity relative to those that could be obtained if the labour were captured under work processes driven by the capitalist market imperative. While these two aspects are indeed interrelated and imply each other it is important to appreciate their implications, which are often glossed over in current preoccupations with stabilization-driven policy measures. Under-employment as defined by pre-capitalist forms of production is a social relation that requires both economic and non-economic agents and factors for its transformation and resolution. This is a political economy issue that market forces alone cannot resolve. This relates to how a pre-capitalist social formation rearranges its social relations to accommodate capitalism, an eventuality that is often tumultuous at the political, social and economic levels and rarely involves the type of marginal changes often assumed by economists [World Bank, 1994]. Under-employment as a technical issue that relates to the nature of marginal and average productivities of labour requires an appreciation of the factors that underpin the low levels of productivity, and requires asking the question as to whether market forces on their own can resolve such factors. This essay, while by no means underplaying the former political economy issue mainly focuses on the latter technical question.

Enclavity

Paul Baran, in his essay entitled *The Political Economy of Growth* (1957) was perhaps one of the earliest analysts to call attention to the fact that developing countries that had been colonized had inherited a special type of social formation in which the capitalist sector of the economy was grafted onto pre-capitalist forms of production in a manner that was distorted. In particular, he argued that this type of capitalism did not pose its own imperative for dynamic transformation and dynamic growth and development since it was essentially dependent on and constrained by external factors. Implicit in Baran's argument was the contention that in the absence of an internally motivated conscious process of transformation the growth process within an unfettered domestic and international market process would not only marginalise the majority of the labour force, but would also marginalise the developing country itself in the international arena. Baran's thesis spawned a substantial Marxist literature (Banerjel, 1985; Clarkson, 1978) on the phenomenon of underdevelopment and dependency, which with the demise of the Socialist Bloc, has become obsolete even if still relevant.

In another vein, and at about the same time as Baran, Lewis advanced his approach to what he referred to as enclave development and growth based on the exploitation of under-employed labour. Lewis borrowed freely from classical political economists, such as Marx, Ricardo and Malthus to elaborate an approach he thought was more relevant to the unique situation of developing countries which had inherited a capitalism that had been grafted onto their societies from external sources and agents rather than internal ones. In effect, Lewis was making the same argument as Baran, although from within conventional economics, as opposed to the avowedly Marxist perspective of Baran. It is important at the outset to distinguish the approach by Bran and Lewis and other literature in this view form that of the dependency school, both of the Marxist and the Prebisch schools, or those of the New International Division of Labour variety (Ernst, 1980, 1981; Frobel, 1978). The dependency school tended to concentrate on the manner in which global forces marginalised and peripheralised developing countries that had been colonized and that were late comers to the global arena. In this respect, they stressed the unequal consequences of interactions between developing and developed countries with respect to trade, aid and foreign investment flows. They however paid little attention to the elaboration of actual circumstances prevailing in the developing countries themselves and their internal structural constraints to equitable or more inclusive growth.

The superiority of the approaches of Baran and Lewis and similar analysts of under-development lay first in elaborating the nature of internal constraints to market-led growth given the presence of high levels of under-employment in a social formation dominated but not completely captured by capitalism; and second, in demonstrating the interactive nature of external and internal factors in perpetuating the predicament that these countries found themselves in unless specific interventions wee undertaken. Lewis' approach in this respect is instructive.

Now while market exchange may be found in non-capitalist or pre-capitalist social formations the defining feature of capitalism is the capital-labour relationship in which labour is commoditised to propel the continuous expansion of capital in the context of market exchange which encompasses both factors of production and goods and services. In Africa, capitalism as a mode of production was supplanted onto primarily subsistence forms of production organised along communal lines. Capitalism in Africa and in Southern Africa did not arise through the transformation of agrarian subsistence forms of production and the simultaneous emergence of capitalist forms of production that encompassed both agriculture and industry and the commodification of almost all of the active population, except perhaps housewives. Capitalism emerged in Africa without the need to transform both agriculture and industry and without the need to commodify all of the active population the majority which remains outside the sphere of influence of capitalist relations of production.

This incomplete subordination of non-capitalist forms of production by capitalism is manifested in what may be seen as an economic dualism, not so much in the sense that Boeke (1953) defined it, but in the technical sense that there is a coexistence of mutually interrelated major segments of the labour force, a minority, which is engaged in dynamic activities propelled by the capitalist imperative for accumulation, and another, comprising the majority, which is trapped in non-capitalist forms of production and engaged in low productivity economic pursuits that are static from the point of view of accumulation. The capitalist sector, which we shall label as the formal sector, exists as an enclave in a sea of under-employment, which we shall refer to as the non-formal sector. This economic dualism is not so much defined by separateness as by inter-relatedness and mutual determination as will be seen below. The problem is that this interrelated coexistence presages a vicious circle of proneness to economic stagnation and the marginalisation of the majority rather than a virtuous circle of dynamic transformation as occurred in the now developed countries. The transformation process referred to here for industrial countries is relevant to countries that are populated by fairly large indigenous populations and does not neatly fit into the process of growth that occurred in countries that are relatively small such as Hong Kong and Singapore or that are vast but originally sparsely populated by indigenous groups such a the United States of America or Australia in which capitalism was brought in by immigrant groups.

The notion of economic dualism as explained above implies the following assumptions regarding the nature of the situation prevailing:

1. that labour supply to the formal sector of the economy is fairly elastic and can be obtained at fairly low wages which are determined by subsistence income plus a given premium to reflect other factors and considerations.
2. that capital is the relatively scarce factor of production;
3. and that while external markets may be unlimited for an individual country, domestic markets are limited by the fact that the majority of the labour force is non-productive.

Figure 1 shows the dual economy its initial stage of development with an emerging capitalist market economy as the formal sector, and the subsistence sector as the non-formal part. It is assumed that the formal sector is the dynamic sector with labour hired for the purposes of profit making; and that the non-formal sector is the static part of the economy with a given income, equivalent to the production in kind which is all consumed. In the capitalist part of the economy, labour is hired on the basis of its marginal productivity and the higher income in this sector is in part a result of this higher productivity. The higher wage rate also reflecting the additional premium required to accommodate the transition costs and the high cost of living in the formal sector.

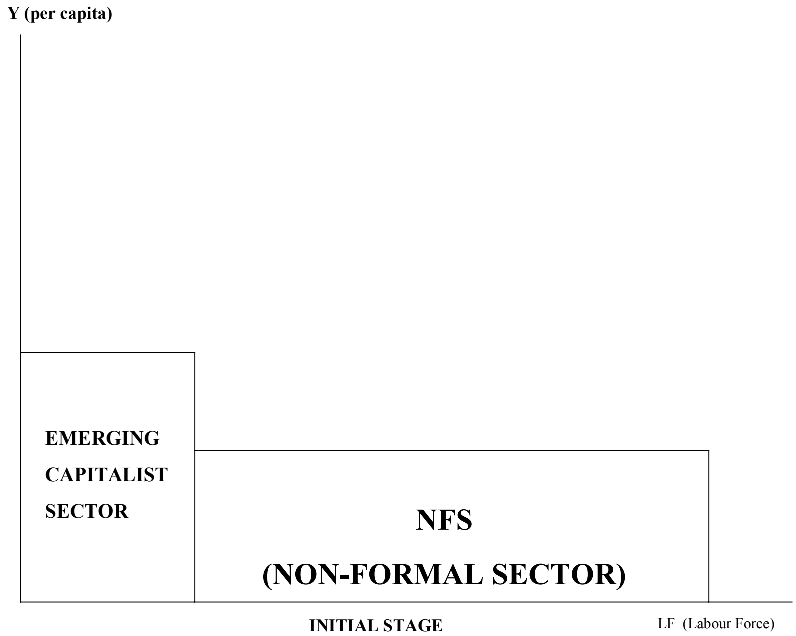

FIG. 1

Nevertheless, the supply of labour from the subsistence sector to the formal sector can be assumed to be initially quite elastic such that much of the surplus labour can be absorbed at a given wage rate that is much lower than the marginal productivity of this labour in the formal sector. It may be noted here that the marginal productivity of labour in the subsistence sector need not be zero, but low relative to the marginal productivity of the this same labour when employed in the formal sector where it is deployed in combination with capital. The differential between the subsistence income and the wage in the formal sector, and by the same token, between the

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