

REPUBLIC OF NAMIBIA

POLICY BRIEF

LABOUR DYNAMICS

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INTRODUCTION

Since independence there has been strong political commitment by government to improve primary and secondary education. This is evident of the pivotal role the education sector has in the realization of Vision 2030. Education is expected to play a central role in accelerating economic growth and social development. Education remains a top priority and is allocated a lion's share of the national budget; the share of the total budget on education for 2014\2015 was 22.7%. Although the sector continues to receive substantial funding from government (one of the highest in Africa), a considerable number of learners continue to drop out of the different school phases which may contribute to the high unemployment rate in the country, especially for those with primary education.

Unemployment, poverty and inequality remain the fundamental socio-economic challenges facing Namibia. The labor force participation rate in 2013 was 69 percent. Of this economically active population 72 per cent are employed while the unemployment rate stands at 28 per cent.

Although Namibia has enjoyed economic growth and prudent macroeconomic policies, these have not generated the number of jobs needed to overcome the inequitable distributions of income, assets (notably land). The living standards in rural areas and among the urban poor have also not been raised markedly. According to the African Economic Outlook (2011), the industry's productivity and competitiveness, along with the supply of skilled workers in relation to demand, population density, transportation costs and labour regulations all affect employment.

This policy brief analyses how education affect labour market participation and how the trend is evolving over time. It further looks at sectors that are currently creating jobs and those that are most likely to contribute to employment creation.

HOW DOES EDUCATION AFFECT LABOUR MARKET PARTICIPATION?

Unemployment

In order to have a better understanding of how education affects the labour market it is important to know what the unemployment situation is and the characteristics of the unemployed. Unemployment occurs when a person who is actively searching for employment is unable to find work. Unemployment is often used as a measure of the health of the economy. Over the last three years the unemployment rate has been hovering around 28 percent. Namibia is lagging behind other countries in the region. Since the year 2000, the unemployment rate in Botswana has been reducing, reaching an unemployment rate of less than 20 per cent in 2012.

Youth Unemployment

Youth in Namibia is defined as those between 15 and 35 years of age. However, this analysis will focus on the age group between 15 and 29.

Youth unemployment continues to be a challenge. Between 2012 and 2014 youth unemployment rate has been fluctuating, increasing from 42.8 per cent to 52.5 per cent, and then decreasing to 39.2 per cent in 2014. This cause for concern because the youth of Namibia constitutes the largest portion of the most economically active population.

Empirical studies (Mote et al, 2011) argues that unemployment duration increases with the age of the job seeker; as the job seeker's age increases, employment opportunities are hard to come by. This is supported

by our findings (Table 1). In 2013, 63 per cent of the unemployed have been unemployed for more than two years while 18 per cent have been unemployed for less than two years. Only eight percent of the unemployed have been unemployed for less than one year. This trend remained the same over the last three years. In 2014, 62 percent of the unemployed have been unemployed for more than two years, 18 percent for less than two years and only eight percent have been unemployed for less than one year. The table indicates that the higher the number of unemployed years and the higher the age of the unemployed, the more difficult it becomes to find employment. While for those aged 20-24 only 56 percent of those who have been unemployed for more than two years are currently unemployed, for those aged 55-59, the figure jumps to 80 percent in 2013. Over the last three years, only eight percent of the unemployed have been unemployed for less than one year while more than 60 percent of the unemployed have been unemployed for more than two years. This indicates the importance of providing retraining programs to those who have been unemployed for more than a year to improve their employment prospects.

Table 1: Duration of unemployed by age group, 2012 - 2014

	2012			2013			2014		
	< 1 Year	< 2 Years	2+ yrs	<1 year	<2 years	2+ years	<1 year	<2 years	2+ years
15-19	15.6	20	39.5	12.6	23.4	50.9	12.6	25.7	46.7
20-24	9.2	21.8	48	10.3	21.6	56	12.3	21.6	57.7
25-29	6.3	18.3	55.8	7.8	17.6	63.4	12.1	17.1	63.4
30-34	6.7	14.1	62.9	4.4	16.7	68.4	12.9	15.7	65.5
35-39	7.2	13.3	61.9	4	15	69.8	11.1	16.3	64.5
40-44	5.1	13.6	58.3	3.9	14	71.8	11	13.2	69.7
45-49	3.9	16.3	61.2	4.5	12.1	73.3	8.7	14.3	71.6
50-54	2.4	14.4	56.2	3.3	7.5	78.9	15.3	9.1	74.5
55-59	14.2	16.2	57	5.9	8.4	80	6.7	12.4	76.7
Unknown	7.3	16.3	55.9	5.3	9.5	77.7	10.4	17.5	60.1

Source: Namibia Statistics Agency, 2012 - 2014

EDUCATION AND UNEMPLOYMENT

Education is seen as a crucial policy instrument in the fight against poverty as it may help individuals to access better jobs that raise their labour earnings and thus contribute to the improvement of their livelihood (Ionescu and Ioan, 2012). There is an established inverse relationship between the level of education and the chances of being unemployed: the higher the education level, the lower unemployment is among people with higher levels of education.

Dias and Posel (2007) state that among prospective employees, human capital may directly increase productivity making individuals with greater human capital more valuable. An employer, therefore, would rather hire someone with higher education. Even where higher formal education does not directly increase an individual's productivity, employers with imperfect information about prospective employees may use education as a "sorting device" to help evaluate the future worth of an employee.

Table 2 below indicates that this stylized fact does exist in Namibia. The table indicates that over the last three years, more than one third of the unemployed has attained junior secondary education, while just above one quarter has senior secondary education. About 30 percent have attained primary education while those who have never been to school accounts for about 20 percent.

As soon as one attained a post-secondary education, unemployment reduced to below 20 percent and to below 10 percent with a university degree. Unemployment is non-existent for postgraduates. There appears to be a declining trend in the percentage of those who are unemployed with no education as well as those with

primary school and junior secondary education. This could mean amidst government’s effort in improving quality and access to education, some people are still exiting the schooling system with only primary education while others are added to the labour market having no education at all. The increase in the percentage of those unemployed with junior secondary education can be attributed to the addition of Grade 10 drop-outs of which the number is always bigger than those that qualified to go on to Grade 11. Overall, the table shows that the more educated a person is the less chances there are for them to be unemployed. Figure 1 reinforces this finding and goes hand in hand with the Table 2.

Table 2: Unemployment rate by school attainment

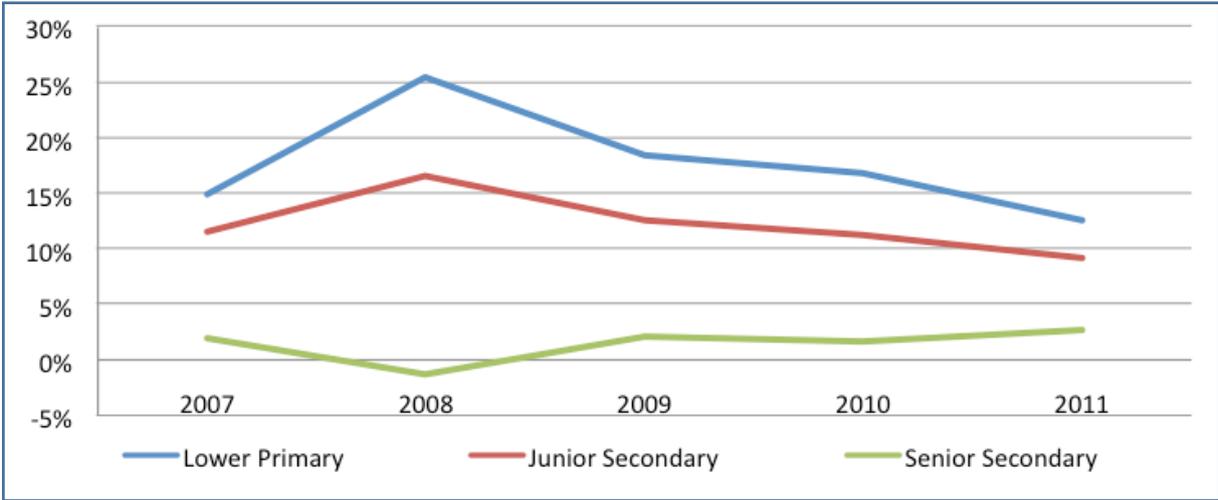
Unemployment rate by level of Education										
	No Education	Primary School	Junior Secondary	Senior Secondary	After Std.10 Certificate / Diploma	University	Post Graduate	Teachers Training	Not Reported / Don't know	Total
2012	22	29.7	33.4	26.2	8.6	4.7	-	-	20.8	27.4
2013	25.6	31.7	36.6	26.1	22.7	7.2	5.8	1.9	27.2	29.6
2014	21.1	29.4	34.1	26.8	17.9	6.9	0.9	1.6	22	28.1

Source: Namibia Statistics Agency, 2012-2014

Figure 1 shows the dropout rates for the Primary, Junior Secondary and Senior Secondary education. It appears that high drop-out rates are fueling the high unemployment rates in the category of those unemployed with primary and junior secondary education. Even though the age of learners is under 15 for most learners, statistics show that almost every year 10% of the learners were over the age of 15 (EMIS, 2006, 2007, 2011). It is this age group that is more vulnerable to drop-outs due to factors such as grade repetition, low achievement, over age enrollers and regular absenteeism and temporary withdrawals from school (Sebates et al, 2010). The drop-out rates for the senior education increased from 1.6% in 2011 to 2.7% in 2012.

Even though the unemployment rates for the primary and junior education have been fluctuating over the years, their corresponding drop-out rates are decreasing and this may lead to a decline in the unemployment rate for the coming years. The drop-out rates for the senior secondary education is slightly showing an upward trend from 2010, this is a cause for concern because it has a direct impact on unemployment.

Figure 1: Drop-out Rates



Source: EMIS 2007 - 2011

Table 3 shows that Namibia has full employment (unemployment of less than 5%) for graduates. However, more than half of the youth aged 15-19 and more than two thirds of the youth aged 20-34 with secondary education are unemployed. This highlights the importance of vocational education in addressing unemployment.

Table 3: Unemployed by age group and education, 2012-2014

	2012				2013				2014			
	None	Primary	Secondary	After Std 10	None	Primary	Secondary	After Std 10	None	Primary	Secondary	After Std 10
15-19	7.8	33.1	58.4	0.4	10.2	35.4	54.3	0	9.2	37.7	52.6	0
20-24	3.7	19	75.6	1.5	6.1	19.8	71.1	2.8	2.8	22	72.5	2
25-29	4.4	18.7	75	4	9.1	19.8	67.9	3	6.6	16.9	73.5	2.9
30-34	8.6	20	70.4	0.9	8.2	24.1	65.1	2.1	6.9	21.3	68.3	2.1
35-39	13.6	26.8	57.9	0.7	14.4	27.8	54.7	2.6	9.4	23.2	64.5	0.9
40-44	12.7	39.5	43.3	2.6	12.7	36	48.1	2.5	12.2	29.4	56.6	0.4
45-49	14.3	34	47.1	4.2	15.1	44.9	37.8	0.3	12.8	27.9	58.2	0
50-54	23	42.6	33.7	0.7	29.2	41.4	26.8	2.6	22	37.8	37.2	0.9
55-59	18.9	44	31	0	30.3	34.3	33	1.2	21.4	42.3	36.3	0

Source: Namibia Statistics Agency, 2012-2014

EMPLOYMENT CREATION IN NAMIBIA

Agriculture, Manufacturing, Tourism and Logistics have been identified as the sectors with the potential to grow the economy as well as addressing the type of unemployment (low skilled unemployment) experienced in Namibia. The Agricultural sector continues to be the main employer, employing close to 30 percent of total employment. This trend is projected to continue to 2030. The Manufacturing sector employs around five percent. If the current economic trends continues, the sector is projected to maintain the same employment levels. The Tourism sector indicates a slight declining trend between 2012 and 2014, currently employing around four percent from seven percent in 2012. The Logistics sector employs around five percent and if no major economic structural changes occur, it is projected that this sector will contribute to about 5 percent in 2030.

The question is can the priority sectors propel Namibia to full employment by 2030? Assuming no major structural changes over the next fifteen years occur, the Agricultural sector will remain the major employer, contributing a quarter of total employment decline to about 24 percent, while the Manufacturing, Tourism and Logistics sectors projected to contribute about five percent each.

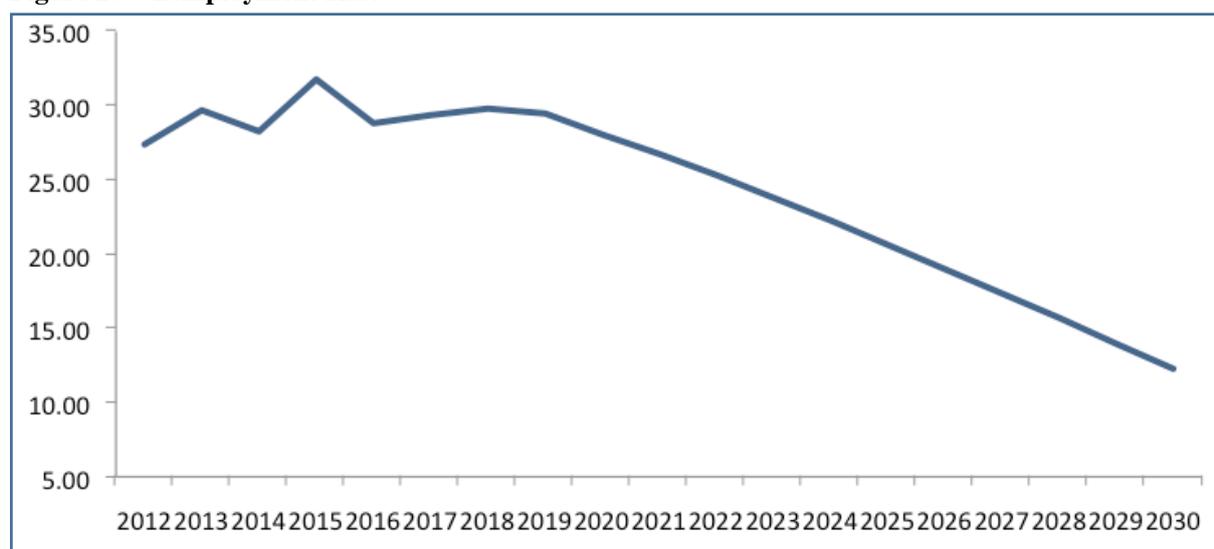
The contribution of the Wholesale, and Retail Trade, Repairs sector which employs about 14 percent is expected to grow to about 19 percent in 2030. The Construction and real estate and business service will continue to be among the main contributors to employment while the public sector is projected to maintain its current contribution of about 15 percent.

Table 4: Current and projected employment by various sectors of the economy (%)

Sectors	2012	2013	2014	2015	2016	2030
Agriculture and forestry	26.3	30.6	28.4	21.8	22.1	23.5
Mining and quarrying	1.8	2.0	2.0	2.3	2.3	2.9
Manufacturing	4.5	4.8	4.0	4.6	4.0	4.6
Electricity and water	0.8	0.7	0.8	0.8	0.7	0.8
Construction	6.8	7.0	8.0	9.0	11.2	6.5
Wholesale and retail trade, repairs	11.9	11.6	13.6	15.3	14.8	18.6
Hotels and restaurants	6.7	5.4	4.1	4.5	4.4	4.5
Transport, and communication	4.6	4.6	4.3	4.7	4.5	4.5
Financial intermediation	2.0	2.1	2.0	2.1	2.0	2.1
Real estate and business services	6.2	6.3	5.5	6.2	6.0	5.9
Community, social and personal service activities	2.1	2.6	2.1	2.2	2.1	1.5
Public administration and defence	5.1	4.7	5.9	6.2	5.9	4.2
Education	6.0	6.1	5.8	6.4	6.3	6.6
Health	3.2	2.4	3.1	3.4	3.3	3.8
Private household with employed persons	11.0	8.4	9.4	9.9	9.6	9.3

Source: NPC, 2012 and author's own calculation

Assuming that current economic trends continue and that there are no major structural economic changes, Figure 2 indicates the projected unemployment trends up to the year 2030. Figure 2 indicates that the target of full employment (employment of less than 5 percent) by 2030 will not be attained with the unemployment rate projected to be around 12 percent.

Figure 2: Unemployment Rate

Source: Generated Using Data from NPC Namibia Occupational Demand and Supply Outlook Model (NODSOM)

CONCLUSION AND RECOMMENDATIONS

Labour dynamics is an important aspect of the economy because it enables the government to make informed policy decisions based on what they know about the labour force and its characteristic in the country.

Education is of great importance and may well turn out to be the single most reliable indicator of long term growth of employment opportunities. The importance of education is most clearly reflected in the link between levels of education and unemployment rates; unemployment tends to be higher amongst people with an educational attainment of a Junior and Secondary or less education, while the unemployment rate tends to be lower amongst those with higher educational attainment.

There are specific sectors of the economy that has the capacity to employ more workers thus the government and the private sector needs to invest more in those sectors in order to contribute to the achievement of Vision 2030. Furthermore, government has to relook at strategies employed in priority sectors, because if the current status quo continues it is unlikely that priority sectors will meet the expectations with regard to employment creation.

Government has set targets to achieve a reduction in unemployment rate by 2030 which is an unemployment rate of less than 5 percent. To contribute to the achievement of this target and to high employment creation we recommend that:

- Extensive research needs to be conducted to identify the root causes of drop-outs in all school phases.
- There is a need to identify possible factors leading to repetition and drop-outs and policies that encourage learners/students especially those from poor families to remain in school need to be implemented.
- Investment in VET should be made with the objective of absorbing Grade 10 drop-outs while supplying the technical skills required for industrialization.

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