Lesotho: A Strategy for Survival after the Golden Seventies

John Gray, Neil Robertson, Michael Walton

1. Introduction

Lesotho has experienced a very rapid growth of incomes in the 1970s; and yet the country's economic prospects have never been bleaker. The 1970s mark a watershed. In the next decade growth of the labour force will be reflected in unemployment rather than migration, creating an unprecedented problem of poverty. Current government strategies for modern-technology industrialisation for export cannot possibly solve the emerging poverty and unemployment problem. This paper analyses the recent developments in Basotho labour migration and the scope for policy intervention. It argues that a serious attempt must be made to develop the local economy in Lesotho and proposes a strategy for survival based on broadly diffused agricultural development, promotion of domestic protected manufacture of basic needs products and the use of more appropriate technologies in both agriculture and industry.

2. Background

Lesotho's economy is small, poor and undeveloped, but in the 1970 s has experienced a period of unprecedented growth. Statistics are poor, but Table 1 gives the best estimates for aggregate production and income.

Table 1 – Estimates of National Production in Lesotho (current prices)

	1970/71	1974/75	1977/78
Gross domestic product at factor cost (Rm)	42,5	72,3	139,8
at market prices (Rm)	49,1	82,1	176,2
Migrant Remittances	14,1	59,9	118,3
Gross national product (Rm)	63,1	142,0	294,5
Gross national product per capita (R p.c.)	64	123	238

Source: Bureau of Statistics: 1977 Annual Statistical Bulletin. Author's estimates.

In real terms gross national product increased at about 12 per cent per annum in the period, whilst GNP p.c. increased at about 9 per cent per annum, one of the highest growth rates of a developing country in the world. The extent of dependence on migrant remittances is remarkable: in the late seventies they have constituted over 40 per cent of GNP. Agriculture is the major component of gross domestic product, about 40 per cent at the beginning of the decade declining to 35 per cent in 1977/78. Manufacturing forms a tiny proportion of domestic production; about 2 per cent of the total.

A direct corollary of the lack of local production at a time of expanding incomes has been a rapid increase in imports, from R22,9 million in 1970 to R199,4m in 1977; an increase of four times in real terms. Exports have stagnated and were only R12.2m in 1977.[1] The tremendous openness of the economy is apparent: in 1977/78 total trade was over 70 per cent of GNP.

A background to these developments, and an important underlying factor for migration and employment, is the steady increase in the population, growing at a rate of 2,3 per cent per annum or almost 28 000 people per year.[2] The potential labour force, estimated at 90 per cent of the 15–64 age group, is increasing by about 20 000 people a year of which half are male. The basic issue that we will be addressing is the problem of providing income and employment for Lesotho's growing population.

In the past, the answer lay in labour migration. The extent to which Lesotho's rural households have participated in the system of oscillating migration is remarkable: over 80 per cent of men and a minority of women have at some time been migrant workers. In section 4 we shall show that the extent of participation in migration is now declining, sharply accentuating the scale of the income and employment problem. The problem is not just one of numbers, however. Integration within the Southern African economy has had a pervasive effect on the domestic economy bringing about a situation of extreme dependency.

3. The Effect of Migration on the Domestic Economy

The Lesotho economy presents a paradox: almost every Mosotho is a consumer of modern industrial commodities: processed (often degerminated) grain, clothes and blankets produced by sophisticated methods, paraffin, consumer durables, even radios. These can be purchased throughout Lesotho. Furthermore the vast majority of Basotho have participated directly or indirectly in industrial processes. Yet in terms of domestic economic development Lesotho is one of the poorest and least industrialised countries in the world.

The paradox is, of course, only apparent, and the explanation lies in the way in which labour migration has led Lesotho into a state of integration within the southern African economic system. Migrant labour earnings finance the purchase of imported commodities. Viewed as an integral part of the regional economic system, the Lesotho economy is highly developed. In particular, the markets that govern the labour outflow and the product inflow are sophisticated and efficient. For over a century Lesotho has been undergoing a process of underdevelopment characteristic of the creation of a labour reserve economy. The outcome is a situation of deep structural dependency on her capitalist neighbour. We describe the

relationship with South Africa in these terms because it is built into the economic structures of both economies, in the disposition of productive assets, the level and nature of production in different sectors and the formation of markets.

The process of underdevelopment and creation of dependency cannot be described in detail here[3] – we merely highlight those features of Lesotho's economy that are a product of this process.

(i) The agricultural system is stagnant and inadequate to satisfy the nation's needs. The value of the main asset, land, has been steadily declining through erosion of soil whether under arable or pastoral use. There are serious imbalances both in the level of crop production relative to suitable land, and in the livestock herd relative to the carrying capacity of the pastures. The situation is a product of long term neglect with respect to labour input, investment and innovation. Agricultural income has been supplementary to migrant income. In fact, the main functions of the sector have been to permit the mines to pay exploitative wages below subsistence and to serve as a social security system for migrant labour.

(ii) There has been an extreme paucity of domestic investment – there may even have been net disinvestment. Capital accumulation in the regional economic system has been facilitated by the payment of low wages, and has been heavily concentrated in South Africa in mining, industry and agriculture. This regional bias has been reinforced by the well-known economies of concentrated industrial development: of developed infrastructure, industrial labour force, financial markets etc. Public investment is equally affected through the concentration of revenue in South Africa. For example, taxation of mining profits is entirely carried out by the South African government. If this revenue were divided amongst states according to relative shares in the mining labour force, the Lesotho government would be entitled to over R100m in 1979.

(iii) Lesotho's consumption pattern has been biased away from goods that could be produced domestically, towards the products of a developed industrial economy. Such products are characteristically produced by relatively high technology, capital and skill intensive processes that can only be transferred to Lesotho through the introduction of major distortions. The Basotho blanket is a case in point. In addition, many goods are consumed that are inappropriate to a country that fails to satisfy the basic needs of a majority of its population.

The corollary of these features is that there are severe constraints to genuine domestic development. The structure of incentives for allocation of labour and other resources are biased away from domestic productive activities.

A feature of underdevelopment is the lack of opportunities for investment and innovation. In one respect, the situation has changed: in about 1978 Lesotho started to move into a situation of serious excess labour supply for migrant workers. As a consequence the labour response to domestic opportunities is likely to be much greater in the future. However, other problems remain. Incomes, from whatever source, will continue to be channelled into purchase of foreign products, produced at a great absolute cost advantage in South Africa, and distributed through-

out Lesotho by the developed marketing system. There will continue to be a dearth of domestic investment opportunities of the right kind. Most private domestic investment is currently in housing, trade and other services, which merely sustain the existing situation and help perpetuate integration within the wider economic system. Discussion of domestic policy in Lesotho must be based upon an appreciation of the structural impediments to development inherent in Lesotho's integration in the southern African economic system.

4. Developments in Migration and Employment in the Seventies

The gold mines of the Orange Free State and the Transvaal and the collieries of Natal are the major sources of work for Basotho men. Other migrant work includes modern sector activities (manufacturing and the railways), domestic employment (for women) and agricultural labouring (for men and women).[4]

Reliable data relates mostly to mine employment, and figures for other employment are based on limited survey evidence.

The annual level of employment[1] of Basotho in the mines grew steadily in the decade or so before 1977. In 1965 there was an average of 70 000 men, in 1977 130 000. The figures for mining and other employment of Bosotho from 1970 to 1978 are given in Table 2.

Table 2: Average Annual Migrant Employment 1970–1978
(thousands of workers)

	1970	1971	1972	1973	1974	1975	1976	1977	1978
Mine[1]	87	91	99	110	103	113	122	130	125
Non-mine (estimate)	48	48	45	43	40	38	35	33	30
Total	135	139	144	153	143	151	157	163	155

(1) Average month-end total employment of Basotho

Source: Mine Recruiting Agencies. Author's estimates.

The table shows clearly the rise in mining employment. The average growth rate was 6 per cent per annum for both 1965–1970 and 1970–1977 and the overall growth almost kept pace with the growth of the male labour force. (The drop in 1974 was due to disturbances on the mines.) Lesotho has maintained its high degree of specialization in mining. It is significant that this has been at the expense of other sources of mine labour. Total employment on the mines was only 5 per cent higher in 1977 than 1970, while the rate of growth of Basotho employment brought about an increase in the Basotho share from 13 per cent to 19 per cent in the same period, before declining to 17,5 per cent in 1978. This *occurred at a time when the mines were successfully shifting from other traditional*

external sources to internal sources. By April 1977 over 50 per cent of miners came from South Africa[5] compared with 22 per cent in 1971 and it is thought that the mines could easily switch to more recruits from the homelands if necessary.

The overall level of migration also depends on the number of non-mining migrants. The decline given in Table 2 is based on census and very limited survey evidence. It is due to increased difficulty in crossing the border to find legal employment, and the general growth in black unemployment in South Africa. The relative shift toward mining employment can be viewed as a movement toward a more thorough form of labour control.

We can compare the level of migrant employment with the domestic labour force. In 1976 the latter stood at 590 000 people, of which 280 000 were men. An equivalent of 50 per cent of men and 5 per cent of women was engaged in migrant work. For mining employment the total recruitment level is a closer indicator of the number of men involved in a given year than the average employment level. On this basis in 1976 (the highest year) over 190 000 migrated, about two-thirds of the male labour force. The number of households participating in the system is less than this as some have more than one migrant. Survey evidence from 1973 to 1976 gives a figure of 60% of rural households with at least one migrant. This coincides with the number reported as having a woman as *de facto* household head.

In addition to rising employment between 1970 and 1976, there were dramatic rises in mine wages, a consequence of the high gold price and the mines' need to attract more domestic labour. After over half a century of static real wages, the basic shift rate increased from under R0,50 to almost R2,50 between 1972 and 1976. In this period we estimate that the average annual mine wage of Basotho (adjusted for the skill distribution of Basotho miners) increased from R220 to R930, or by a factor of two and half in real terms. From 1976 to 1978 wages have increased to about R1 100, or slightly less than the increase in prices.

The immediate effect was a substantial increase in rural incomes. In 1977/78 prices, incomes recorded in surveys increased from under R500 per annum at the end of the 1960's to R1 000 per annum in 1976 despite declining agricultural income.[6] At the same time the proportion made up by migrant remittances rose from 38 per cent to 71 per cent showing a remarkable degree of dependency. These gains were largely confined to participating households with incomes of R1 000 to R1 500 per annum, whereas the 40 per cent with no migrant remained subject to the vagaries of the weather, with an income of less than R400 per annum on average. The lack of spread effects to such households, apart from minor activities such as beer brewing, is largely a consequence of the consumption bias discussed above. There is some evidence that the incomes of the poorest households declined in the period, with worsening terms of trade against agriculture and growing land scarcity. Overall there was a significant worsening in rural income distribution.

At the aggregate level, rising remittances largely explain the rise in national income shown in Table 1, and also the dramatic increase in imports. Apart from the direct impact on gross national product, most of the growth of domestic production is a consequence of the booming migrant sector. The growth is concentrated in construction, trade, ownership of dwellings and government expenditure,

and not in directly productive activities. The economy is largely a distributive system for external funds. The composition of imports did not change dramatically, with all items increasing in absolute terms: the share of food declined from 24 to 17 per cent between 1970 and 1977 and that of manufactured goods and machinery rose from 51 to 57 per cent. The latter increase is indicative of increased dependency, as these are commodities that are relatively difficult for Lesotho to produce. Rising imports had a further important consequence. Revenue from the Southern African Customs Union Agreement is a direct function of both the volume of imports and the rate of growth of imports, with a two year lag. The accrual has increased from R5m in 1970/71 to over R70m in 1979/80, or five times in real terms. The proportion of total domestic revenue made up by customs revenue has risen from 45 to 74 per cent in the same period. The increase coincided with a rapid expansion in the inflow of foreign aid and the net effect has been to make the second half of the seventies a time of relative revenue abundance for Lesotho. This has certainly contributed to the growth in GDP, notably in the rising government expenditure, but it has also allowed a rapid increase in recurrent expenditure, from R12,3m in 1970/71 to R52,7m in 1978/79.[7] About two-thirds of this is spent on wages and salaries and a potentially powerful conservative interest group is being created. As with migrant remittances there is a tendency toward a high consumption pattern of growth.

It is already clear that the gains in the 70 s have not been sustained. Since 1976, mine wages have stagnated in real terms. More important Lesotho appears to be at a turning point in recruitment patterns. There have been two changes. First, Table 2 shows a decline in mine employment in 1978. Unlike the drop in 1974, caused by specific disturbances, there is strong evidence that this decline in employment will continue. In the gold mines, employing about 95 000 Basotho, employment was held steady, despite an increase of 8 per cent in the total labour force between 1977 and 1978. There is unlikely to be much threat from mechanization in the near future, but the prospects for Basotho employment appear to be of no further increase. In other mines (mainly collieries) there has been a significant decline in employment, from 37 000 in 1976 to 30 000 in 1978. This is due to the combined effect of mechanization and of switching to domestic labour supplies closer to the mines in Natal. This is likely to continue. Overall employment is projected to decline at about 3 per cent per annum at the beginning of the 80 s. The long run prospect does not appear to be any rosier, as South Africa might be expected gradually to give priority to the homelands in allocating job quotas, especially those with extreme land shortages.

The second change is the movement toward stabilization of the mine labour force and the preference for "career miners". The average contract length for a Mosotho miner declined from 10 months to 9 months in 1976, but has since risen to almost 13 months in 1978 and appears to be still rising. One of the mechanisms used is that of only recruiting men who hold a re-employment certificate from a recent previous term of employment. Potential new recruits, or men who have not recently had a contract, are now finding it extremely difficult to find work. (It is reported that bribery is increasing as a result.) This has already had a major impact on the number of participating households. The number of recruits

declined by 25 per cent between 1976 and 1978 and the proportion of households with a migrant probably declined from 60 to abour 50 per cent. In the future migrant employment and earnings will be increasingly concentrated amongst the select group of experienced miners. We estimate that by 1985 only about 95 000 rural households will have a migrant whereas 175 000 households will be completely reliant on domestic sources of income.

There are further effects. As a result of stagnant remittances imports declined in real terms in 1977, for the first time in the decade. Because of the instability of the customs revenue formula the fact that the rate of growth of imports is a determing factor this is projected to cause a much bigger drop in customs revenue as from 1980/81, which could cause a revenue crisis for the Lesotho Government.

The above picture has drastic implications. For decades the availability of migrant jobs has provided the outlet for Lesotho's growing male population, if at the expense of domestic economic development. The second half of the seventies marks a watershed – migrant employment is stagnant or falling while growth of the labour force continues apace. In 1985 the number of households with an income in cash and kind less than about R400 per annum is likely to be around 175 000, or 65 per cent of the rural population, compared with 90 000 in 1976. This can be compared with a Poverty Datum line of about R1 000 per annum. R400 cannot even purchase the basic food requirements of a household. The prospect for the 1980 s is of an unemployment and poverty problem of quite unprecedented proportions. Table 3 illustrates the changes between 1975 and 1985.

Table 3: Migrant Labour and Rural Income in 1975 and 1985

	1975	1985
No. of rural households	218 000	270 000
Proportion with a migrant	60%	36%
Number with a migrant	130 000	97 000
Average household income (R p.a)	1 300	1 600
Number without a migrant	88 000	173 000
Average household income (R p.a.)	300–400	300–400
Poverty datum line (R p.a.)	1100	1100
Money needed to cover household nutritional requirements (R p.a.)	560	560

Source: Author's estimates.
Income estimates in mid 1978 prices, and are only rough estimates.
Projections assume 3 per cent p.a. decline in number of migrants and constant real wages from 1978.
P.D.L. Estimates based on Marres and Van der Wiel, "Poverty Eats my Blanket".
Subsistence Consumption is included.

5. Past Government Policy Toward Migration

The Lesotho government's stated objective in this situation is to reduce dependence on migration through the generation of domestic employment opportunities and the development of the local economy. However, there exists no timetable for reducing migration and no detailed proposals for precisely how a phased reduction in migration could be achieved. There is no attempt to interfere with or restrict the flow of recruitment and the decision to seek migrant work is left wholly to the individual. Indeed, the Second Plan (1975/76 1979/80) sought merely to reduce the *rate of increase* of migration. In the later '70s attention has focussed on contingency planning for the event of the sudden repatriation of large numbers of miners. The *de facto* policy has thus been of laisse-faire. There has been an implicit acceptance of Lesotho's economic role of specializing in the export of unskilled labour and a reluctance to intervene in the terms or conditions. The sheer magnitude of the problem leads to a planning paralysis and a concentration on minor (if individually important) ameliorative issues such as the arrangements for the return of miners' corpses and the availability of transport for weekend trips home. The key variables of the demand for Basotho labour and wage rates appear to lie wholly beyond the Lesotho Government's control. The only active policy is thus a negative one of interrupting the supply of recruits. Lesotho's bargaining position is too weak for this to have obvious benefits, whereas this policy would have high short run costs for the households of prospective migrants.

The implication is that the rural households involved would need to be wholeheartedly committed to and involved in any alternative strategy. In fact, there is something of a divide between Government decision-makers and the average rural household. Indeed, the strong opposition element amongst miners makes Government chary of intervention, fearing a repetition of the disturbances which accompanied the introduction of compulsory deferred pay in 1975. The persistent failure of the Lesotho government to tax migrant labour incomes is to be seen in this context.

Further difficulties arise from the ambivalent relation with the South African Government that is implicit in labour migration. On the one hand, it is feared that active steps, for example, towards unionisation of Lesotho migrant labourers would lead to reduction in demand or reprisals. On the other hand, the Lesotho Government cannot, for political reasons, afford to be seen to be collaborating too closely with either the South African authorities or the Chamber of Mines. Thus, while bilateral consultative meetings are held with the Chamber every six months they appear to be low-key, and the Government has shunned too close an involvement in the recruitment process. (in spite of well-known problems such as corruption in the allocation of migrant contracts.)

In general, Government is tied by both external constraints on its policy, and its own interests and outlook. In the past, the formulation of a strategy to escape from a dependent form of labour migration and the labour reserve economy has passed by default.

6. Future Policy Options for Migration

Despite the decline described in section 4, migration remains the major economic activity in Lesotho. Whether or not the country works within or against the wider economic system there is an urgent need for a coherent policy for migration.

The main issues concern the level and remuneration of employment, working conditions and worker's rights and living conditions of the households left behind by migrants. The traditional, and most appropriate, approach to dealing with these issues would be through unionization of migrant labour especially to mines. There is a strong *prima facie* case for Lesotho to promote such a development. However, unilateral unionization of Basotho workers will be counterproductive without cooperation with other groups. Unionization of one group of the work force, where the majority remains unorganized, is likely to lead to discrimination by the employers against this group. Current South African Government policy is against the unionization of migrants. In the long run, the most productive line of action of the Lesotho Government would be to work directly against this policy, through negotiation in cooperation with other supplier states, for mining unions, and not country specific unions. As this is of direct threat to the existing distribution of benefits in the southern African economic system this is likely to be a difficult task. However, through their access to the international stage (given South Africa's sensitivity to its public image) and their freedom to work openly with specific groups of migrant workers, independent states like Lesotho are in a position to lead such a strategy. However a pre-requisite of any success is cooperation with black workers within South Africa.

The promotion of unions may be a long process and the issues do not disappear in the meantime. In the medium term there is scope for the Lesotho Government to act as a union for Basotho workers. We have already stressed the weakness of Lesotho's bargaining position. It has often been suggested that Lesotho, along with the other labour supplying countries, should form a cartel to force the issue on access to migrant jobs, wage rates etc. The success of the Chamber of Mines in switching from foreign to local South African black labour has removed the possibility of effectively cartelising the foreign labour suppliers. Without cooperation from bantustan suppliers (especially Transkei) their control extends to less than 50 per cent of the black mine labour complement, a wholly inadequate base for a conventional supply-restricting cartel. In addition the high current and prospective level of black unemployment in South Africa has created a situation where the level of Basotho migration is essentially determined by demand rather than supply considerations and the mines could increase the complement of South African recruited labour relatively quickly. There appears to be no scope for negotiation over wage rates. Equally desirable is negotiation of a labour quota for Lesotho, but the buyer's market for labour again makes it a bad time for this, even though a quota would be of most value under such conditions. Significant political concessions would almost certainly be required in exchange for a guaranteed quota. There is more scope for action on ameliorative changes in areas such as working conditions, benefits, pension etc., that have an important effect on the everyday lives of migrants and their dependants, even if there is little impact on fundamental factors.

A forum for raising these issues already exists in the bilateral meetings between the Lesotho Government and the Chamber of Mines. Currently however, there appear to be no significant results. The reasons for this are not difficult to find: compred with a true union with powers to disrupt production, the Lesotho Government is in a very weak position – physical distance from the workplace combines with inadequate information and research resources to ensure that the Lesotho Government can never be a match for the mining companies. More fundamental is the inherent unsoudness of a situation where relatively well-to-do civil servants represent the interests of a work force with whom they are neither well acquainted nor especially sympathetic. However, there are two changes that would make these consultations more fruitful; firstly, the direct involvement of the South African Government in discussions would lessen the opportunities for the Chamber of Mines to pass the buck to Government *in absentia;* for example, on matters falling technically under the Labour Agreement. Secondly, increased cooperation with other supplier states (even if at a less formal level than a supplier cartel) would minimise the scope for the Chamber to play off one supplier against another with regard to working and travel arrangements, cooperation on deferments, taxation etc.

So far we have focussed on direct issues of migrant work. Also important is the utilization of migrant remaittances, if the benefits of migration are to be maximized. Here there are two types of intervention. First, there is a need to improve the transmission of remittances and deferred pay funds to their wives and families in Lesotho. This requires specific appraisal of possibilities for channelling the money through local institutions and for improved communication between wives and miners. Second, there is a wider need to make migrant remittances work for the domestic economy. This touches the broad issues of domestic development discussed in section 3 and the following sections. In one area Government has immediate discretion: public investment out of deferred pay funds. The public use of this resource for activities of direct benefit to the families of migrants (and other rural households) would be a highly desirable development.

The above survey suggests the form of long run policy for migration and specific areas where a more active policy stance could achieve modest but important improvements in the migrant's situation. However the proposals do not impinge on the new employment and poverty problem identified in section 4. Even the most optimistic scenarios of cartelization or unionization would not generate scope for a continuation of the trend of steadily growing migration which occurred in the 1960's and 1970's. It is of this utmost importance to realize this as it implies that Lesotho's past specialization in labour cannot be the model for feeding (all) the population in the future. Development of the domestic economy is essential.

7. Existing Employment Policy

In principle, the Lesotho Government is fully committed to domestic development. Parallel to the influx of foreign aid and the general increase in revenue in the 1970s there has been a significant increase in the planning capability and development staff of the Government. However the analysis of Lesotho's development problem is, on the face of it, different from the view advanced above. Firstly, Lesotho is viewed as being in a state of undevelopment rather than underdevelop-

ment i.e., suffering from lack of development inputs rather than a long historical process of adverse development. Secondly, the relationship with South Africa is viewed as one of simple and not structural dependency. Reducing dependency focuses on issues of preventing a cut-off in supplies or reproducing in Lesotho the production of goods and services currently imported from South Africa. This outlook is largely shared by the Lesotho Government and the principal donors alike. It leads to a prognosis in terms of providing Lesotho with the conventional development inputs without really addressing the problem of the economic relationship with South Africa. In terms of employment policy there have been four main strategies in the late 1970s: modern sector industrialization; public works; agricultural development; and "cottage" industries.

Modern sector industrialization appears at first sight to be the obvious way of substituting for the lack of mining jobs. On close examination this can be seen to be an illusion. The main approach is through private foreign investment in cooperation with a parastatal development cooperation, the Lesotho National Development Corporation (LNDC). This leads to inappropriate industrialization on adverse terms. Lesotho is in a very weak bargaining position because of the lack of domestic resources and investment opportunities. Companies are offered a range of incentives including tax-holidays, free profit repatriation and duty-free access to the South African and EEC markets. LNDC characteristically puts up around half the capital and risks a net capital outflow in the future. Equally important, integration in the South African and world economies is tied to the use of technologies inappropriate to Lesotho. The bias in past technological development has been heavily weighted in favour of the needs of the developed countries. The "modern" range of technologies now have a tremendous absolute advantage. However, they are characteristically far too capital-intensive for Lesotho's need, and are linked to products that do not satisfy the basic needs of the population. The fact that such products are already important in Lesotho's consumption structure is part of the problem. The effect is for the development pattern to become increasingly distorted, for scarce resources to be used wastefully and for groups to be created or strengthened that gain from the biased development and have an interest in perpetuating it. A direct corollary is the ineffectiveness in job creation. The Second Five Year Plan objective was to create 7 000 jobs by 1980 in manufacturing and construction at an implicit cost of R3 000 per job. It is unlikely that as many as 2 000 jobs will have been created in this period. The cost per job has risen to R9 000 in industry, and it is even higher in other sectors (e.g. commerce R16 000 and still higher in tourism).[8] There is no hope of any significant impact on the employment problem. This applies as much to an export orientated as an import substituting approach.

Labour intensive public works, mainly on roads and conservation, takes two forms: the limited, cash wage and efficient activities of the Labour Intensive Construction Unit, and the extensive and inefficient food-for-work programmes. The work of LICU is highly appropriate and can make a small but significant contribution to the employment problem. Current employment of around 1 000 workers will rise to over 3 000 in the next five years. However, it is not a solution to the problem because it is expensive on recurrent finance and on scarce super-

visory manpower. As the effect on widening the tax-base is likely to be very gradual and long term, it is in no way self-financing. In a sense it is an ameliorative measure. Yet there is considerable scope for substitution of such labour intensive methods for the major capital intensive construction programme currently underway, especially in roads. The availability of South African based firms often using imported unskilled labour, makes it quicker and cheaper to adopt an approach that ensures that little of the income remains in Lesotho. Food-for-work programmes currently employ the equivalent of 9 000 man years per annum, distributed over about 50 000 households, probably including the poorest rural families. The food provided in lieu of wages has a value of around R1 per day, under half the LICU wage, but higher than peak season agricultural wages. Because of lack of supervision and supportive equipment productivity is extremely low. It is again only ameliorative, but with possible adverse effects. The issue of whether there is a disincentive effect on agricultural production remains untested for lack of data. More generally it depends entirely on the continued inflow of food aid, and the creation of dependency on such a source is risky.

Agricultural development is recognised as being central to Lesotho's development. The long term problems of the sector were outlined above and the complexity of the situation should not be underestimated. In recent years there has been a shift toward an approach more appropriate to the basic problems. In the mid-1970s the emphasis was on unsustainable, management-intensive, area-based projects largely out of touch with the needs of the people. Outside the food-for-work programme conservation, work was machine intensive and a hugely capital intensive dam and irrigation project was proposed. The drive to self-sufficiency was to be tackled by the Cooperative Crop Production Programme (CCPP) that depended on the use of modern agricultural machinery. This programme was reputed to be grossly inefficient and wasteful of development staff. However, the emphasis now appears to be increasingly on provision of basic agricultural infrastructure for smallholder farming, and participation of farmers in the development process. Although this is broadly right, there remain some unhealthy biases: towards the heavy use of fertilizer, inefficient state marketing, the provision of credit for machine intensive methods, and towards satisfying the needs of the emerging group of "progressive" farmers.

The cottage industry activities are characterised by their precariousness and export orientation. A number of modern handicrafts firms together employ a few hundred people producing luxury commodities, generally at a loss. More promising is the home-based mohair spinning project that currently provides supplementary income to over 1 000 people and is projected to reach 5 000 in the next few years. However, this project is dependent on an expensive and management-intensive buying and selling organisation. There is a tremendous gap in indigenous cottage industry, again the product of the open product market and integration in the Southern African economic system.

8. Disengagement – An Alternative Strategy?

Existing policy does not really tackle the basic problem. The constraints to any action are severe, but the questions is whether there is an alternative path that

derives directly from analysis of the problem.

Since the "border closure emergency" of 1976, consequent on the granting of "independence" to Transkei by South Africa, there has been a considerable emphasis on making Lesotho more independent of South Africa. Unfortunately, there has been a tendency to focus on a type of project that will keep Lesotho going in the event of disruption by South Africa, without really altering the economic relationship. Strategic grain reserves, modern milling facilities, the referral hospital (now modified) and diesel generators are examples. This is a consequence of the "simple dependency" outlook of the Government. However, the broad objective of disengagement is worth taking seriously as a genuine alternative.

Disengagement must involve the breaking, or controlling of the factors that ensure Lesotho's continued integration within the South African economic system. The most difficult measure to take, a gradually restricted quota on migration, has now been taken for Lesotho by the South African Mines. This provides an opportunity as well as a problem. Secondly, it is necessary to intervene in the product market, to prevent the existing free flow of South African goods into Lesotho.[10] These measures are preconditions if Lesotho is to develop an appropriate strategy of domestic development. The approach does not directly tackle the required structural changes that would need change throughout the regional system. It rather attempts to set the environment for gradual change within Lesotho away from her position of structural dependency. It implies the state intervening decisively in the economy, but in contrast to recent Government ventures[11] there would not be direct management involvement. In fact, flexibility and local involvement in rural development and small-scale industrial activities is so important that such direct interventions are likely to be counterproductive within the proposed strategy.

How do you start producing appropriate products by appropriate methods? As a starting point the basic requirements for living of the population can be taken. The main components of the poverty datum line of relevance are food, clothing, accommodation and energy. Choice of how to produce the products should then be determined by consideration of local circumstances, i.e., the resources available to households, and maximizing the income gains to poorer households. Each product category is briefly surveyed.

(i) **Food.** We have already said that the direction of agricultural strategy is broadly right. A widely dispersed incremental approach with the full participation of farmers is appropriate, and we just make a few additional points here. Firstly, aiming for self-sufficiency in food makes sense on poverty grounds. The cost of importing food is many times the cost of producing food (it is about three times the producer price alone). Substituting cash crop for food production does not make sense for a food deficit household unless the returns to the former are very high.[12] Conversely, the best way to ensure that the poor receive adequate food is to help them produce it. Secondly, and following from this, the most disturbing development in the agricultural sector is growing landlessness (up to 15–20 per cent in recent surveys) and the emergence of a group of progressive farmers. If there is tenurial reform to allow ownership of arable land[13] there is a risk of the development of dualism within the smallholder sector. Equitable landholding or effective cooperative forms (currently being discussed) is essential if the poorest house-

holds are to receive enough food. A class of landless agricultural workers would almost certainly be poorer than the poorest section of a rural peasantry. Thirdly, appropriate technological choice must be encouraged. Improving the existing ox-drawn smallholder agriculture is needed with no subsidy of either machine or fertilizer intensive methods. This tends to reach only the richer farmers and to substitute for better farming practices.

> The next area of potential lies in the forward and backward linkages to food production. On the input side, emphasis should be on local production and maintenance of the major items of equipment. Experimentation in village based production of ploughs, planters and harrows has just started. This can lead to forges and metal workshops. On the output side, the major areas of employment potential are in the livestock sector, covering treatment, spinning and weaving of wool and mohair, rural tanneries, local butcheries etc. In the crop sector local grain milling should be promoted, and also preservation of fruit and vegetables by drying and bottling.[14]

(ii) **Clothes.** The majority of clothes purchased are now imported. However, there already exist appropriate methods of production: crocheting, knitting (including the use of knitting machines) and dress production from imported materials. An informal training system is working in the sector. In shoe production and repair there exist a number of small and successful labour intensive operations. This is a sector where a coherent strategy of protection and support should work well. It also illustrates the need for flexibility. It will probably be preferable to continue to import cheap, synthetic raw or semi-processed materials for some time, as the final product will be much cheaper than items produced from local wool or mohair. This also helps reduce the cost of the poverty datum line. A second general point is that there may arise a need for "walking on two legs": a capital intensive operation (e.g. producing fabric or scouring wool) may be desirable when it is complementary to labour-intensive activities.

(iii) **Accommodation.** The siguation is similar to clothing. Construction has been booming, especially in Maseru, in the late 1970s. Local brick production by means of slop-mound firing and concrete block production are small-scale labour intensive industries. An effective system of contracting and subcontracting exists for construction. Training is often by informal apprenticeship or on-the-job learning. However, this sector is currently neglected. Most major construction work is on the high technology model: using architects, South African based engineering firms, imported materials and often imported labour. The proposed modern brick mill is competitive with and not complementary to the existing small-scale activities. The net long-run effect will probably be to reduce employment in the sub-sector. A more appropriate strategy would be to ensure that all construction activity uses indigenous materials and firms, and to promote technological innovation within the sector (specific improvements for brick production are already known). There will again remain a need for importation of materials: coal in the case of bricks and cement in the case of concrete blocks. It may be viable to start cement production from imported lime. This would be a complementary measure if it reduced prices for local purchases.

(iv) **Energy.** As Lesotho has no known exploitable coal and oil deposits the medium term energy problem is particularly intransigent. In the long term, the development of major hydropower schemes will help substitute for imported electricity. The Government response to the oil crisis has focussed mainly on the "simple dependency" issue, with the emphasis on oil reserves. This helps in the case of a cut in supplies, and is necessary if Lesotho can obtain cheaper sources, as promised in the August 1979 OAU conference. However, we place much greater emphasis on another much smaller project: the village based renewable energy technologies. This will introduce specific simple technologies in response to identified needs. Examples are improved mud stoves, thatch insulation, solar energy for vegetable growing and drying and grain grinders. The effect will be to substitute for paraffin, to make use of existing resources, and create employment in the construction of the technologies.

The other basic needs requirements cover health, water and sanitation, and education. These are very important for the well-being of the rural population, but are less closely related to the employment and poverty problem, as the income-generating element is small. In the cases of health, water and sanitation, Lesotho is developing a highly appropriate primary health care, community participation and low-technology strategy. We pass over the problems of education.

The proposed approach has only been outlined here. Actually starting on promotion of appropriate prevention is certainly daunting when faced with strong inappropriate consumer preferences, no tradition of technological innovation and a global bias against the development of technologies appropriate to countries such as Lesotho. However, a quick survey has already shown a number of activities that in small ways directly tackle the problem and together begin to add up to an overall strategy. Specific difficulties remain. Given Lesotho's resource base, foreign exchange will certainly be necessary in the future. This could in principle be provided by a small export orientated sector currently being promoted, but such enclaves tend to be self-perpetuating and of limited benefit to other sectors. An alternative is in the traditional export of labour, at least in the long transition period. Here there is the incomes transmission problem: remittances tend to be tied closely to the import of consumption goods and not used to work for the domestic economy. In the long term these are potential gains from trade, provided this is not in the form of dependency on a developed capitalist neighbour. Here Lesotho has special problems deriving from her geographical position. The promotion of links with a country such as Mozambique (in 1978) is a step in the right direction.

In conclusion, we have the broad shape of a strategy based on filling out the concept of disengagement. Agriculture is a key sector, in fact the only sector that can have a significant impact on the employment and poverty problem. However, it can be directly complemented by appropriate basic needs orientated production in other sectors. The overall context is of limits to migration and intervention in the free flow of products. Domestic policy does not replace but works alongside the migration policy discussed in section 6. The difficulties are clear, but the costs in terms of unemployment and poverty are much more disturbing.

9. Lesotho and The South African Homelands

The problems facing Lesotho are of more than purely local interest; the same problems will progressively confront the Homeland authorities as they assume greater responsibility for their economic development. Lesotho is of interest because it is the model for the system and because it represents the most perfected case of the peripheral labour reserve economy. While no fixed pattern of Homeland development can be postulated, Lesotho can be seen to display already the fundamental characteristics of the final Homeland product: firstly, it is genuinely politically independent and is recognised as a sovereign state by the United Nations. From Lesotho's viewpoint the most important implication of this is the availability of official foreign aid flows. Equally important, however, is the corollary of acquiescence in existing international boundaries and in the exclusion of Basotho from political rights in South Africa. Secondly, Basotho labour migration is overwhelmingly of the most controlled types – compound and hostel accommodated migration based on officially recognised recruitment channels within Lesotho, with dependants permanently domiciles in Lesotho. The pursuit of Homeland development by South Africa has been accompanied by a steady hardening of the form of labour migration towards the type exemplified by Lesotho. Migration from Lesotho is wholly oscillatory with compulsory returns home at least every two years. Thirdly, the burden of social security, the provision of health and education of migrating labour falls wholly on the meagre resources of Lesotho; Lesotho displays complete fiscal integrity. There is no budgetary transfer from the core South African economy to offset these costs in spite of the fact that Basotho *labour in the goldmining industry makes a massive contribution to the South* African revenues. By each of these three criteria of political sovereignty, control of labour migration and fiscal integrity Lesotho emerges as the archetypal labour reserve economy forming the model for the development of the whole system.

A broadly similar pattern of problems is emerging in the Homelands (or has already emerged) not only because South Africa is creating them on the Lesotho model, but also because the policy is similar: Homeland unemployment is to be tackled (apart from by Lesotho-type migration) by industrialisation at border and Homeland growthpoints using the sticks and carrots available under the South African policy of decentralisation. While South Africa may, because of the coercive powers of the state, be more successful than Lesotho in locating South African industries within commuting distance of the Homelands, the fundamental problems of inappropriate technology and resulting inadequate employment will remain.

The critical difference between Lesotho and the Homelands is that in Lesotho's case a hundred and more years of history have fossilised Lesotho's boundaries and the constraint of separate development must be accepted (at least for the present). This is not true of the Homelands: the extent to which they are 'developed' into 'little Lesotho's' dotted over the map of Southern Africa is simply a measure of the failure to forestall the Homeland policy by appropriate political action within South Africa.

This brings us to a final comment. The strategy proposed above is essentially a second best solution in recognition of the existing structure of power in the region. Disengagement implies Lesotho forsaking her claims to South Africa's wealth. The

most obvious solution is of controlled permanent outward migration of career migrants with their families, so releasing land for non-migrating families, coupled with fiscal transfer in favour of public investment in Lesotho (or the Homeland). At present this solution is a pipedream, but if it is forgotten completely there is a real danger of the present labour reserves failing to benefit when there is genuine political change in the region.

References

1 Annual Statistical Bulletin 1978, Bureau of Statistics, Maseru.
2 This is the intercensal growth rate between 1966 and 1976.
3 For a description of this process see the opening article by Murray in this volume.
4 This article is primarily concerned with mine employment. For a discussion of migrant women workers see the article by Judy Gay in this volume.
5 Financial Mail, 10th June 1977, quoting the Chamber of Mines.
6 Based on A.M. Monyake, **Rural Household Consumption and Expenditure Survey 1967–69**, and A.C.A. van der Wiel, **Migratory Wage Labour.** Mazenod, 1977.
7 Government of Lesotho, Second Five Year Development Plan, 1976 and Recurrent Account 1978/79.
8 Government of Lesotho op. cit.
9 Ibid.
10 This would probably have repercussions on membership of the South African Customs Union. The other complementary measure not covered here is the capital market; there is a parallel need to "disintegrate" here.
11 Examples of the Government intervening instead of private enterprise include agricultural marketing, hotels, the wheat mill and the abattoir.
12 Some cash crop production is, of course, very desirable: when it can genuinely reach the majority of poor rural households.
13 The inclusion of this type of reform in a new Land Bill was reported in the Lesotho Weekly in August 1979.
14 In this context the modern wheat mill and proposed maize mill can be seen to be inappropriate. They are highly capital intensive and appear to have little impact on either producer or consumer prices. To the extent that smallscale alternatives are squeezed out (e.g. the proposed pedal maize grinder) the net effect will be detrimental to incomes and employment.