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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.

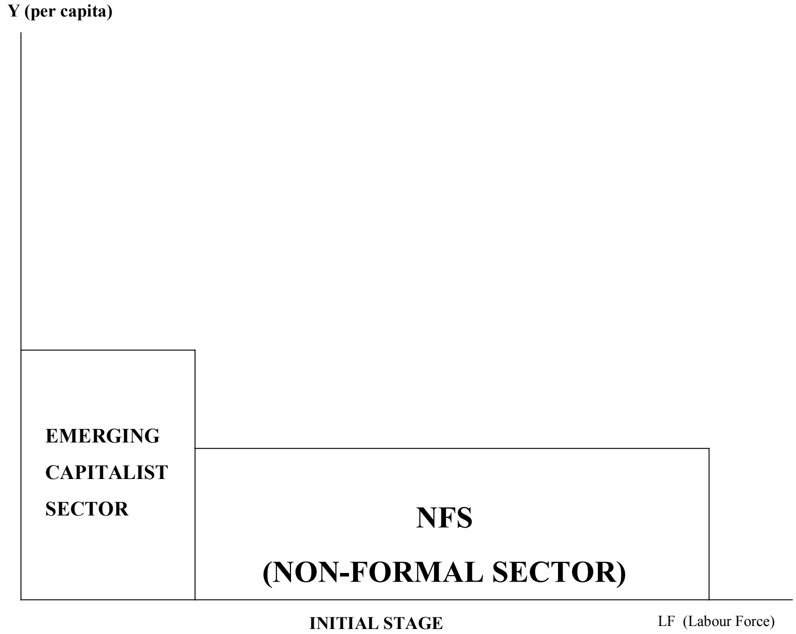


FIG. 1

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 productivity in the formal and non-formal sectors becomes the basis for further accumulation in the formal sector. Now this is a situation that may be assumed to have existed at the initial inception of capitalism in formerly colonized countries. The manner in which the accumulation proceeds and the manner in which the enclavity might be perpetuated as the two sectors interact is best appreciated when a distinction is made between the closed and open versions of this type of an economy.

In accordance with Lewis, and modifying his classification somewhat to be able to capture the situation in Southern Africa, we may distinguish between four possible ways in which the formal and non-forma sectors may be inter-related in an enclave economy:

1. The first type is one in which we have a closed enclave economy in which the formal sector does not trade with the non-formal sector even if it hires labour from the latter.
2. The second type is one in which the enclave economy is closed but in which the formal sector trades with the non -formal sector while it also hires labour from this sector as well;
3. The third type is an open variation of the first one above implying that the enclave economy does not trade with the non-formal sector internally but trades with the outside world externally;
4. And the fourth type is an open version of the second type in which the formal sector trades with both the non-formal sector internally and the outside world externally.

1.- The Closed Enclave Economy: Models 1 and 2

Diagram 2 shows the process of transformation toward the dynamic integration of the enclave economy into a full-fledged capitalist economy that embraces all of the labour force. It is assumed the formal sector, consisting of primary, secondary, and tertiary activities employs labour for profit, relies on reproducible capital, is innovation-driven and has higher average productivity per worker. The growth process might proceed along the lines elaborated by Fei and Ranis whereby the cheap surplus labor from the non-formal sector triggers the process of dynamic accumulation. Labour is absorbed from the non-formal sector into the formal sector at a constant wage tied to subsistence income in the non-formal sector. In the formal sector, the employed labour allows for unusually high rates of surplus or profit which are reinvested further resulting in increased demand for surplus labour and further propelling expansion in the formal sector. Hence the demand for labour in the formal sector shifts to the left along the elastic supply curve of labour. In doing so total productivity in the formal sector shifts upward.

In the non-formal sector, the exit of surplus labour allows for more efficient allocation of existing labour thus increasing average productivity in the non-formal sector. If average productivity increases as labour exits the non-formal sector, the supply curve of labour n the formal sector will shift upward thereby increasing the minimum wage in this sector. Assuming the process as it unfolds does not result in a collapse of the non-formal sector due to a failure to accommodate exits of labour, a number of growth linkages emerge in the economy that further reinforce the integration of the two sectors.

The absorption of labour from the non-formal sector results in an increase in incomes of previously redundant and under-utilized labour. The additional incomes can be disaggregated into increases in consumption and savings. The increase in consumption will stimulate demand for wage goods produced in the formal sector thereby propelling further expansion in the formal sector. The increase in savings if properly mediated by financial institutions can be channeled into investment funds, which can also further propel expansion.

FIG. 2a

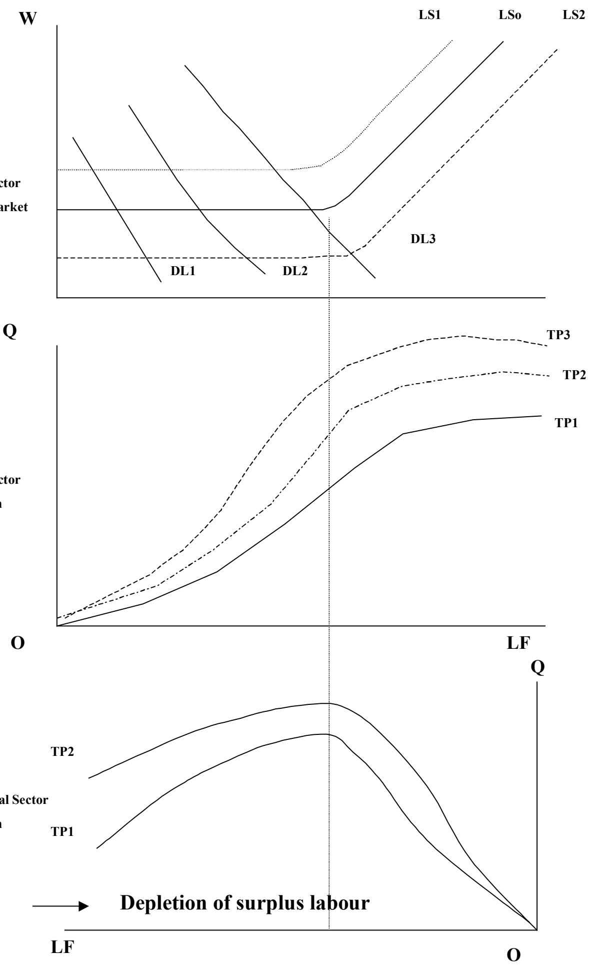
Formal Sector
Labour Market

FIG. 2b

Formal Sector
Production
Function

FIG. 2c

Non-Formal Sector
Production
Function



If there is no reorganization of production in the non-formal sector to take advantage of the exiting labour force that is redundant the income gap between the formal and non-formal sector will increase further, thereby leading to the collapse or non-viability of the non-formal sector. As a consequence, more surplus labour will be released to the formal sector thereby providing for further expansion on the basis of cheap labour along the lines described above. This is the situation that *Model 1* will lead to, dynamic growth based on surplus labour initially from the non-formal rural sector and later from the surplus labour in the urban economy, which has been displaced from the rural economy. If there is reorganization of production as redundant labour exits, especially reorganization along capitalist lines of production the increased output may be channeled into increased consumption within the non-formal sector, and increased demand for consumer goods and inputs from the formal sector both of which will be stimulated into further growth as a result. In the latter case, however, if the formal sector purchases goods form the transforming non-formal sector as in *Model 2* the terms of trade might shift against the formal sector as incomes and prices increase in the non-formal sector relative to those of goods produced in the formal sector. When this approaches as surplus labour is exhausted the two sectors may be seen as integrated since expansion in one will have to take place at the expense of the other sector. Further growth in the economy will have to be innovation driven or will have to rely on export markets.

The ideal growth process in a dualistic economy with huge supplies of under-employed labour is thus initially triggered by the circulation of cheap labour, and then sustained by consumption, savings, and input linkages between the two sectors. These linkages are shown in *Figure 2*. It should be noted that the growth process that leads to the integration of the economy relates to the lateral and vertical expansion of the formal sector (as indicated by the arrows) and the shrinking and vertical growth of the non-formal sector. The crucial requirement is that the lateral absorption of labour in the formal sector be greater than the net additions to the total labour force and that the remaining labour force in the non-formal sector is transformed into productive employment by being absorbed into capitalist forms of production such as commercial agriculture and other rural formal activities. But as Lewis notes while the formal sector may proceed to grow with minimal intervention by the state the transformation of the non-formal economy in order for it to take advantage of the unfolding scenario requires facilitative interventions from the state such as provision of social and economic services and the provision of extension services and so on. Most important in this respect, are regulatory and institutional interventions aimed at the development and formalization of capitalist relations of production. In the absence of such interventions the non-formal sector might collapse. While such a collapse might appear to be a boon to the formal sector in that it might release further labour surpluses the resulting growth process within the formal sector might not be fast enough to absorb such labour, and open unemployment might result.

In the closed *Model 1* a scenario, the phenomenon of surplus labour should disappear over time and the economy should be able to move toward full employment in the context of a capitalist market economy. The chances of such a process occurring are greater in an economy that is not too reliant on foreign trade and investment or that is large enough to have a large internal market. The importance of Lewis' analysis of this process lies not so much in his demonstration of the process of accumulation which unfolds as enclavity is eliminated and the whole economy is subsumed by capitalism and the market, but in his identification of the barriers to this process which might lead to a persistence of the enclavity and dualism since this is what has transpired to be the outcome in much of Africa, and Southern Africa in particular.

It is necessary to distinguish between two types of closed economies, namely one in which the subsistence sector does not trade with the formal sector, except in so far as it exports labour to the formal sector, and another in which the formal and non-formal sectors trade. For both types it is assumed that the supply of labour to the formal sector is elastic at the given subsistence income.

There is a mutual interest in the two sectors interacting since from the point of view of the formal sector the non-formal sector represents a pool of under-utilized cheap labour, and since, from the point of view of the non-formal sector there are higher returns to labour to be acquired in the formal sector. Assuming that these tendencies are strong in both the formal and non-formal sectors, labour will be absorbed at a constant wage into the formal sector where its contribution to output is much higher than the wage paid by the entrepreneur. The surplus profits acquired in the process can be used to hire more labour from the non-formal sector. In addition, the increased pool of employees will begin to increase the effective demand for wage goods produced in the formal sector, thereby encouraging the further growth of manufacturing.

This process will continue until the surplus labour is exhausted, or more generally, until the opportunity cost of releasing labour from the non-formal sector begins to increase such that it becomes necessary to increase the formal sector wage in order to attract labour from the non-formal sector.

In the non-formal sector, as the surplus labour is absorbed, if there is a reorganization of work to take advantage of the excess land left by those leaving the non-formal sector, average productivity and consumption will increase especially if the non-formal sector was over-populated initially. However, as was common in Southern Africa the exit of adult males form the non-formal sector places severe strains on the subsistence sector, since the marginal productivity of labour in the subsistence sector was rarely zero or negative as one would have suspected to have been the case in more densely populated areas such as Asia. The increase in the average consumption of the non-formal sector population compels entrepreneurs in the formal sector to increase their wage, which in the absence of innovation in this sector will begin to squeeze profits. Thus a point will be reached when it is no longer profitable to release labour from the non-formal sector and when the reservation wage in the formal sector becomes so high that it discourages the absorption of more labour from the non-formal sector.

The nature of the interaction ensuing between the two sectors is illustrated in *Fig. 2(a)* in which LSo is the original supply of labour from the non-formal sector to the formal sector, and DL1 to DL3 represents the shifting demand for labour in the formal sector with the corresponding amounts of labour employed in this sector indicated on the horizontal axis at the bottom. Initially, the tendency will be for the absorption of labour to proceed along LSo while the demand for labour shifts form DL1 to DL3. Beyond DL3 the supply of surplus labour is exhausted so that any increase in labour absorption will have to be compensated a higher return along the upward sloping supply curve of labour from the non-formal sector. From that point onwards, increased employment will have to be driven by increased productivity. *Fig. 2(b)* shows that the average product of labour in the non-formal sector will be increasing along the total product function as labour is absorbed out of the non-formal sector. *Fig.2(c)* shows the manner is which the total product function of the formal sector will be shifting upward as the interaction of the two sectors proceeds.

FIG. 2a

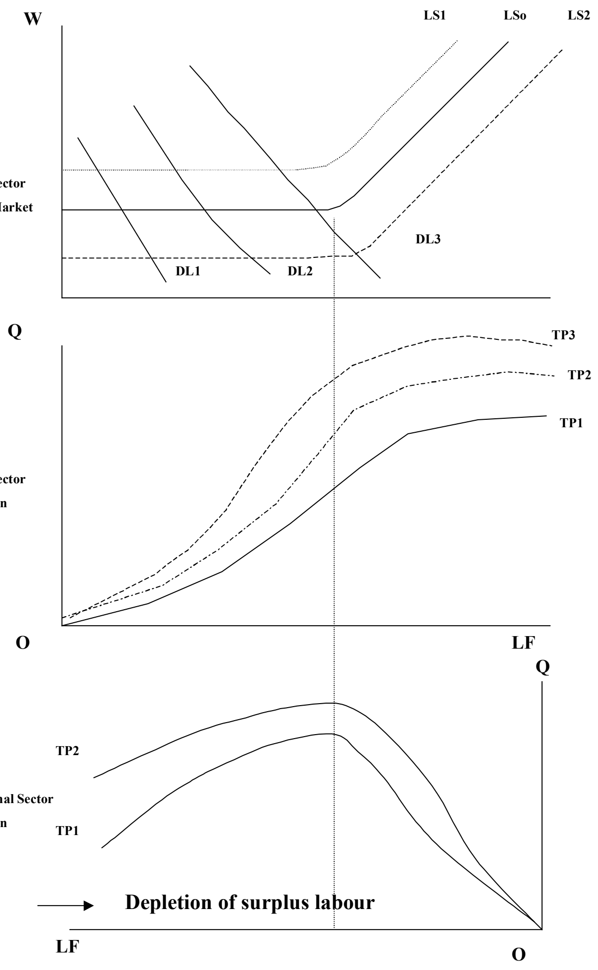
Formal Sector
Labour Market

FIG. 2b

Formal Sector
Production
Function

FIG. 2c

Non-Formal Sector
Production
Function



Now as labour is removed form the non-formal sector two possible eventualities might arise. First, if on the one hand, some reorganization occurs in the non-formal sector as surplus labour leaves, average productivity will increase for those remaining which will translate into an upward shift in the supply curve of labour to the formal sector form LS0 to LS1 in *Fig. 2(a).* This shift implies an increase in the reservation wage of labour to persuade it to join engage in formal sector employment. By this very same token possible amount of surplus labour to be absorbed is now reduced from C to C'. Second, if on the other hand, the subsistence sector collapses as labour leaves the formal sector, then the supply curve will shift to the right thereby increasing the supply of labour to the formal sector and also extending the range along which surplus labour may be absorbed at a constant wage rate for purposes of surplus generation in the formal sector. This shift may be accentuated by increased labour force participation as the deterioration in living standards forces new entrants into the labour force (for instance children and women).

The first situation above where the exit of labour from the non-formal sector is accompanied by an increase I average productivity in the non-formal sector, can lead to surpluses being generated in this sector which are then sold to the formal sector, and as demand increases in the formal sector for goods supplied by the subsistence sector (e.g. food-stuffs bought by wage workers) the terms of trade might improve in favour of the non-formal sector and against the formal sector. If this occurs, it will further hasten the moment at which it becomes unprofitable to harness labour from the non-formal sector. In this case, both the increase in average productivity and surplus production in the non-formal sector act as barriers to the further expansion of the formal sector, and thus to the further absorption of labour by this sector. Thus one type of enclavity will arise in which the formal sector is unable to completely absorb the surplus labour let alone to revamp or transform the non-formal sector unless there is a technological revolution in both the formal and non-formal sectors. A similar situation actually transpired during the early years of colonial penetration in Southern Africa which led to the resort to extra-market measures to compel African rural dwellers to offer themselves onto the formal labour market at lower wages than would have otherwise been the case in the absence of such measures. The most fundamental and contentious of these measures were in the form of the appropriation of land from the Africans and their concentration into unsustainable homelands or villages. These measures had the effect of depressing the reservation wage and increasing the supply of labour as in the second situation above.

The second situation, in which the non-formal sector collapses, only leads to the increased supply of labour to the formal sector and in a closed situation should lead to increased surplus generation in the formal sector and greater dynamic growth with a longer period or range before the exhaustion of surplus labour. Nevertheless, the collapse of the non-formal sector might easily lead to a situation in which the supply of labour to the formal sector is far in excess of the labour that can be observed by this sector, thereby resulting in the lateral expansion of the urban informal sector. In particular if the employment created is less than the additions to the labour force, as has generally been the case in Africa, non-formal sector under-employment will continue to increase, and hence the enclavity will continue as well.

The ideal situation in a closed economy with surplus labour occurs when there is a good propensity for innovation as well as a need by the capitalist class to capture the non-formal sector and transform it accordingly, implying a political need to commoditise the non-formal sector (as happened in the industrial revolutions of Europe and Japan for instance). Prior to their outward orientation, the NICs pursued a similar strategy led by the state. Under these conditions the resulting interactions between the forma and non-formal sectors may be depicted as in Fig. 3. The surplus generated by the utilization of the surplus labour kick-starts a process of accumulation and growth that encompasses both the industrial and agricultural sectors in a manner that undermines the residualness of the non-formal sectors. Note that in this scenario surplus is generated in both the formal sector and the transforming non-formal sector. Hence, a virtuous cycle of linkages arises on a number of fronts:

1. The increased labour absorption creates the effective demand for industrial goods thereby fuelling industrial expansion.
2. If the surplus in the non-formal sector can be translated into demand for industrial consumer, intermediate and capital goods, this will further propel growth in both sectors.
3. If the savings in the non-formal sector are properly mediated they can be used for investment purposes in the formal and non-formal sectors thereby further expanding the productive base of the economy and by the same token the labour absorptive capacity of the economy.

4. Finally, as a consequence of all these interactions it can be expected that the revenue base of the state will increase thereby allowing it to invest in economic and social infrastructure to further underpin growth. Thus, a virtuous cycle of interactions is precipitated that allows for the lateral and vertical growth of both the formal and non-formal sectors, which yields a more inclusive growth path.

The initial simultaneous transformation of the formal and non-formal sectors in effect captures the majority of the labour force into productive employment so that the residual under-employment and open unemployment only affects a minority proportion of the labour force. It also lessens the amount of growth in output and investment required to reduce this residual portion since it is now smaller. Thus marginal rates of growth in the larger part of the economy, in which the majority are now absorbed, can in due course eliminate the non-formal employment or reduce it to a natural rate of unemployment and under-employment. It should be emphasized that this whole process in a closed economy is endogenously propelled, that is, the accumulation imperative is internal to the economy and does not depend primarily on external stimulation through outward orientation, which, in this ideal environment will merely give further impetus to an endogenously driven process. This is one of the lessons to be learned form the experience of the NICs some decades ago.

If the economy develops along this ideal scenario it is likely to go through the stages indicated in *Fig. 4* along the lines suggested by Porter, for instance. During the early stage *(Fig. 4a)* of transformation the economy will be driven by the primary sector which will tend to account for the grater proportion of gross domestic product and employment (as well as for a greater proportion of the labour force). This is an important stage since it sets the stage for the absorption of the majority of the labour force into productive employment, thus making future growth and development more inclusive. The second stage *(Fig. 4b)* arises as productivity in the formal sector and the hitherto non-formal sector increases, and industrialization occurs reinforced by rising incomes. This stage entails the expansion of the secondary sector based on the production of consumer, intermediate and capital goods. The secondary sector becomes the engine of growth at this stage in the development of the economy. Unlike the first stage, which is driven by the process of primary accumulation through the conversion of an agricultural surplus (in form of rural surplus labour, surplus agricultural production and surplus savings) the second stage is innovation and investment driven. The third stage is one in which the tertiary sector becomes more dominant, both in terms of gross domestic product, and in terms of the proposition of total employment. This stage will tend to be both innovation and wealth driven.

FIG. 4(a)

Stage 1

Primary Sector Driven

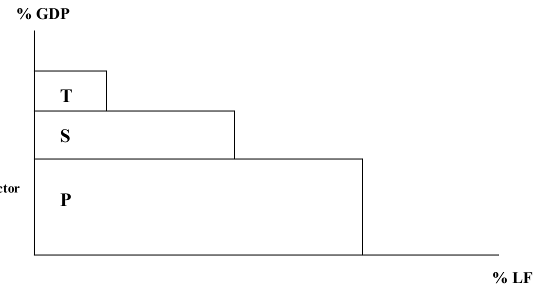


FIG. 4(b)

Stage 2

Investment and Innovation

Driven through

Industrialisation (Secondary Activities)

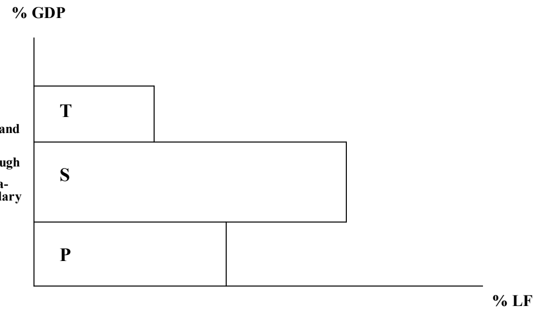
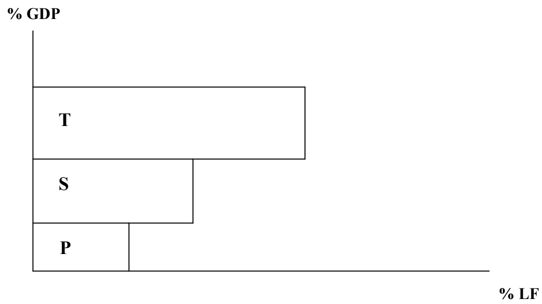


FIG. 4(c)

Stage 3

Tertiary - Driven (Services)



These stages are not only important for heuristic purposes, but they also demonstrate a natural progression in growth and development that has been undertaken by countries that have had inclusive processes as opposed to exclusive ones based on enclavity. An interesting aspect of enclave growth in this respect is the phenomenon where the enclave economy tends to skip the second stage onto the third stage while maintaining enclavity. The reasons for this will be discussed below.

Unfortunately this ideal situation either occurs through industrial and social revolutions as happened in Europe and Japan, or through the conscious intervention of the state as happened in the newly industrializing countries. In Africa, this situation was approximated by the settler economies to some degree when they embarked on inward looking policies. Their approach was, however, compromised by their need to marginalise the majority in the process, hence the continued enclavity. Nevertheless, the situation in Africa and in Southern Africa, in which economic dualism and enclavity have been perpetuated, is not only suggested by the scenarios discussed earlier in which the process becomes self-constraining as shown in Fig. 2 within the perspective of the closed economy, but is further reinforced by the introduction of openness into the model.

It is necessary at this stage to comment on the stages through which such a closed economy might develop as it integrates. It should be noted that the assumption of a closed economy is only used as an analytical convenience to highlight the key linkages that trigger and accompany the process of integration. In the real world, the assumption is approximated by those countries, for which the dependency on external trade is relatively low as a proportion of gross domestic product. For such economies the key stages of growth and development as the migration process unfolds over the years may take for form identified by Porter (1990) as follows (See Figure 3a, b + c):

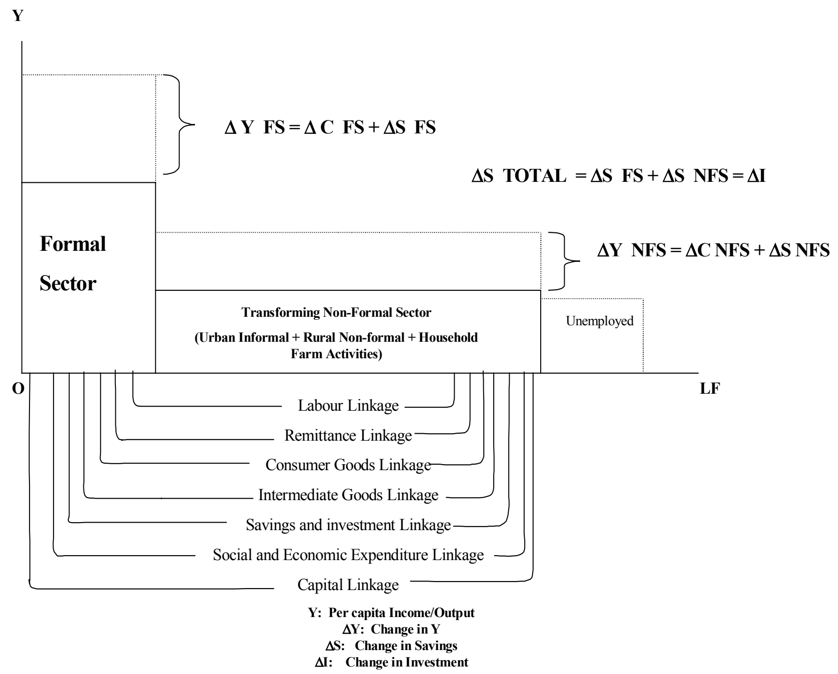


FIG. 3: TRANSFORMING CLOSED ENCLAVE ECONOMY - IDEAL MODEL

The initial stage may be driven by the primary activities of the formal sector such as agriculture and mining within which the initial surplus labour may be absorbed. At this initial stage the greater proportion of the productive employment is accounted for by primary activities in the formal sector. As overall productivity and incomes increase the economy's structure shifts toward being investment-driven and the development of secondary industry which begins to out-distance primary production as a proportion of gross domestic product. This second stage sees secondary industry absorbing the greater proportion of formal employment. In the third stage tertiary production begins to predominate accounting for a greater proportion of domestic product and formal escort employment.

It should be noted that on the supply side the shift is determined by changes in productivity and on the demand side by changing income elasticities of demand in favour of secondary and tertiary consumption as incomes rise. As will be seen below when an enclave economy is relatively open not only is the enclavity perpetuated and the ability to integrate compromised in the absence of countervailing interventions, but that the growth process of the enclave becomes distorted such that it trends to skip the second stage in terms of the composition of output while that majority of labour force continues to remain under-employed. It is this bastardized form of development that Amin has referred to as the hypertrophy (or 'obesity') of the tertiary sector—that is the premature and disproportionate expansion of the tertiary sector before the labour absorbing first two stages of development have been exploited and exhausted. The nature of the problem becomes clear once the barriers to this ideal transformation are considered within the context of an open economy, that is when we consider the implications of models three and four of the enclave economy which are closer to the real world in Southern Africa.

Even in the context of a closed economy the potential barriers to integrated growth and development relate to possible constraints to the efficient realization of the linkages outlined above.

First with regard to the linkage related to the absorption of under-employed labour is the possibility that the wage rate in the formal sector may rise at a rate that throttles profitability in this sector. This may be a result of the premium of the formal sector wage above the subsistence wage increasing due to increased costs of transferring labour from the non-formal to the formal sector; it may be due to an increase in the opportunity cost of releasing labour from the non-formal sector in the absence of accommodating changes in work organization in this sector; it may be due to increasing average productivity in the non-formal sector; it may be due to an increase in unionization in the formal sector; or it may be due to an increase in remittances form the formal to the non-formal sector. All of the foregoing will result in an increase in the reservation wage for unskilled labour and may be represented in Figure 4 by an upward shift in the horizontal portion of the supply curve of labour to the formal sector and a slower shift to the right in the demand for labour than would otherwise be the case in the absence of the increase. The result of both these tendencies is a slower rate of labour absorption by the formal sector from the non-formal sector.

Thus, unless there are technology-driven increases in productivity in both the formal and non-formal sectors as the transition proceeds, or there are huge increases in capital inflows to further propel the transition there is a built-in tendency in the closed system for receding growth or stagnating. The above barriers will could easily lead to a situation in which the economy gets trapped in a low income quasi-stable equilibrium trap at less than full employment, and with still high levels of open unemployment and under-employment along the lines suggested by Hirschman (1958). In this position formal sector expansion is constrained by a lack of effective demand in economy as a whole and by a seeming lack of profitable investment opportunities in the non-formal sector. In its totality this situation also results in low levels of internal accumulation or generation of savings and investment funds. Thus we have an economy at a quasi-stable low-income equilibrium trap with low levels of internal effective demand, savings and investment funds, but with surplus labour in form of open unemployment and under-employment in the non-formal sectors. It should be noted that market forces on their own lead to the foregoing situation in the absence of any extra-market interventions by the state within the context of a closed economy.

The question that arises next is what happens when the economy is open. From what has been indicated above it is clear that factors that sustain the quasi-stable equilibrium low income trap in a closed economy situation are the very factors that compel the economy to resort to the international economy to escape the constraints. Thus the lack of internal effective demand immediately translates into the need to exploit outside markets through export promotion; the tendency toward inadequate internal savings and investment funds reasserts itself as the need for foreign capital (whether in form of private investment or foreign aid); and the surplus labour continues to exist as a potentially exploitable resource for both export promotion and foreign investment. The need to export in the face of stunted growth and an underdeveloped secondary sector necessitates the need to import capital and intermediate goods. In addition investment for purposes of producing for the domestic market is constrained by the low level of effective demand in the economy so that it has to be directed toward producing for export as well while also relying on the importation of capital goods, intermediate goods and technology.

The roots of external dependency should now become apparent. Partly, it is a consequence of the inability of a labour surplus economy to accumulate, and partly it is a consequence of a realisation problem, that is the inability to find effective internal markets. The introduction of openness does not however resolve the issues satisfactorily as both Lewis and Baran were quick to point out. Openness, depending on the circumstances might either ameliorate or exacerbate the problem of the low-income quasi-stable equilibrium trap in the absence of other interventions. For small labour surplus economies huge inflows of foreign capital or the emergence of sustainably lucrative export markets might be enough to absorb surplus labour such that the labour market becomes tight or approaches full employment. This might be facilitated by the discovery of resource bonanzas with high demand on the export market, the unprecedented inflow of foreign investment wishing to take advantage of particular circumstances in the global positioning of the economy and so on. As Lewis notes for large labour surplus economies external vents for the problems faced can only bring about marginal benefits since the labour absorption needs are so large that huge increases in production for export and in foreign investment would be needed to begin to absorb net increases to the labour force, let alone to reorder the base of existing openly unemployed and under-employed in the non-formal sectors.

It is at this stage of the analysis that the approach to under-development that Baran and Lewis utilize converges with that of the dependency school. While the latter attribute the quasi-stable low income equilibrium trap and its perpetuation to external factors, the former analysts, including Amin form the Marxist perspective, would argue that it is the interactions of internal structural factors and the external factors that begin to propel the perpetuation of under-development. The point of agreement for both schools is that for large labour surplus economies external economic relations are not likely to resolve the fundamental problem confronted by these countries.

2.- The Open Enclave Economy: Models 3 and 4

The introduction of openness in the model of enclavity poses some fundamental barriers to the elimination of enclavity and dualism. What lurk as potential barriers to the model when closed, become real barriers to the elimination of enclavity in an open ……….. The reader is reminded that the issue here does not as yet concern the nature of the policies pursued by the state itself in facilitating or constraining growth through market processes. That is, there are no policy-induced distortions, but merely structural constraints, which are accidents of history in the internal relationship within an enclave economy and its relationship to the outside world.

Now the real world we have not only many enclave developing countries but w also have a large eternal market for the exportation and importation of commodities and capital. The openness presents both opportunities and constraints for the growth and development of an enclave economy. The problem needs to be posed afresh here. There is now a major difference between having enabling environment for the growth of the enclave formal sector and having an enabling environment or the virtuous integration of the formal and non-formal sectors of the enclave economy. This difference becomes apparent once the barriers to the growth of the enclave economy are considered.

It was indicated earlier that, in the absence of innovation and the conscious transformation of the non-formal sector and in the presence of either a collapsing non-formal sector, or the increase in the reservation wage for the absorption of non-formal labour into the formal sector, the absorption of labour from the non-formal sector eventually runs into a barrier, thereby sustaining enclavity. In the former case this is reflected in the coexistence of a formal sector with open unemployment and under-employment increasingly being concentrated in the urban sector of the economy closer to the formal sector. As the non-formal sector becomes non-viable, the under-employment is translated into urban under-employment and open unemployment which cannot be resolved by the slow rate of labour absorption in the formal sector. In the second case, in which the reservation wage increases with or without trade between the two sectors, this very eventuality throttles off accumulation eventually unless extra-market measures are used to deflate the wage. However, given both these possible eventualities the enclave part of the economy may be saved from atrophy through the introduction of openness into model.

With the introduction of openness the economy is able to escape the internal barriers to growth by resorting to the external economy for investment funds, investment opportunities, effective demand and innovation, without requiring that the growth process to be inclusive and integrative of the non-formal sector. The higher reservation wage compels the enclave part of the economy to resort to capital intensive forms of production based on imported technology and capital. In the case of the depressed non-formal sector which in turn depresses effective demand, the export market may be exploited to fill in the gap. The absence of the investment opportunities internally, compels the export of capital. And the inadequacy of internal savings is resolved by resorting to foreign capital inflows. The external sector acts as a vent for surplus production and savings from the enclave formal sector as well as a source of surplus production and foreign investment.

Essentially, the formal sector is able to sustain growth of sorts without the need to transform the non-formal sector and in the presence of open unemployment and under-employment in the economy. The low absorptive capacity of the economy is partly a result of the tendency toward capital intensive methods of production due to the increasing reservation wage and partly due to the fact the formal sector resorts to technology and capital imports that are suited to economies with scarce labour. The technology and capital imports in the enclave economy are of the 'clay-clay' (as opposed to the 'putty-putty' or 'putty-clay' variety) implying that the factor combinations cannot be modified much before and after importation to suit local resource endowments. As a consequence, the employment elasticities with respect to output and investment are generally too low to absorb net increases to the labour force, let alone to cure the structural under-employment that already exists, hence the resulting growth of the economy is akin to that illustrated in *Fig. 5.*

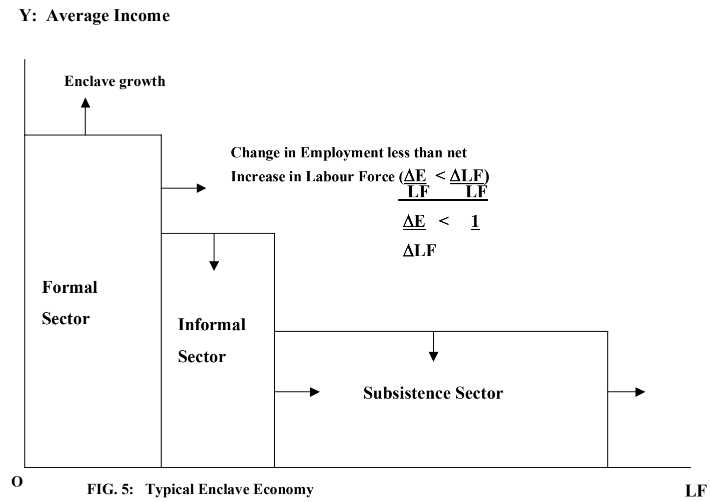


FIG. 5: Typical Enclave Economy

- **Low Labour absorptive rate in Formal Sector as income increases in formal sector.**
- **Informal sector participation increases while income in informal sector falls.**
- **Subsistence Sector collapses while population is increasing.**

Thus, the enclave formal sector begins to evolve a growth momentum of its own relatively unrelated to the underemployment that exists and that is seen as redundant, but intimately connected to the external sector, which is seen as critically essential for its own growth. Meanwhile the non-formal sectors will tend toward lateral expansion and involution in a degenerative sense. It is not surprising therefore that such an economy easily shifts to the third stage, not having exhausted the first and second stages of development indicated in *Fig. 4.* It is within this context that the foreign exchange and debt traps can be understood, and the misplaced preoccupation with foreign investment and export promotion as the presumed panaceas for the growth and labour absorption problems can be appreciated.

Essentially, openness accentuates the nature of enclavity and by the same token, the marginalisation or the non-formal sector. In the context of openness the formal sector begins to have a momentum of its own quite independent of the non-formal sector, which now becomes economically irrelevant. The economic flows of the formal sector and the external world become mutually sustaining and reinforcing of enclavity. First, it becomes necessary to specialize in those goods that fit into the international division of labour, which in the case of many developing countries has initially meant specialization in formal sector produced primary products and only in exceptional circumstances are these the type of goods produced by the non-formal sector of the economy. Now such goods are prone to the usual terms of trade problems and the consequent unequal exchange between developed and developing countries. Second the absence of economies of scale in the production of capital, intermediate and durable consumer goods results in a dependency on imports for which exports are needed. Thus, the internal imperative for efficient import substitution, which would be the basis for the growth of a secondary sector is obviated, but so is the ability to compete in the export of industrial goods given the external barriers to imports in industrial countries that UNCTAD has called attention to on numerous occasions. Third, there is only so much foreign capital to go around among the developing countries so that there is generally competition among these countries for such funds and there can never be enough to resolve the internal structural problems of developing countries as a group. Thus, while foreign investors can be choosers, developing countries wishing such capital have to compete by providing adequate incentives to prospective investors. Generally if a developing country does not take pro-active steps to modify its internal economy and its position in the international division of labour automatic market forces will tend to reinforce its status of internal dualism and external dependency and trade, aid and foreign investment will tend to be facilitators of such as situation.

This paper does not intend to discuss the debate over the nature of the exchange between developing and developed countries. The point to be noted here is that for a large labour surplus economy the existence of external markets and foreign capital may not act as panacea for structural problems posed by enclavity solely by virtue of the very nature and magnitude of the problems at stake. This point is deliberately made at this stage in the analysis, before introducing the problems associated with inward orientation and economic reform to underscore the commonality of the problems of many developing countries, particularly those in Africa. It is only in this manner perhaps that the nature of continued under-development in the context of openness during the colonial eras of developing countries can be explained. It is true nonetheless that the developed countries did not go out of their way to make the international environment conducive to the growth of developing countries in a manner that would make them compete with the industrial countries. The main point to be made here is that market forces at the domestic and international levels are not adequate to resolve the problems of dualism, enclavity and the quasi-stable low income equilibrium trap that these structural attributes entail.

The Post-Independence Conflation in Southern Africa

As indicated earlier, the advantage of Lewis' analysis of labour surplus economies and the paradigm of enclavity is that it demonstrates at a purely conceptual level that market forces on their own are unlikely to resolve the problems of economic dualism and most likely to lead to a quasi-stable low income equilibrium trap which would structurally underpin open unemployment and under-employment in a latecomer developing country under both closed and open scenarios. Such a conclusion does not by any means imply that the situation is a hopeless one but that it requires more innovative measures than merely ensuring that there is a good enabling environment for domestic and international market forces to operate in. But before addressing the policy implications of this approach to the analysis of the probematique of under-development it is necessary to advance the argument further by demonstrating how policy induced developments have actually reinforced the proclivity to economic dualism and enclave growth and development which was essentially sustained by colonial relations of domination and subjugation.

During the colonial era external interests were paramount and only coincidentally or peripherally aimed at the development of the colonized economies. Now even after more than three decades of autonomous rule these countries are still plagued by enclavity and pervasive open and hidden unemployment particularly in the non-formal sectors of their economies. The conventional wisdom in the policy arena is that this continued crisis in African economies has primarily been a result of statist, interventionist or inward looking policies pursued by various ruling elites in Africa. The unsustainability of the polices in Africa was exposed in the mid 1970s when the international economy was plunged into a recession. By the early 1980s, a policy consensus began to emerge that outward orientation and liberalization of domestic economies were the solutions to the problems confronted by African economies, hence the now ubiquitous economic reform programs now embraced by almost every African country which are propagated and supervised by the World Bank (1981, 1990, 1994) and International Monetary Fund.

In Southern Africa as in many African countries the issue of enclavity and economic dualism, and its concomitant low labour absorption rate, raises at least two issues. The first one relates to the need to demonstrate in a very general and conceptual way how the problems inherited from the colonial period have been perpetuated and accentuated. And the second one is whether given the manner in which the phenomenon of enclavity has been compounded by post-independence policies of commission and omission, economic reform measures would be adequate in resolving the problems associated with enclavity. This section addresses the first.

While all of the countries in Southern Africa can be said to have enclave and dualistic economies, the country economic structures and their economic experiences can be classified into a number of categories for convenience of generalization and analysis. All of them face severe problems of open and hidden unemployment especially concentrated in their non-formal sectors. They all, in addition, have very low labour absorption rates in the formal sector. Essentially, up and above the problems an enclave economy faces which were discussed in the previous section, policy induced biases have further reinforced them. In this respect, it is possible to categorize these countries into a number of groups, which are not mutually exclusive since a given country may have characteristics that allow it to straddle more than one category.

It is important at the outset to comment on the common policy biases that reinforce enclavity. It will be recalled that the analysis of the closed and open models of enclavity was meant to show that such enclavity would arise and be sustained through unimpeded domestic and international market forces in the absence of structural interventions to redefine the structure of the economy. This process has historically been reinforced by a number of policy developments common to many developing countries. First, regardless of their ideological persuasions, the ruling elites of African countries have been convinced that the inherited formal sector is the engine of growth and development. Second, they have also been convinced of the importance of nurturing the growth of exports as the basis for financing their importation of capital, intermediate and final goods that they cannot produce, and which are seen to be absolute essentials in sustaining the viability of the formal sector. The export bias has generally been in favor of primary exports. Third they have relied on foreign investment and aid as the major source of capital for their economies. In short, they have uncritically embraced the enclavity of their economies in the belief that the growth of the formal sector will, through trickle down effects, and through lateral expansion, eat away at the under-employment and open unemployment in the non-formal sectors. In this respect, any policy initiatives to promote productive activities in the non-formal sectors have been undertaken in the context of the enclave models implying the formal sector as the dynamic driving engine of growth.

This paradigmatic uncritical stance vis-a-vis the dual economy is important in that the deliberate formal sector bias that almost all policies have had, while predicated on facilitating the dynamic growth of the formal sector and by assumption of the economy as a whole, have had the inadvertent effect of reinforcing the enclavity and the low labour absorption rate of these economies. Now, it is true that many a development plan of the early years of independence elaborately articulated the need for balanced growth through agrarian transformation and industrialization in a manner that would resolve the problem of enclavity as discussed earlier. But many such grand plans for both 'market' and 'socialist' oriented states remained as mere intentions that were never implemented. Effectively, most policies were aimed at creating an enabling environment for the formal sector in its enclavity to expand. The main policy biases in this respect were the following:

1. Regulatory policies that gave the legal advantage to large-scale firms in the formal sector with respect to accessing finance, various government benefits such as subsidies, export markets and services, including the regulation of prices and markets;
2. Government expenditure policies that effectively subsidized large-scale and capital intensive firms;
3. Various explicit and implicit subsidies that cheapened the relative cost of capital such as tariff and customs policies, credit provision, foreign exchange policies, education and training policies, research and development policies, provision of utilities, transport infrastructure, storage facilities and so on.
4. And in some countries labour market outcomes either as a consequence of union action or government regulation were such that they further reinforced the tendency toward capital intensity.

The total effect of such policies was to impart a bias in the economy in favour of large scale firms, capital intensive activities, the urban sector, and more generally the formal sector. By the same token, this policy environment acted as a general bias against the evolution of small scale and rural activities, labour intensive activities and more generally, against the transformation of the non-formal sector. Thus the various forms of inefficiencies that were discussed earlier were reinforced by such policy biases thereby imparting a stag-flationary bias to the economies. Among the major outcomes that had important implications for labour absorption were the following:

1. The tendency toward low employment elasticities with respect to output and investment. In most of the countries in Southern Africa

the elasticities of employment with respect to output are less than one and when taken over the economy as a whole you would generally need growth rates of over 5% per annum to absorb net increases to the labour force. Thus, with less than 5% annual growth rates in GDP and about 3% rates in population increase the nature of the labour absorption becomes quite obvious.

2. The tendency toward excess capacity given the deficiency in aggregate demand;
3. The fact that small scale firms and micro-enterprises have to override enormous barriers to be successful, and often with very little support from the state; and the fact that given the limited labour absorption rates in the formal sector, the non-formal sectors tend to be the resort for survival. More importantly in this respect is the lateral expansion that results from the ease of entry in such activities, which has tendency to depress returns in such non-formal activities. In addition, non-formal enterprises attempting to engage in productive or formal type activities are confronted with a cost disadvantage since they do not have access to discount facilities with respect to finance, intermediate inputs, capital goods and large markets which are available to the formal firms.
4. The absence of employment opportunities in the formal sector together with the general state of depression in the non-formal sector has led to a high degree of 'self-exploitation' among non-formal workers. This is exacerbated by the high degree of saturation in activities undertaken by non-formal workers. The self-exploitation is reflected in the long hours of work for low returns, the use of child labour and women, who should, under normal traditional circumstances, be undertaking social responsibilities essential for the reproduction of labour power, and in the general rapid depreciation of the human being as an economic asset and the collapse of the non-formal sector household and communal infrastructure given the indomitable odds against survival.
5. The inadequacy of employment opportunities has generally led to the state as a major agency for absorbing labour in spite of much of this employment being non-productive in the classical sense. Hence the tendency for the state to be overly extended is a common feature in enclave economies.

These biases are common to all the economies of the region regardless of whether they are pursuing or had, in the past, pursued inward-looking policies or not, and whether they are or were market-oriented or not. Indeed it is this commonality in the problems confronted by these countries that begs for a paradigm shift in interpretation of the problematic of the low labour absorption rate of African economies in general and of those in Southern Africa in particular. The issue can be pursued further to another level of analysis, that which pertains to the structural legacies of particular types of economies.

The following types of archetypical structural legacies define the specific manner in which enclavity and economic dualism have been manifested in particular countries of Southern Africa:

1. The first group consists of the Settler Economies of Zimbabwe and South Africa, and to some degree Namibia;
2. The second group consists of the economies of South Africa's Periphery comprising Lesotho and Swaziland and to some degree Namibia and Botswana as well.
3. The third group consists of what may be labeled the Resource-based Rentier Mono-cultural Economies comprising Botswana, Zambia, and Namibia;
4. And the fourth group consists of the Agrarian economies of Malawi, Tanzania and Mozambique;

The importance of each structural legacy is that it tends to uniquely define the nature of the legacy of enclavity for each group of countries, and by the same token, the nature of policies needed to resolve the economic dualism and the low labour absorption rate in these countries. The above structural legacies are compounded, but not nullified, by the super-imposition of self-proclaimed policy stances reflecting particular ideological hues ranging from different versions of 'socialism' to various forms of statist 'market orientation' as defined by the ruling elites. Interestingly these legacies are not really resolved, if not accentuated by economic reforms, which are presumably adopted to restructure the economies toward more efficient outcomes.

1.- The Settler Dominated Economies

These economies represent the epitome of enclavity in which immigrant settlers formally institutionalized economic dualism. These economies have been characterized by a number of features such as the following. First, their enclave economies evolved on the basis of institutionalizing the exploitation and marginalization of the majority of the labour force as a source of cheap labour. This was assured by dis-entitling the majority of their land entitlements, restricting their access to human capital development through education and training, restricting their access to skilled and professional jobs and occupations except the most menial, and generally ignoring the development of the non-formal sectors which increasingly became no-viable as a consequence of increasing population in the face of shrinking land resources. Thus formal mechanisms were put in place to depress the subsistence wage while simultaneously denying the non-formal labour adequate access to formal employment. It should be noted that this appeared a necessary strategy for the exploitation of primary resources in the form of agriculture and mining. The dualism was formally institutionalized by strictly regulating the flows of labour between the formal and non-formal sectors and within the formal sector itself. In effect, these economies, prior to majority rule, actually formalized the long term development of an enclave economy.

Second, while during their early years of development these economies tended to follow the traditional path of colonized economies, that dependent on primary production with minimal import substitution and a high dependency on external export markets and imports of industrial and consumer goods, they quickly embarked on an economic nationalism that began to challenge the role assigned to their countries in the imperial division of labour. They eventually systematically embarked on inward-looking or import substitution strategies aimed at diversifying their formal sectors. This they attempted with a high degree of success through a number proactive state policies ranging from control and management of the exchange rate, management of interest rates and prices, provision of fiscal subsidies, protective tariff and customs policies, targeted human development strategies for the settler community, provision of subsidized infrastructure and utilities, and all the time ensuring that the majority were relatively marginalised. The resulting enclavity was so structured as to make the formal sector self -contained with mutually complementary primary, secondary and tertiary sectors that catered to the settler segment of the population and that segment of the indigenous labour force that was engaged in formal employment generally as unskilled labour. The rest of the labour force, amounting to about fifty percent in South Africa and about seventy percent in Zimbabwe was for all practical purposes seen as redundant. This latter part of the labour force was important only in so far as it reproduced the labour force needed in the formal sector and in so far as it acted as a reservoir for spent labour from the formal sector. In South Africa an Namibia to some extent attempts were made to actually define the redundant non-formal sector localities as 'foreign countries' in the form of Bantustans and later as Homelands, thereby externalizing the economic problem.

As would be expected on the basis of the earlier conceptual discussion of enclavity these economies have built-in constraints to their own future development, as well as to the absorption of labour, particularly the majority of the labour force that is under-employed and openly unemployed. First, the formal sectors have low elasticities of employment with respect to output and investment. For instance in South Africa the labour to capital ratio declined by about 50% between 1960 and 1993 [Harber, 1995]. Second, development of the manufacturing sector eventually ran into constrained demand since the majority of the labour force was dis-empowered economically and the settler demand was limited. Thus as a concomitant, these economies have also been plagued with excess capacity in the secondary sector primarily. In addition, since the mutually interactive process of primary or internal accumulation was precluded from the outset, the secondary sector could not act as the main absorber of labour. As explained earlier investing in the formal sector compared to exploiting the external market was seen as more profitable hence the importance of the regional market for South Africa for instance. In addition, the need for investment opportunities coupled with a stewed income distribution has led to the premature over-expansion of the tertiary sector. Thus these countries are rapidly shrinking their primary sectors as a proportion of gross domestic product while expanding their tertiary sectors while not having fully exhausted the development of the secondary sector as the basis for employment absorption. One of the major concerns of these economies even in the face of economic reform is the phenomenon of jobless growth.

The settler economies, given their higher levels of development and diversification have the greatest potential for exploiting the benefits of outward orientation and globalization, but the problem of economic dualism and enclavity poses a major constraint for the realization of balanced and equitable growth. In Zimbabwe and South Africa if the lateral expansion of the formal sector is to be the basis of labour absorption these countries would need annual growth rates in output of at least 5% to merely absorb net increases to the labour force living present levels of unemployment and under-employment unchanged. Major interventions to make the economy more labour intensive and to empower the marginalised part of the labour force with asset and income entitlements are needed more or less along the same lines that were used to empower the setter community relying on pro-active an promotive policies initiated by the state.

2.- Economies of the South African Periphery

These are economies that have been historically dependent on the South African economy and are part of the Southern Africa Customs Union, perhaps the most developed and oldest form of regional co-operation in Africa, and which are (except for Botswana) also part of the Common Monetary Area both of which are dominated by South Africa. The countries in this group are namely Botswana, Lesotho, Namibia and Swaziland (also known as the BLNS countries). Initially the dependency of these countries was in the form of employment opportunities offered by South Africa for citizens of these countries. This was undertaken through a migrant labour system that treated the imported labour as temporary migrants who were periodically transported back and forth between the mines of South Africa and the non-formal sectors of these countries. The nature of this relationship is well-known and need not be repeated here. It is necessary, however to point out the implications this and the other relationships with South Africa had on the marginalization of the labour force in the non-formal sectors of the countries of the periphery.

The dependency on the migrant labour system has been rationalized on the basis of the benefits it yielded to the individuals and the state. Individuals benefited from the incomes they earned which were higher than those in the subsistence sectors from which they were drawn in their own countries. But as many studies have shown the incomes earned were not enough to provide long term sustenance for these individuals beyond being merely able to sustain the worker and his household for the period of his working life. In later years, right up to the present, real wages have increased but not enough to make a major difference in the standards of living of the workers in their areas of origin. The main point to make here is that the migrant labour system denuded rural areas of the adult male population without, in return, enhancing the viability of these areas. Indeed, the general outcome has been that the rural areas have been severely depressed and undermined as a consequence.

The migrant labour system essentially transformed these countries into peripheries of South Africa in which the main part of the formal sector was external to the economy. From the point of view of economic dualism the migrant labour system had the effect of obviating the need for rural development within these countries since migration was more profitable under the circumstances. Even governments have had difficulties trying to promote rural development in the face of predominantly female labour and a male labour force more intent on working outside these countries. By the same token, this same process obviated the need for the development of secondary industries since the Customs Union ensured that South African goods were dominant in all these countries. Thus there is a legacy in these countries of the failure of rural transformation and industrial development, and of the possibility of initiating a virtuous interaction between these sectors.

The other aspect of the dependency on South Africa concerns the effect of membership in the Customs Union. This relationship was initially designed to widen the market for South Africa and protect South African goods, which it has done quite effectively since all the trade creation benefits have gone to South Africa and the negative trade diversion effects have been absorbed by the BLNS countries. The direct and indirect employment effects of the Union have accrued to South Africa but this country has attempted to make up for the trade diversion consequences by reallocating some of the customs union revenues to the BLNS countries where they have been seen as bonanzas by the states, particularly Lesotho and Swaziland which are less endowed in terms of natural resources. These revenues together with the remittances of mine worker migrants have had the effect again of obviating the need for some of the states to find independent means from productive activities from within their own economies. In many respects the revues and incomes have acted as pure rents to the countries which have distorted resource allocation within these countries in favour of service activities with quick returns. Given the superiority of South Africa in providing employment opportunities and producing the capital, intermediate and consumer goods within the context of the Customs Union relative returns to capital are so distorted in favour of South Africa that investment in these economies is relatively unattractive. This effect is a mild form of the "Dutch Disease" to be discussed further below with respect to the Rentier economies.

Botswana and Namibia have been fortunate in that these countries are endowed with mineral resources which have proved to be a boon to their economies such that these economies have per capita incomes equivalent to that of South Africa. Nevertheless, as will be discussed below these countries, in spite of high rates of growth in gross domestic product which have been sustained over a number of years due to the lucrativeness of their main exports, have been unable to resolve the problem of the economic dualism as manifested primarily in the under-development of their rural non-formal economies. Indeed, these countries, which are market oriented and which have had high rates of growth epitomize the problematique of enclave development and economic dualism. This is especially so given that they have relatively small populations. The nature of peripheral development is however most accentuated in Lesotho.

3.- The Resource-Based Rentier Mono-cultural Economies

These are economies that are dependent on a single major resource, which has been the driving engine of the formal economy. The enclavity and economic dualism of these economies are defined by the extreme dependency on a single sector and commodity. Many of the secondary and tertiary activities in these countries are also dependent on the viability of the major activity which for all the three countries is mining. For these economies the mining sectors evolved relying on cheap indigenous labour drawn from the non-formal sectors, but without requiring the transformation of these latter sectors. Since the growth of the mining industries was only dependent on markets external to these economies and only on cheap labour from within these countries, the demand imperative for internal transformation was again forestalled. The returns to labour were only enough to support a minimal degree of agrarian and industrial development within the formal sector without requiring the wholesale transformation of the economy. Indeed, the export bonanzas provided the means to import the capital, intermediate and consumer goods that the formal sector needed beyond wage goods.

These economies have generally been plagued by "Dutch Disease" in that periodic or sustained booms in export prices result in economic rents that distort resource allocation as follows. First the returns to the booming industry overwhelm the returns in alternative activities such as manufacturing and agriculture and thereby discourage investment in these latter sectors. Second, the incomes are so high that the purchase of imports is not a painful way of acquiring capital, intermediate and consumer goods and services thereby making it extremely difficult for such alternative industries to emerge without substantial subsidies. Third, the excess liquidity in the sectors is generally channeled into quick return service and speculative activities with few employment benefits. And fourth some of these states have resorted to taxing the export sector to over-expand the state bureaucracy or to invest in unnecessary excess capacity in infrastructure or social services.

When recessions occur the effects on these economies are often quite disastrous as the experience of Zambia has shown, given the absence of other activities that are not dependent on the primary export commodity given the low levels of diversification of these economies. Both in times of boom and recession these countries have continued to manifest high levels of enclavity for the mono-culture dependent formal sector and high degrees of depression in their respective rural sector where the majority of the labour force still resides. Recent economic reforms have not been able to reverse this legacy. If anything, they have continued to reinforce this distorted structural legacy, even if at higher levels of efficiency in the enclave formal sector.

4.- The Agrarian Economies

The final set of countries comprises Malawi, Mozambique and Tanzania which are primarily poorly endowed in terms of natural resources, and which during the colonial periods were seen to be the backwaters of the British and Portuguese empires, respectively. In the past these countries have shared the fate of Lesotho in being part of the periphery of South Africa, depending on this country for employment opportunities and industrial goods without being part of the Customs Union. They also have the smallest formal sectors in the region with the majority of the labour force engaged in subsistence farming. Now Mozambique has only recently seen peace and has thus not been able to experiment on economic transformation to any degree. During the colonial period these economies had limited formal agricultural activities developed but were effectively benignly ignored developmentally. Internal employment conditions were such that they did not provide enough of an incentive for rural folk to leave their subsistence activities, hence enclavity was sustained primarily by the limited nature and non-viability of the formal sectors in these countries. For a while during the colonial period the rural labour force remained uncaptured by capitalism. Following the independence of these countries governments were intent to reverse the legacy they had inherited from the colonial past but with little success.

Following the attainment of independence, Malawi embarked on an agrarian transformation that saw the country develop a viable but limited estate and small scale agriculture based on tobacco and cotton farming. This strategy, pursued in the late 1960s and early 1970s saw a marked proleterianisation of the rural labour force through what initially was a form of primary accumulation based on the cheap labour. And a marked increase in formal sector agriculture employment. The strategy was however not accompanied by a similar industrial strategy so that it soon reached its limits in terms of labour absorption. This was further reinforced by the exhaustion of fertile land for formal agriculture expansion. The abortive and one-sided transformation strategy in Malawi not only succeeded in unraveling the rural economy without creating substitute employment opportunities, but also generally resulted in a depressed economy for which the export oriented agriculture sector was not enough to resuscitate, hence there has been a tendency for the economy to be informalised given the declining formal sector employment opportunities.

Malawi has neither had the attractive infrastructure, or industrial base, nor the capacity to take full advantage of the opportunities offered by the economic reforms it has been pursuing over the past decade and a half, so that the economy still remains in dire straits unable to absorb net increases to the labour force nor to create productive employment opportunities for its extensive rural under-employed.

Tanzania, on the other hand, attempted a form of socialist transformation based on cooperative agriculture, which never really took off. Not only was the strategy ill-conceived but it experienced a number of difficulties within the rural sector. The failure to link rural transformation to an industrial strategy further constrained the possibilities of transforming the economy from its agrarian legacy. The strategy succeeded in expanding the role of the state without markedly having an impact on productivity and living standards in rural areas. The enclavity in Tanzania is similar to that in Malawi, defined by the limited nature of the formal sector and the tendency toward the general informalisation of the economy through the sharing of poverty. On the attainment of independence Mozambique promulgated a socialist path but was immediately plunged into civil war, which was exacerbated by South African destabilization. The government never had the opportunity to experiment on the reversal of its colonial legacy and even in times of relative peace and with a declared market orientation the country has found it difficult to resuscitate the economy, which has remained primarily agrarian with only a small formal sector.

From the foregoing discussion it may appear that the notion of enclavity may be tautological in that it appears to explain every situation in Southern Africa and may accordingly explain very little. However as indicated earlier there is a hierarchy of problems that need to be explained and addressed. The first relates to the structural economic legacies, which were bestowed to these countries by colonialism. The enclavity and economic dualism in this respect relates to the fact that the formal sector in these countries was not an endogenous outgrowth of the interactions between the agrarian and industrial sectors, but was implanted and nurtured in these countries on the basis of imperatives that reflected external interests. Then there are factors related to the autonomous policies pursued by these countries which tended to reinforce the economic dualism and enclavity. When the two levels of problems are conflated we have the labour absorption problem that we have attempted to elaborate in the earlier part of this essay based on the theoretical postulations of Lewis. From the perspective of Lewis model of the open enclave economy the problems discussed above related to the various categories of countries suggest that in some of the countries, and at one extreme, that of the settler economies, the enclavity and the low labour absorption rate have been exacerbated by the successful but constrained growth of a relatively self-contained formal sector. And at the other extreme, that of the agrarian economies it has been aggravated by the failure of the formal sector to emerge in a viable manner. In both these extreme cases nothing has transpired so far that would have led to a virtuous transformation of the formal and non-formal sectors both before or and after independence, hence the continuation of the labour absorption problem in all of the countries.

In concluding this section, it is necessary to comment on the implications of economic reforms being adopted by all the countries in the region. It should be pointed out initially that the deductions regarding the origin and nature of the labour absorption implications of the enclave model are independent of whether the economy is market oriented or not or whether it is outward oriented or not. The critical factor has been the absence of a conscious strategy of agrarian and industrial transformation that would lead to the precipitation of a virtuous circle of dynamic interactions in the economy that would enhance labour absorption and internal accumulation on a self-sustaining basis. The crucial question is first whether economic reforms are adequate in precipitating this kind of a transformation solely based on market forces and the limited role of the state. And second, whether there is enough impetus internally and globally for the long term expansionary consequences of economic reform and restructuring to actually emerge and outweigh the short and medium term but sustained contractionary effects of the measures themselves. This is essentially the question posed by Toye [1995] in his review of the relationship between structural adjustment programs and employment. So far the experience in Africa has been such that the positive effects have not been adequate to precipitate such a transformation nor to generate adequate employment opportunities to absorb net increases to the labour force, let alone to eat way at the pervasive non-formal under-employment in the informal and rural sectors. If anything economic reform measures appear to be resuscitating the formal sectors in such a way that the enclavity is accentuated.

Resolving Enclavity and Enhancing Labour Absortive Capacity

Enclavity and economic dualism imply that the economy is characterized by extreme inefficiencies and a deficiency in internal aggregate demand to stimulate a virtuous interactions of backward, forward and lateral linkages between sectors and value chains. Effective policies aimed at resolving the economic inefficiencies should necessarily lead to the latter interactions. From what has been said so far a paradigm shift is needed in two areas. The first concerns the need to shift from perspectives that rely solely on market constraints and distortions as the main factors militating against labour absorption toward appreciating the nature of the problem using the enclave model approach. Second there is need to appreciate the fact that the market on its own may not be able to precipitate the necessary structural changes required to enhance labour absorption, hence the need for pro-active measures by the state, even if within a market context that respects stabilization conditionalities to some degree.

The acceptance of the enclave model as the explanatory approach to the low labour absorption rate also implies the need to have a clear idea about the nature of the constraints to integrated development that transforms both the non-formal and formal economies and how they are related. By the same token there is need for a clear vision of the desired and possible structural transformations needed in the formal and non-formal sectors and how they should be related which should be the guide to the nature of the pro-active measures to be undertaken by the state

The necessary first step is to precipitate the process of primary accumulation by progressively providing exchange and asset entitlements to the labour force in the non formal sectors. The exchange entitlements can arise from large scale labour intensive activities (private and public) or through small scale rural and urban activities that are part of processes of profit-making (and not so much survival) or more generally surplus generation. The asset entitlements need to be provided through land reform and the promotion of small scale agricultural activities and the provision of credit for small scale industries in rural and urban areas both of which should again not be survivalist in nature, but aimed at profit-making or surplus generation. The promotion of exchange and asset entitlements along the lines indicated has the effect of commoditising social and economic relations in the non-formal sectors, thereby capturing the non-formal sector labour force under the rubric of market imperatives. Such a process cannot be gradual and without its tumultuous consequences since it entails a process of class formation and differentiation, but is nonetheless a necessary step.

Much has been said about the lessons to be learnt from the East Asian miracle (Amsden, 1989; Li, 1988). An often ignored aspect of the transformation of these countries was the initial process of agrarian reform by changing the nature of asset and exchange entitlements in this sector and how the linked this sector to the industrial sector precipitating a process of primary accumulation. This was undertaken decades ago in the early years of development. In Japan a similar process was accomplished through the Meiji Revolution and in the industrial countries of Europe the industrial revolution had the same effect. This process has the effect of placing a country on a trajectory of growth and development that embraces all parts of the labour force and that blurs the distinction between the formal and non-formal sectors by integrating them. This is the process that no African country has attempted to achieve as easily demonstrated by the manner in which the nonproductive subsistence sector persists in being the major absorber of labour. To be sure bold attempts at economic restructuring along the above lines have been attempted with strong state intervention in Malawi, Kenya and Cote d'Ivoire on the basis of a market orientation and in Tanzania, Ghana, Zambia, Ethiopia, and Algeria based on socialist strategies, but these were limited attempts that did not go far enough and that created more problems than they attempted to resolve.

Once the strategy of agrarian and industrial transformation has been envisioned there is need to formulate and implement the following measures:

1. Policies are needed to reverse or counteract the policy biases in favour of capital intensity ad large-scale enterprises so as to create a neutral environment or one that decidedly biased in favour of desired activities that are labour absorbing such as labour intensive large medium and small scale activities in line with the envisioned strategy.
2. Policies are needed to mediate savings and investment funds in a manner that directs them toward desired activities. It is interesting in this respect to recall that the East Asian countries have generally had controlled financial sectors.
3. There is need to redirect foreign investment domestic investment into strategic activities that reinforce the desired strategy. The use of government supply-side measures and expenditures to crowd-in investments and to direct it toward desired activities is important into respect. More generally there is need to mobilize domestic investment as well and to develop an indigenous capitalist class that is not necessarily a 'comprador bourgeiosie'.
4. There is need to have measures that reduce the cost of wage goods as part of the process of integration and transformation and to reduce the transaction costs of labour in the process of the transformation.
5. There is need for a strategic approach to education and training to facilitate the visibility of skilled personnel for activities generated by the new strategy. This is one area where African countries have consistently blundered. In the absence of clear agrarian and industrial strategies human resource development polices have tended to be incoherent and unrelated to economic developments.
6. There is need to ensure that export promotion outward oriented strategies directly impact on the labour absorbing activities identified by the new strategy, and in particular that they impact on small scale and labour intensive enterprises in both rural and urban areas.
7. There is need to promote the development of mutually complementary clusters of activities while at the same time promoting balanced growth.
8. Promoting public worked programs that enhance the asset and exchange entitlements of newly absorbed segments of the labour force.

9. Resolving structural distortions, and through indicative planning, to guide the market toward particular outcomes relying on incentives and dis-incentives.
10. Attempting variously, and as needed to lead, to follow or complement the market through various supportive measures.
11. Re-orienting the following policies toward the process of integrated transformation of the economy especially by neutralizing existing biases in favour of capital intensity and large-scale activities with low employment elasticities and employment multipliers: legal and regulatory regimes on company law, industrial organization, contracts, access to capital credit and land and so on; fiscal, trade, labour market, industrial, tariff, financial, monetary and exchange rate policies and regimes. Generally while the need for these to be neutral is accepted there is need to have narrowly targeted supply-side distortions to facilitate temporary promotion of particular activities or outcomes.
12. Promoting the fragmentation and unbundling of activities to facilitate broad based economic empowerment of previously marginalised groups.

The general approach being outlined here is one that is not necessarily incompatible with the need to adhere to stabilization guidelines except that targeted and carefully circumscribed interventions are called for through the use of incentives and disincentives to steer the economy toward particular outcomes. It is necessary to have a general consensus among the social partners and in the polity as a whole at to the path being pursued. In addition, the strategy needs to be intimately monitored and consistently fine-tuned so that the capacity of the state to undertake such as strategy needs to be developed and that this capacity needs to cascade to down to regional and local levels. Thus appropriate institutional and consultative mechanisms across the whole spectrum of society are needed to execute the strategy.

Finally, there is the question of how to mobilise resources for the strategy. First, there is need to reprioritize recurrent and capital expenditures by the state so that they are directed toward the desired restructuring. In particular, the all too ubiquitous non-productive expenditures by the state need to be redirected toward productive activities along the suggested strategy. Second, there is need to strategically mediate savings funds generated as the restructuring process unfolds so as to redirect the funds into desirable investments. And third it is important that foreign investment and foreign aid be strategically utilized to complement an existing strategy and as such appropriate measures need to be put in place to influence the direction of such funds

Conclusion

This essay has been aimed at addressing the problem as to why it is that a majority of the labour force in African countries continues to be unemployed or under-employed; and why it is that the response of employment to increases in gross domestic product and investment is low. This is what has been termed the problem of low absorptive capacity of African economies. It has been argued that there are historical structural factors that result in the exclusion and marginalisation of the majority of the labour force from engaging in productive activities that would result in sustainable increases in living standards. These factors have been attributed to the enclave and dualistic legacy of African economies. This legacy was initially a consequence of the fact that the formal sector merged as an exogenous implant whose modus operandi was generally linked to external factors, thereby obviating the need for an internal accumulation and transformation process to emerge that would have captured the majority of the labour force into the capitalist process of accumulation. It has been argued that the problem has continued partly as a consequence of the uncritical acceptance of the enclave formal sector as the engine of growth, and partly in the belief that trickle down effects from formal sector growth would eventually absorb the rest of the labour force into productive activities.

The paper has presented an approach to the problem based on the earlier contributions of Lewis in his analysis of labour surplus economies and the problem of transformation. Based on this approach, it has shown that given an initial enclave structure and an open economy, market forces would not be able to resolve the enclavity, and would in fact reinforce it. It has been argued that this eventuality has been exacerbated by government policies of omission and commission particularly those that have reinforced a formal sector, capital intensive and large scale bias in the economy; and by the same token, reinforced a bias against non-formal sector activities in rural and urban areas. It has been argued that the adoption of economic reforms, while beneficial to the enclave formal sector, will generally accentuate the economic dualism that already exists even if they might result in increases in labour absorption to some degree, but not enough to result in an absolute reduction in the numbers unemployed and under-employed. The paper has proceeded to illustrate the nature of enclavity in the economies of Southern Africa by briefly discussing the specific manner in which this has evolved based on the economic legacies of broad classifications of countries of the region.

It has been concluded that pro-active measures by the state are needed to restructure the productive base of the economy by making it more inclusive of the majority of the labour force. The idea is to have the currently unemployed and under-employed captured by the imperative of capitalist accumulation thereby precipitating a virtuous circle of interactions that have a broad and dynamic long term impact on the economy. This is accomplished through a number of interventions that broaden the asset and income entitlements of the majority of the labour force by formulating policies that decidedly have a bias toward those activities that would absorb such people more. An initial broad base of productive employment, even if at initially low levels of income provides a long term basis for inclusive and equitable growth than a small employment base with high levels of income concentrated among those working in the enclave sectors. For the proposed outcome to occur there is need for a shift in paradigms away from the trickle down assumptions of current conventional economic policy regimes to one informed by the structural limits of the enclave model of growth and one guided by the need to pro-actively restructure this legacy in order to launch a basis for more inclusive development.

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