

Evolving labour relations in Mozambique

Eddie Webster and Geoffrey Wood sought to understand the state of labour relations in Mozambique through a survey of 177 companies based in Maputo and Beira.

responsibility, particularly in its rural heartland. However, in such a deal, Renamo would demand that some resources be transferred to rural development, even if only to take credit for it; the 'Washington consensus' allows little room for focused rural development. Both main parties have little respect for each other's capabilities. Renamo was able to win five out of 33 municipalities such as Nampula, Angoche and Beira in the 2003 municipal elections. It has always had a significant support base in these areas and grassroots organisation in these areas is often underestimated. However, it has yet to make serious inroads in urban areas in the south, while serious divisions persist between the parliamentary caucus, the party's presidency and rural chiefs. While Renamo will be able to mount a credible challenge to Frelimo in the coming elections, it is unlikely to emerge the victor.

This section is taken out of a paper presented by Webster and Wood at a conference in Maputo.

It is difficult to speak of a national industrial relations 'system' in Mozambique. Instead, what exists is an attempt to establish coherence at the national level with very little impact at the enterprise level. In large part, much of what purports to be a 'system' is a loosely connected set of weak industrial relations actors, a lack of co-ordination in the bargaining process, inadequate mechanisms for dispute resolution, widespread evasion of labour law, and a lack of meaningful social dialogue between the social partners. The consequences of these institutional weaknesses are threefold:

- There is uneven and limited diffusion of high performance workplaces.
- New work systems are less likely to be sustainable in the absence of supporting institutions.
- An adverse environment is likely to leave large numbers of firms – and employees – trapped in a low value added trajectory.

This institutional weakness is partly due to the legacy of Mozambique's

underdevelopment arising from its 'ultra' colonial past coupled with the fact that the largest sector of the economy remains agriculture, accounting for 33% of GDP and 40% of exports, and employing 80% of the workforce. Furthermore, the highest formal sector employer of Mozambican labour remains the South African mining industry.

But this institutional weakness is also the result of a 'double transition' over the past two decades from authoritarianism to multi-party elections, and from a closed state-controlled economy to a market-based one. This has resulted, on one hand, in a large-scale loss of formal sector jobs and a rapid growth of casual and informal sector jobs. It has also led to a significant decline in both the membership of organised labour as well as its influence over social and economic policy.

This dynamic, but contradictory process, of blending rupture with replication, of joining discontinuity with continuity has been described as a case



of 'transformative preservation'. This description best captures the coexistence of elite formation (often through systematic corruption) and human resource innovation, side by side with growing inequality, poverty and the widespread use of child labour.

Research findings

The survey of 177 companies in and around Maputo and Beira (supplemented by 13 in-depth interviews with key external stakeholders in industrial relations in Mozambique) sought to examine the views of both employers (human resource/industrial relations managers) and employee representatives (union workplace representatives/shop stewards).

The employer survey revealed the following:

Human Resource Management (HRM)

- The survey revealed little evidence of innovation or of leading edge practices. While most firms had a specialised people management function, the techniques employed remained personal, informal and top-down. The failure of innovative human resource management techniques to diffuse across the economy highlights both institutional weakness and autocratic paternalism. At the same time, the survey revealed evidence of a range of 'best practice' techniques amongst a small minority of firms.
- In the overwhelming majority of cases communication flows were firmly downward, simply representing a conduit for managerial views.

- Very few firms made use of recognised formal and systematic techniques of employee consultation.
- Employee reward was either performance-based pay (generally piece work along Taylorist lines) and/or group incentives or bonuses, contingent on output, thus reinforcing, rather than diluting managerial authority and traditional forms of work organisation.
- A sizable number of firms fail to offer workers even the most basic of benefits commonly associated with the employment contract. Many of these companies are examples of firms which, when privatised, promised to carry through the benefits of the previous employers but have reneged on the agreements. This has led to a number of strikes recently because workers have not been paid at all. There are a few cases of companies in the north that have not paid their employees for several months.
- 69% of the enterprises made use of informal workplace training. Most instances of formal workplace training were uncertified.
- 34% of the firms surveyed reported making use of word of mouth as a mechanism for recruiting manual workers, relying on current staff to 'introduce' potential employees, often members of extended family networks. Just under one third used advertisements, while 5% made use of recruitment agencies.
- 28% of the firms had made use of redundancies in the preceding year alone. Most (49 firms) used ad hoc methods, based on managers' personal perceptions or prejudices, with little evidence of systematic attention towards desired skills and experience. Only 1% of the firms used last-in-first-out procedures.

Unionisation and collective bargaining

- Union penetration rates remain relatively high when compared to the developed economies of the Anglo-Saxon world, although they have had little success in reaching out to more marginal categories of workers. Although 64 firms (out of 177) are non-unionised, almost as many (61) have a relatively high rate of unionisation, with more than 59% of the workforce belonging to a union.
- Only 20% of contract workers and 4% of part-timers belong to a union.
- Bargaining is highly decentralised with 64% taking place at enterprise level (22% at plant level and 64% at plant/firm level) and only 14% at industry/sector level.
- While 46% of the firms surveyed had a collective agreement, only 39% of the managers surveyed believed that the firm actually abided by the agreement.
- Only 54% of employers had heard of the tripartite Consultative Labour Commission. (The Commission seeks to promote dialogue and social agreement in matters related to the economic, social and labor policies of the government. It is both an advisory group and a forum for negotiation.)

Industrial disputes

- 18% of the companies surveyed reported having experienced work stoppages or strikes.
- 47% reported that they had had a strike within the last 12 months.
- 41% of strikes were less than one-day duration – 27% lasted more than five days.
- 27% of the employers said that the police had intervened on at least one occasion during the dispute.
- Almost 50% believe that employees have no right to picket.



- Wages was the key issue in 85% of the disputes. This included both low wages, payment below the minimum wage or non-payment.

Dispute resolution

- There is a lack of adequate dispute resolution mechanisms and disputes are usually resolved informally by management. This is likely to undermine the legitimacy of management and result in the persistence of latent grievances and forms of 'hidden' resistance.
- In 45% of workplaces where a collective agreement was in place, specific provision was made for mediation and arbitration in the case of collective disputes.
- In the remaining unionised and non-unionised firms, 68% said that the company made use of informal and individual methods.
- 76% of employers said that individual employees or their collectives had not voiced a single grievance over the past year, suggesting that grievances may remain 'unvoiced'.

Employee survey

The survey amongst shop stewards and

worker representatives found the following:

Demographic profile

- There were very few employee representatives under the age of 26 or over the age of 45.
- 73% had at least some secondary education, whilst 16% had attained some or other tertiary qualification.
- Only 25% described themselves as unskilled.
- 40% belonged to a union.
- 8% were shop stewards.

Security of tenure and downsizing

- 40% reported an increased sense of job security.
- 51% said that recruitment had been frozen at their workplace.
- 45% said their employer had made use of voluntary redundancies.
- 36% had implemented early retirement schemes over the past three years.
- 39% said employers had made use of compulsory redundancies.
- 22% said employers had made use of outsourcing, 11% internal transfers and 31% non-renewal of contracts.

Unionisation and collective bargaining

- In over a third of the workplaces, more than half of the employees were unionised.
- 17% were unable to say if there was any union presence in their workplace.
- Only 18% had heard of the tripartite Consultative Labour Commission.
- More than half of the respondents felt that the unions operating in their workplaces had no influence on managerial decision-making whatsoever.
- Only 14% felt that their union had increased its influence over the past three years.
- 44% believed that some collective bargaining took place in their workplace

Communication, involvement and participation

- The employee survey echoed the findings of the employer survey, that relatively few firms made use of systematic techniques of employee consultation.
- Only 42% felt that managers bothered to comply with the terms and conditions of union recognition agreements.
- Only 24% said they had health and safety representatives at work.
- Only 24% said they had any training whatsoever in health and safety.
- 33% said some AIDS/HIV awareness training had taken place at their workplace.

Industrial disputes

- 17% said they had experienced a strike over the past five years in their workplace.
- In 75% of the cases it was over wages.

Shopfloor organisation

- 55% said they had shop stewards at

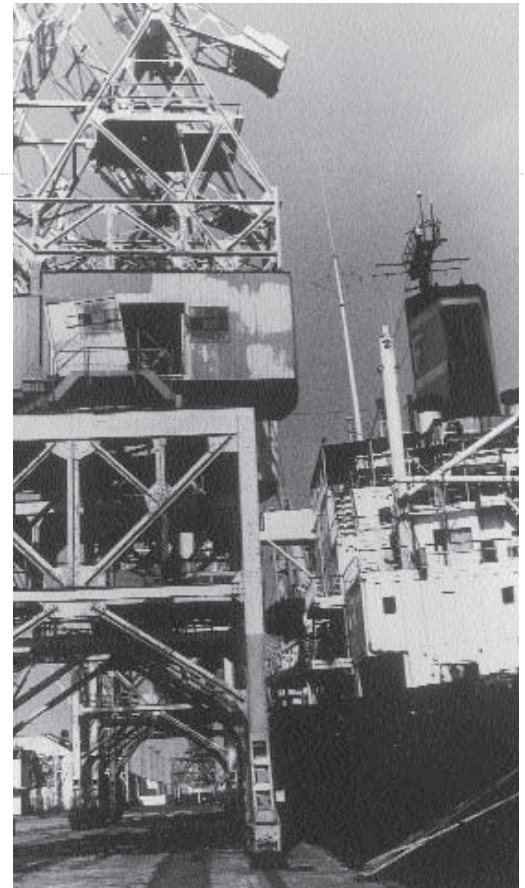
their workplaces.

- 46% of the cases shop stewards were democratically elected.
- 63% said they never attended union meetings.

Where then is IR at?

The research findings suggest the key resources identified for the successful development of an industrial relations system are largely absent in Mozambique. Neither employee nor employer organisations are fully representative of their potential constituencies – a significant representational gap exists. Furthermore, the Department of Labour is unable to monitor the implementation of labour laws. No coherent and co-ordinated system of collective bargaining exists. Instead, there is sporadic enterprise bargaining. There are no effective mechanisms for dispute resolution at enterprise level. However, this lack of resources is to be met by the establishment of a Commission for Mediation and Arbitration of Labour Disputes next year.

Although an institution for social dialogue has been created, the Labour Consultative Commission is not an effective institution. It is essentially an arm of the Department of Labour and does not have an independent existence. As Marsden notes, there are three specific consequences of the institutional weaknesses that have been identified. Firstly, there is uneven and limited diffusion of high performance workplaces. Secondly, new work systems are less likely to be sustainable in the absence of supporting institutions. Thirdly, an adverse environment is likely to leave large numbers of firms – and employees – trapped in a low value added trajectory.



What is wrong with Mozambican IR?

There seems little link in the Mozambican context between the ability to ruthlessly cut labour costs and employee benefits and sustainability. Rather, employment relations are dualistic in nature, reflecting the divide between relatively large organisations in the foreign-owned and state sectors, and indigenous or semi-indigenous private firms, most of which are small and/or family owned. In the latter, employee relations are particularly likely to be firmly unitarist in orientation – that is, authority in the workplace is firmly vested in the hands of management. In the former, management policies and strategies may incorporate some elements of pluralism. However, with the exception of a small pool of highly competitive – and profitable – best practice companies, the bulk of firms in this sector remain wedded to tried and trusted methods.

Pre-colonial society and colonialism have led to deeply embedded paternalist forms of authority, which have persisted not only in the export,

but also in the state sectors. In the state and export sectors, this has translated into essentially Taylorist work systems, characterised by rigidly hierarchical lines of authority, fixed divisions of labour, and limited on-the-job training. Levels of participation and involvement in determining work organisation are low. Whilst there have been some pressures to ensure that suppliers adhere to a basic sub-minimum of labour standards, often the latter receive only a low priority when compared to cost or quality.

Trade unions have a very narrow social footprint, with their activities being largely confined to the state and manufacturing sector. The survey reveals that firms are less prone to make widescale redundancies than they were in the 1990s and the official minimum wage has begun to increase again, following cuts in the preceding decade. On the other hand, there is little doubt that large numbers of formal sector employees' job security is precarious at best.

High unemployment and a low emphasis on skills development allows employers to readily dispense with the services of employees should the need arise. In contrast, the latter tend to have relatively large numbers of dependants, and, in the case of the semi-formal and informal sectors, may be bound to employers by debt. However, in the absence of unions and with labour legislation being only weakly applied, employees have few options for expressing discontent other than unilateral exit, deliberately low productivity, sabotage or theft of company resources. Indeed, Hanlon argues that both lower productivity and theft-as-a-survival strategy have become widespread problems in Mozambique, given the nature and extent of the 'economic squeeze'.

Whilst it might be assumed that

weak unions may always be in the interests of managers, union weakness encourages specific managerial strategies which do not necessarily promote the overall development of the economy. Quite simply, if firms are forced to deal with unions, and to make meaningful concessions to them, they have to offset these costs through improving productivity, through skills development, better use of technology and improved working conditions, resulting in impressive productivity gains. Again, as the quality of working life improves, employees' commitment to the company is also likely to increase, and, hence, levels of intra-organisational trust. This explains why those developed economies – such as Sweden, Germany or the Netherlands – with relatively strong labour movements have managed to retain significant high value added manufacturing sectors in the face of intense global competition. In contrast, many developing economies characterised by intense labour repression remain locked in the 'sweatshop trap' unable to progress beyond low cost, low value added manufacturing activity.

Policy options

Mozambique has decided to face the challenge of intensified competition by reforming its labour law. A major problem is monitoring and ensuring employer compliance.

The impact of law on a specific social context is inevitably circumscribed by the deeply embedded nature of social practice, especially if enforcement is lax. If Mozambique is to pursue a 'high road' path (high-wage, high-skills, high-investment employment system) it will need to go beyond the rhetoric of

social dialogue and labour law reform in six areas:

- It will need to build accountable representatives at enterprise level.
- The tripartite Labour Consultative Commission has a very narrow social base. More specifically, smaller and medium employers need to have stronger incentives to take the Commission seriously. They need to be clear that they are going to get productivity gains in return for respecting the minimum wage and other agreements governing the terms and conditions of service.
- Cross-border links between workers in common enterprises in the region also need to be developed. This would enable Mozambique to benchmark themselves against South African companies and empower their representatives.
- Currently, there is little industrial relations taught or systematically



Unions in Mozambique

The first 'indigenous' trade unions emerged in the 1970s out of production councils established in all enterprises by the Frelimo government. These represented a kind of shopfloor management structure that were meant to replace both white supervisors and managers that had fled on independence, and the trade unions that existed during the colonial period. While, in practice, workers gained the right to veto decisions made by senior managers, the councils and (at least initially) their union successors served as an arm of the ruling party, acting as a transmission belt for party and governmental decisions. Only in 1985, was the managerial prerogative restored.

The Organizacao dos Trabalhadores de Mozambique ('OTM', the Organization of Mozambican Workers) was established at the initiative of the Mozambican government in 1983; industrial unions were created out of production council branches at firm and sector level. The OTM was the only federation permitted during the one-party years; union membership was compulsory, with subscriptions being deducted from salaries.

In its early years of existence, OTM was firmly under the ruling party, Frelimo. It was originally conceived as a mechanism for mobilising worker support behind the vanguard party, following on the then Eastern European model. The OTM's governing statutes stated that 'Frelimo... guides and directs OTM in all its activities'.

In 1990, OTM began to loosen its links with Frelimo, and has since become a persistent critic of the government's economic policies. This was made possible through the

government's acceding to a more pluralistic approach to employment relations and triggered by the latter's conversion to neo-liberalism. OTM has recently called for the cashew nut industry to be renationalised and remains critical of measures to promote export-processing zones. Nonetheless, it supported Frelimo against Renamo in the 1999 elections.

Membership of OTM has declined steadily from 300 000 members in the early 1980s to 90 000 in 2003. It has 14 affiliates but it has also developed a relationship with ASSOTSU, an organisation recruiting street traders in the informal sector. It has an estimated membership of 50 000 of which 4 000 are drawn from market traders.

In 1992, the Confederation of Free and Independent Trade Unions of Mozambique (CONSILMO) was formed by three trade unions representing workers in the hotel and tourism sector (SINTIHOTS), construction and mining sector (SINTICIM) and transport sectors (SINTRAT). The three founder unions had all disaffiliated from OTM in 1992, following on the 23/91 Decree that allowed for trade union pluralism; the breakaway unions argued that the OTM remained too close to the ruling party and was 'a top-down federation'. They wanted an independent trade union to focus on collective bargaining.

OTM and CONSILMO share similar policies and the differences between them seem largely historical. Both are represented at the tripartite Consultative Labour Commission and they meet beforehand in a day-long forum, funded by the Friedrich Ebert Stiftung (FES) to develop a common strategy.



researched at the Eduardo Mondlane University.

There is room for innovation in industrial policy, including a more creative tax policy, giving incentives to those firms who demonstrably invest more in human resource development, and/or adopt more labour intensive strategies proportionate to turnover. A final recommendation is the regulation of those outside the formal economy. Here again, it is not simply a question of regulation and monitoring, but also practical skills and capacity development, which would contribute towards bridging the gap between the formal and informal economy.

Webster is the director of Sociology of Work Unit (SWOP) and professor of Sociology: School of Social Sciences, University of the Witwatersrand. Geoffrey Wood: honorary research associate at Swop and professor of Human Resource Management, Middlesex University, United Kingdom.

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