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The politics of structural adjustment in Zambia

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Since the advent of International Monetary Fund (IMF) and World Bank-inspired structural adjustment policies there has been a concern regarding sustainability of economic policy reforms. As economic reform measures hurt some groups and benefit others they produce winners and losers. The groups that were hurt by the economic measures often resisted them, leading to their suspension and cancellation. Thus the failure of economic reform measures has tended to be blamed on those groups with vested interests in the status quo who maintained subsidies, price controls and regulation of all things economic.

The recent experience in Zambia now clearly shows that opposition to structural adjustment is not sufficient to lead to their cancellation. Callaghy suggests that the success of structural adjustment policies is predicated on the existence of state capacity to push through reform measures and in particular to insulate itself or its bureaucracy from the demands of interest groups.[1] It is more a matter of political will and commitment by a government to implement a structural adjustment package. In Zambia the previous government of Kenneth Kaunda and the United National Independence Party (UNIP) showed a lack of commitment in the implementation of stabilisation and structural adjustment policies between 1973 and 1991. On many occasions the government failed to fulfil the agreed targets and had the agreements suspended or cancelled. However, as the economic situation worsened the government was perceived as having been responsible for the economic crisis. Thus the demand for democracy in many countries in Africa, including Zambia, was also an expression of opposition to the effects of structural adjustment.[2]

Since the re-democratisation process took place in Zambia, however, the groups that had previously opposed structural adjustment policies have been either demobilised or at the best ineffectual. Two reasons may explain this apparent ineffectiveness. First, the opposition to adjustment in Zambia was also part of the opposition to the authoritarian one-party state regime. Economic grievances were used to justify the expression of political grievances. In the absence of organised opposition, those groups who had the autonomy to express political grievances were viewed as 'unofficial opposition'. Second, the introduction of political and economic liberalisation simultaneously acted against effective organisation. For example, organised labour has been demobilised through a combination of labour retrenchments, dismissals and wage freezes.

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While the politics of adjustment in the Second Republic (1973–1991) focused on whether or not to implement structural adjustment, this has changed in the Third Republic (1991 to the present). Now there seems to be consensus among the main groups on the necessity for structural adjustment. The pace and sequencing of economic reform measures seem to be the main issues dominating the debate on structural adjustment in Zambia's Third Republic. In this paper I examine the politics surrounding the implementation of structural adjustment policies in Zambia during the period 1983–1996. The reasons for the policy shifts and the politics surrounding the abandonment of reform policies will also be explained. This task will be undertaken by looking at the influence of interest groups in shaping policy decisions and the extent to which they pressured government to alter, delay or abandon the implementation of structural adjustment policies. The article will be organised as follows: the first section will provide a brief discussion of the evolution of economic reform policies from 1983 to 1996. The second section will discuss the politics of structural adjustment in Zambia. In particular the role played by two interest groups—business, organised labour in supporting or opposing economic reforms will be examined.

Evolution of structural adjustment policies in Zambia, 1983–1991

Zambia adopted a systematic structural adjustment programme in 1983. This constituted a fundamental policy shift from previous attempts at economic reform, and was adopted in part as a requirement to receive external finance from international financial institutions, especially the IMF and the World Bank.

The 1983 agreement involved, among other things, the devaluation of currency, limiting wage increases to 5%,[3] decontrol of prices of essential commodities and the removal of subsidies on maize and fertilisers. The most comprehensive economic adjustment policies were implemented in October 1985. The centrepiece of the 1985 programme was the adoption of the foreign exchange auction system. The foreign exchange system was aimed at streamlining the allocation of foreign exchange and in particular eliminating the import licensing system. Other measures included liberalisation of agricultural marketing, public sector reform and a reduction in civil service employment. There was also a continuation with most of the measures adopted in 1983, including the decontrol of prices of consumer goods, apart from maize.

The foreign exchange auction system had mixed effects on different social groups. Foreign commercial firms welcomed it as they were able to bid for foreign exchange and bring in imported consumer goods. They were also able to externalise their profits. However, the auction system had a negative impact on manufacturing firms both in the private and state sector. The problems they experienced were of three kinds. First, production costs continued to rise because of fluctuations in the value of foreign exchange. And given a controlled price regime, these companies sold their finished products at a loss. Second, there was an inability to raise the local currency (kwacha) cover to bid for foreign exchange, given foreign exchange fluctuations and high bank interest rates which averaged 35% in 1985–86. Third, there was the problem of delays in paying successful bids. This was partly because of donors' delays disbursing money they had pledged to the central bank.[4] It has even been suggested that the failure of Zambia's auction system should be attributed more to insufficient funds from external sources than to lack of commitment by the Zambian government.[5]

The overall effect of the auction system was a devaluation of the local currency and escalation of the cost of living of the urban wage earners. It led to the deterioration in workers' living conditions. Prices of essential commodities sky-rocketed and workers agitated for wage increases. When the government removed the maize subsidy in December 1986 urban dwellers protested against price rises through demonstrations and riots. In the confrontation between security forces and protesters 15 people were killed. President Kaunda back-pedalled and rescinded the decision to remove the price subsidy. I will discuss this point below.

On 1 May 1987 President Kaunda cancelled the IMF agreement. This followed widespread discontent with the economic reform measures among various groups, those most hurt by the measures. The protests against structural adjustment took the form of a wave of strikes by a number of unions for wage demands, complaints from manufacturers and hostile statements by UNIP party leaders as a reaction to the effects of the auction system and to other aspects of the economic reform package. The IMF programme was replaced by the Interim New Economic Recovery Programme (INERP) which re-introduced pre-1982 controls. The programme was to be based on the use of local resources.[6] The measures announced by President Kaunda included, among others, fixing the exchange rate at K8 to US$1 (from the previous rate of K21 to one dollar), re-imposing price controls, limiting debt service to 10% of foreign export receipts and nationalising the private milling companies which the government held responsible for the food riots. In describing the IMF programme President Kaunda said that, 'it had brought pain, malnutrition and death to the people of Zambia'.[7]

Though INERP recorded an impressive 6.2% growth rate in real GDP in 1988, it was not sustainable, as international financial institutions and donor countries denied the country financial resources.[8] The impressive GDP growth rate of that year has been attributed to the bumper maize harvest—the result of good rains and not of prudent economic management.[9] As the economic crisis worsened, Zambia had no option but to open fresh negotiations with the IMF. In June 1989, as a prerequisite to qualify for the IMF loan, the country implemented a number of economic policy measures which included the decontrol of all prices of consumer goods, except maize. In early 1990 the government, with the assistance of the IMF, drew up a Policy Framework Paper (PFP) which spelt out the economic policies to be pursued by the government between 1990 and 1993.[10] On the basis of the PFP the government was to receive some funds from the IMF and donor countries for balance of payments support. During the implementation of the INERP, the country was starved of external finance, as even Scandinavian countries were obliged not to provide any loans to Zambia as long as it had no formal relationship with the IMF. One of the policy measures proposed in the PFP was the phased reduction of maize subsidies and retrenchment of the government budget deficits, by reducing government social expenditure.

In June 1990 the government increased the prices of high grade maize meal by over 100%. The measure provoked widespread rioting in the capital Lusaka and in major Copperbelt towns. In trying to control the rioting crowds security forces shot dead 27 people, injured hundreds and arrested several hundred others. Unlike the riots of 1986, Kaunda did not rescind the decision to increase the price of maize meal as a way of reducing maize subsidies. However, the demands for the re-introduction of a multiparty system in 1990, and the agreement by the UNIP government to hold elections the following year, affected the commitment of the government to meeting the requirements of the IMF loans.

In June 1991 the government requested the IMF to allow it to postpone a scheduled round of reduction of maize meal subsidies for fear that it might provoke rioting before the elections. The IMF refused and instead suspended all financial disbursements to Zambia. Inflation soared as the government printed money to meet the 100% increases in civil servants' salaries and to pay for the election campaign. Annual inflation in that year reached 129%.

The MMD and structural adjustment, 1991–1996

Following the elections held in October 1991, in which UNIP was defeated, the Movement for Multiparty Democracy (MMD) government agreed to continue with the implementation of the reform package agreed between UNIP and the World Bank in 1990.[11] This included: (a) price decontrols of all products (except maize) and inputs; (b) exchange rate adjustment in real terms and elimination of exchange rate restrictions; (c) liberalisation of export and import trade, while providing export incentives; (d) fiscal austerity measures to reduce the budget deficit and control inflation; (e) monetary policy measures to adjust interest rates and tighten monetary policy; (f) reform of the public investment programme to focus on resource allocation to priority sectors and programmes; (g) reform of the civil service and parastatals to improve efficiency and performance; and (h) the privatisation programme.[12]

The economic legacy from the previous government meant that the MMD government faced an unmanageable debt servicing problem, a severe shortage of foreign exchange, excessive budget deficits which averaged 10% of GDP, inflation of over 100%, an eroded social and physical infrastructure and a decline in formal sector employment. Per capita GDP decreased by half from K387 in the 1970s to K190 in 1991.[13] To turn this economic legacy round required political skill, luck and popular support. The new government was able to count on its popular mandate to implement harsh economic measures and to do so in a short space of time so as not to give anti-reform groups an opportunity to oppose them.

The MMD coalition of social forces, which brought together various social groups, was united in its demand for the restoration of a multiparty system of government. For a further discussion of the composition of the MMD coalition see P Gibbon, 'Structural Adjustment and Pressure toward Multipartism in Sub-Saharan Africa', P Gibbon *et al* (eds), *Authoritarianism, Democracy and Adjustment*. Though there was consensus on the need to improve the country's economic performance, there was no unanimity on the strategy to bring that about. However, during the election campaign the question of the economy was not given serious attention. As the main opponents of structural adjustment—the labour movement, represented by Frederick Chiluba—were part of the leadership of the MMD, economic strategy was politicised. Erstwhile opponents of structural adjustment embraced it and offered it as a panacea for Zambia's economic problems. In the euphoria which characterised the election campaign, ordinary people showed open support for austerity. For example, at an MMD rally addressed by Chiluba in Kabwe in August 1990, Chiluba asked his audience if they would be prepared for sacrifices when the MMD came to power. They chanted 'yes'. However, in early 1992, when the MMD government showed the Kabwe meeting on national television, it provoked indignation and widespread condemnation from a cross-section of society. Trade union leaders felt let down by a government which they had helped come to power. The trade union movement had played an important role in the organisation of the MMD and mobilisation of citizens to support political change.[14] Though not explicitly stated in the formal agreement defining the relationship with the MMD, it was expected that after the party won power the government would formulate policies favourable to workers.

Using the honeymoon period the government took bold measures in December 1991 to remove subsidies on breakfast meal, which saw the price of maize meal double. The action did not provoke any organised protests. By the end of 1993 all subsidies on maize meal and fertiliser had been withdrawn, and the price of maize meal had increased to K4000 from K250 in November 1991. Other measures taken included: the liberalisation of the foreign exchange market by the introduction of bureaux de change; liberalisation of interest rates; privatisation and liquidation of state enterprises; liberalisation of agricultural marketing and liberalisation of imports. A number of these measures had been implemented intermittently by the previous government, with little success. But the MMD government implemented them with more commitment and coherence. What then accounts for the MMD's success?

The politics of structural adjustment

The economic reform policies adopted between 1983 and 1991 were met with a lot of opposition from different interest groups. The policies affected these groups in different ways. First, they were generally unpopular. They alienated segments of society which were potentially the most threatening to the government, namely the urban elites and unionised formal sector workers who had benefited from the earlier policies of price and foreign exchange controls, rising real wages and food subsidies.[15]

Second, the programme never enjoyed the full backing of the political leadership, which was not willing to defend a programme it did not believe in. A strong anti-reform coalition of political leaders lobbied against the implementation of the reforms since 1983. Van de Walle and Chiwele note that this coalition was excluded from the policy-making inner circle.[16] It is important to note that decision making during the Second Republic was concentrated in the president. He made almost all important decisions, including those to do with the adoption of IMF economic reform measures. Therefore, opposition to economic reform measures tended also to reflect opposition to Kaunda himself.

The sustainability of economic policies depends to a large extent on the balance of power between the groups supporting and those against adjustment. This is because structural adjustment policies affect varying social groups in different ways and thus invoke different responses. The policies produce winners and losers, and as such the building of coalitions is dependent on the extent to which the groups share in either the costs or benefits of reforms. According to Bates, 'changes in economic policy generate winners and losers, and…losers can be expected to resist,'[17] and thus disrupt the implementation of an economic reform programme.

In Zambia, economic problems and the nature of economic policies advocated during the Second Republic generate attitudes of support or opposition to economic restructuring. The reasons for doing so have differed and their relative influence on policy makers determined the direction the reforms took during the 1980s and early 1990s. Interest groups sometimes agreed on the desirability of certain policies. This explains the cooperation between organised labour and the business class to remove UNIP from power in 1991. Both groups faced restrictions and hoped that an open democratic system would favour their respective causes.

The business class

Baylies & Szeftel have noted that there was increased participation of people with business interests in Zambian political life during the 1970s and 1980s.[18] This class rose to prominence following the nationalisation measures (1968–70) which were partly designed to create an indigenous business class. Others used their positions in government and the parastatal sector to accumulate wealth.[19] By the beginning of the mid-1970s the business class had acquired a lot of political influence as the majority of MPs were either drawn from this class or were representing private business interests. This group was beginning to be restive and saw their businesses suffer because of government policies that favoured state enterprises at the expense of the private sector. As the campaign for the establishment of private enterprise was lost, this group attempted other means to influence the orientation of economic policy in the country. It is widely believed that the 1980 coup was masterminded by members of the private business sector. Liatto suggests that:

> if the economic reforms had fostered the growth of an indigenous bourgeoisie and the one-party state consolidated the power of this class, by the 1980s this class was strong enough to want to break the mould of statism, especially state capitalism and establish free enterprise and a multiparty system of government.[20]

The policies pursued by the UNIP government were opposed to the development of private enterprise. The ruling party imposed restrictions on political leaders owning property or engaging in business. For example, following the establishment of a one-party state, a Leadership Code was promulgated. The Leadership Code prohibited political leaders from owning property, apart from one house and a small plot of land. A similar policy had been introduced in Tanzania in 1967 following the Arusha Declaration. It was aimed at making political leaders more responsive to the electorate and avoiding corruption. But, as in Tanzania, the Leadership Code was flouted as political leaders obtained government-guaranteed loans to purchase companies and farms and set up in business. Where they ran a risk of being dismissed from office for violating the provisions of the Leadership Code, they used their spouses or relations as fronts.

By the beginning of the 1980s, the policy of preventing political leaders from engaging in business was acknowledged to have failed. This was in recognition of the fact that official salaries were insufficient to pay for MP's consumption thanks to escalating costs.[21] Those who left government set themselves up in business. But with the protection enjoyed by state companies and the anti-private enterprise policies of the government, private business suffered. This may explain why the business community overwhelmingly supported the democratisation process and the MMD's rise to power. Through business associations such as the Zambia Association of Chambers of Commerce and Industry (ZACCI), the business class attacked UNIP's economic policies and demanded the liberalisation of the economy.

The implementation of a structural adjustment programme in early 1983 was therefore supported by private business interests. The business groups that supported structural adjustment policies included large-scale companies (especially multinational firms) in the manufacturing, commerce and agricultural sectors. These powerful groups had long advocated the dismantling of price controls, wage freezes, a reduction in subsidies on state enterprises and food, dismantling of the parastatal sector, reform of the foreign exchange allocation system, import liberalisation and a reduction in government spending on social services, especially health and education, as a way of reducing the budget deficit. The business class saw in the structural adjustment policies a possibility of increasing the economic performance of their firms and increasing profitability. However, the impact of the economic reform measures on the business class was not uniform. While others benefited from the policies of import and price liberalisation, those who had been dependent on state protection were adversely affected as they were unable to compete.

It is important to note that the business community did not always speak with one voice. Some sections of the business community favoured certain reforms and opposed others. On the whole there was general unanimity in the business community on the need to reduce inflation, liberalise the exchange rate and privatise state enterprises. On trade and import liberalisation, only the big companies, especially foreign ones supported the measure. As the manufacturing industry in Zambia is largely import-dependent, the introduction of liberalisation measures seriously affected the operations of firms in that sector. Import liberalisation led to the flooding of the market with even cheaper imports making locally manufactured goods uncompetitive. This seriously affected the textile industry, which has almost collapsed. By December 1993, 8500 workers had lost their jobs through closures or low capacity utilisation in the textile industry. Forty-seven clothing manufacturing firms in Livingstone had closed down in the face of stiff competition from imported textile products and second-hand clothes.

The remaining clothing companies were operating at 15% to 20% of their installed capacity. Manufacturing companies called on the government to subsidise them if they were to survive. For example, in 1993 the Zambia Manufacturers Association (ZMA) expected 12 000 job losses to occur in the industry if the government did not come to their rescue. The chairman of the organisation said: 'we are not going to survive, no matter what policies are put in place without government assistance'.[22]

The business class was active in demanding the re-introduction of a multiparty system of government and free-market economic policies during 1990–91. Together with trade unions they helped form the MMD in July 1990 and ensured that its manifesto contained a commitment to the promotion of a private enterprise economy and the reduction of the role of the state in the economy. Though the MMD drew its organisational strength from the labour movement, its campaign funds were provided by the business class. As a result, Chiluba's first cabinet was dominated by individuals associated with the business community. In order to ensure control over the direction of economic policy, key economic ministries were given to individuals with business interests. Ministers who came from the private business sector included, among others, Bennie Mwila, Emmanuel Kasonde, Vernon Mwaanga, Dipak Patel, Dean Mung'omba, Baldwin Nkumbula, Ronald Penza and Arthur Wina.[23]

The MMD had committed itself to the promotion of private enterprise when it came to power. It blamed the failure of UNIP's economic policies on a pervasive state sector, which was described as inefficient, loss-making and supported by direct subsidies from the state.[24] Therefore, the appointment of representatives of the business class ensured that policies favourable to business would be pursued. Van de Walle & Chiwele have recently noted that the business class has gained in influence since the MMD came to power, while other groups such as organised labour have lost their influence.[25] This is surprising given the pivotal role played by trade unions in the pro-democracy movement, the formation of the MMD and the election campaign. The ZCTU organisational and mobilisational resources were crucial to MMD electoral victory in November 1991.[26] And yet, despite that, the unions seem not to have had much say in the direction of economic policy. The ambivalence in trade unions' positions on economic policy partly encouraged the business class to take the initiative on economic policy. Zambian trade unions neither advocated socialist nor capitalist solutions to the country's economic problems. However, they supported Kaunda's welfarist policies, such as food subsidies and price controls. Given the poor state of the national economy and the government's inability to maintain the same levels of subsidies on food, union leaders preferred the adoption of a private enterprise economy. It was anticipated, for example, that a private enterprise economy would not only be efficient but would provide jobs and improve incomes.[27] That expectation seems to have been misplaced as the liberalised economy promoted by the MMD government neither improved wages nor created new jobs.

Organised labour and structural adjustment

The role of labour in resisting economic policies has not been adequately analysed. Strikes and food riots have at times been used as evidence of workers' opposition to structural adjustment.[28] But food riots can involve a number of urban groups and the role of organised labour in them is usually difficult to ascertain. In Zambia the 1986 and 1990 food riots did not have the overt participation and support of the trade unions. Most of those who were arrested and charged for looting were unemployed or described themselves as such.[29] Strikes by workers tend to be directed against employers and not the state. While the unions opposed various economic measures they often did so by issuing public statements and not through industrial action.

The debate on the role of trade unions in opposing structural adjustment seems to be based on neoliberal notions that organised labour makes unnecessarily high wage demands, agitates for policies that increase employment and protect jobs and demands that governments subsidise food and social services such as transport. Thus trade unions are considered not only to be a strong lobby in favour of statist policies, but also to pose a threat to the implementation of structural adjustment as they are expected to oppose it. It has been suggested that the opposition to adjustment by organised labour leads to its abandonment or alteration.[30]

Trade unions opposed various structural adjustment measures which had a direct impact on their members. These included wage freezes, removal of subsidies, decontrol of prices and labour redundancies. In this paper I focus on two of those measures—maize subsidies and labour redundancies. The question of maize subsidies dominated the debate on economic reforms throughout the 1980s, as it was clear that the budgetary weight of these subsidies constituted a major constraint on the ability of the government to direct resources towards more productive activities. As a result, their removal featured prominently in donor conditionality and provoked political opposition from those groups that benefited from them.

Since independence, maize meal consumption had been subsidised to benefit urban constituencies, particularly the unionised workers in Lusaka and the Copperbelt. Gulhati suggests that cheap food prices was an important mechanism to contain wage demands, particularly after the government adopted the wage restraint policy. As maize meal subsidies increased in proportion to the government budget, their contribution to the government deficit increased. Their removal therefore became a vital political issue. The ZCTU had pressured the government to maintain the subsidies as early as 1974.[31]

As part of the structural adjustment conditions the government was compelled to remove or reduce the subsidy on maize meal in 1986. The government decided to do this in two phases. The first phase involved the removal of the subsidy on the high grade maize meal (commonly known as breakfast meal), while retaining the subsidy on the cheaper maize brand (roller meal). The second phase was to include the withdrawal of the subsidy on roller meal. The retention of the subsidy was justified on the grounds that it was the type of meal consumed by the majority of the Zambian people.

It was estimated that 60% of Zambia's population consumed roller meal in 1986. Announcing the government decision to remove maize meal subsidy on breakfast meal, Finance Minister Basil Kabwe said:

> {The}…Government position on roller meal is that the people are not psychologically or economically prepared for the removal of subsidy on this essential commodity at this stage.[32]

The government announcement to remove maize meal subsidies provoked condemnation by trade unions. The then chairman-general of the ZCTU, Frederick Chiluba, condemned the hard lending conditions of the IMF aid to Zambia, which included the removal of maize subsidies, arguing that it had set the 'government on a collision course with the people'. In particular, Chiluba said:

> We could support the auctioning system if the government made sure not to allow IMF to destroy our sovereignty by removing subsidies from production. This government has always drawn its support from the general public or the masses because it has fulfilled some promises on food, clothes and shelter.[33]

And the Civil Servants Union of Zambia (CSUZ) accused the government of forsaking the people by its move to withdraw subsidies on maize meal. Its chairman called on the government to reintroduce the maize meal subsidy and insisted that they should find money for that purpose.[34] It is clear from these two statements that national trade union leaders were opposed to the IMF policies. They perceived the economic reform program as externally imposed and felt that, in agreeing to conditions that were to the detriment of the workers the government were alienating themselves from the people. Because of a perception that the economic reform policies were externally imposed, trade union leaders felt that their appeals to the government would receive sympathy. They did not present the problem as a uniquely trade union one, but rather used the argument that the 'masses', that is the majority of the people, were being affected by the measures.

As already pointed out above the shortage of maize meal led to riots in the Copperbelt in December 1986. Trade union leaders were quick to condemn the riots as disruptive and the work of 'thugs who did not have the interest of the nation at heart'.[35] After three days of rioting and looting the government sent troops to quell the disturbances and restored the old prices. To the extent that the government restored the old prices which had been demanded by the trade unions, it would appear to have been a triumph for the trade unions. This was to lead to industrial unrest by various categories of workers between January and April 1987. For sure the strikes were a reaction to the deteriorating living conditions occasioned by high prices of goods and low purchasing power of wages.

While the protests against subsidy removal in 1986 had led to the return to the status quo, this was not the case in June 1990. President Kaunda argued that he would not reduce the maize prices as that was a requirement of the IMF and was a necessary condition for Zambia's economic recovery.[36] Though trade unions protested at the doubling of the price of maize meal because of the removal of subsidies, their protests were ignored. In other words, it was clear that opposition to structural adjustment policies, including food riots, was not *per se* sufficient to force a government to cancel an economic reform programme. This observation has been made by Walton with regard to the Latin American experience.[37]

Bienen & Gersovitz (1985) also conclude that food subsidy cuts and riots have not always led to the abandonment of economic reform policies in many developing countries.[38] Thus food riots do not give a sufficient explanation for economic reform failure. Since the MMD government came to power in 1991, opposition from the trade unions to the policy of subsidy removal, though ineffectual, has continued.

There is an ambivalence in the trade union position over structural adjustment policies. One section of the labour movement holds the view that structural adjustment, including measures to withdraw subsidies, is necessary in order to restructure the economy.[39] Another, held by ZCTU leader Fackson Shamenda, has been highly critical of structural adjustment policies, especially of the pace at which they are being implemented. Shamenda holds that, if the reforms are implemented too fast, they will have a devastating impact on workers and may provoke a violent backlash. He has therefore called for the reform measures to be implemented gradually or in sequence and has argued that too many policies were being implemented at the same time, thus making their implementation not only difficult but their impact very severe on the workers. More specifically, trade unions have suggested that measures to do with removal of subsidies and retrenchment of public sector labour could be done gradually. This, they argue, would be important to allow workers to adjust to the new situation.[40]

Trade union leaders have gone further to demand the reversal of some of the structural adjustment measures. For example, the restoration of maize subsidies was proposed. In August 1993 the ZCTU president demanded that the MMD government re-introduce subsidies on food and transport to alleviate the plight of the 'starving workers'. He argued that:

> People are dying because they have no food. Everyone is crying to the government for sustenance and it is only proper that the government listen instead of taking away even the little which citizens used to enjoy yesterday.[41]

But despite these demands the government has not granted the unions their wish. The threatened violent backlash from the workers has also not taken place. It is clear that the militancy of the trade union movement has dissipated in the wake of the introduction of multiparty democracy. The role of political opposition has now been taken up by political opposition parties, leaving the trade unions to champion workers' rights in a hostile economic environment.

The other policy measure which the trade unions have consistently opposed has been the policy of labour redundancies. While redundancies have been a common feature in private firms since the economic crisis began around 1975, they are quite recent in the public sector. The majority of Zambia's unionised labour force is in the public sector, so it is expected that any measure to reduce employment is likely to be opposed by trade unions. Labour redundancies in the public enterprise sector were aimed at rationalisation of production, to ensure efficiency, higher productivity and profitability. Between 1975 and 1980 a total of 29 416 people lost their jobs through redundancies.[42] On average 6250 workers a year were declared redundant between 1975 and 1985. The number of jobs decreased by an average of 2.2% per year, such that, while 26% of the labour force was in wage employment in 1975, this had declined to 18.6% in 1983. And it further declined to 10% in 1991. Though the government began a policy of labour retrenchment in the civil service in 1985, it has not moved fast enough.[43] Both the previous UNIP and the MMD governments have been cautious in their implementation of retrenchment in the civil service. Between 1991 and 1995 a total of 60 000 workers had been removed from the civil service.[44]

In the parastatal sector there has been a number of redundancies during the 1980s. The most significant have been those in the mines. For example, within the context of an investment and rehabilitation programme, the state-owned Zambia Consolidated Copper Mines (ZCCM), took the lead and declared 3000 workers redundant in 1986. The trend continued until 1991, though the numbers involved remained low. Between 1987 and 1994 several mines were closed and many workers laid off. Since the coming to power of the MMD government, labour redundancies have taken on a new impetus. In 1992 the MMD announced its intentions to privatise most state enterprises. This included the mines, telecommunications, electricity and railways. As the idea of privatisation of state enterprises posed a threat to job security, trade unions voiced their opposition to the policy. While supportive of the idea of privatisation, trade union leaders requested the government not to privatise strategic industries, such as the mines. They warned the government that a decision to privatise the mines would bring a lot of problems to their members.[45]

By 1995 trade unions, especially the major ones such as the Mineworkers Union of Zambia (MUZ) had acquiesced to the government decision to privatise the mines. For example, MUZ fully supported the closure of the Kabwe lead and zinc mine and has recently endorsed the government decision to privatise the giant ZCCM. As before the union hopes that a privatised ZCCM will be more efficient and will offer better conditions than is presently the case. In preparation for the impending privatisation a retrenchment programme has been put in place. Trade union leaders' concern is that their members receive a good redundancy package.

Trade unions have played a minimal role in halting labour redundancies. Two reasons seem to explain trade union weakness. The first is that the relationship between trade unions and the MMD was so intimate in the early years that they felt a kind of ownership of the government. The ZCTU not only helped in the organisation of the MMD but also provided it with leadership. This has made it difficult for it effectively to oppose certain aspects of the structural adjustment programme.

Second, the nature of the decline in the economy has seriously affected the ability of the unions to halt redundancies, let alone bargain for favourable redundancy packages. The large lay-offs have affected its bargaining power. Union membership dropped by almost 40 000 between 1990 and 1994 thanks to a combination of redundancies, privatisations and liquidations in the last five years. For example, total union membership declined from 352 900 in 1990 to 312 697 in 1994.[46] This figure is said to have dropped even further down to 295 747 in 1995.[47]

The logic of structural adjustment has seriously constrained trade unions' ability to protect jobs. The policy of privatisation and liquidations of state enterprises has seen the loss of a lot of jobs. Between 1993 and 1995 several loss-making state companies have been liquidated. These include Zambia Airways, United Bus Company of Zambia, National Hotels Development Corporation, Industrial Development Corporation, National Import and Export Corporation (NIEC), Mansa Batteries, Livingstone Motor Assemblers, NIEC Stores, Zambia Consumer Buying Corporation (ZCBC) Stores and Mwaiseni Stores Zambia National Wholesale Corporation. A number of other state companies are in receivership. These include Lusaka Engineering Company (LENCO) and Contract Haulage. Between 1992 and 1994 a total of 25 611 workers were declared redundant from both the private and public sector.[48] The majority of those declared redundant came from the parastatal and public sector.

It can be argued that trade unions lack both the resources and the capacity to challenge redundancies. In fact, unions have found themselves unable even to protect workers from dismissal. The case of the mass dismissal of over 4000 miners by ZCCM in 1984 is instructive. Workers were sacked for protesting against the conditions of the Mukuba pension scheme. Management dismissed them for going on an illegal strike, and causing damage to union property. In August 1992, 500 bank employees were dismissed for going on an illegal strike. Apart from a few who were pardoned, their union has been unsuccessful in having the workers reinstated.

Conclusion

It has been argued above that a proper understanding of the politics surrounding the implementation of structural adjustment programmes has to consider the demands of influential interest groups and assess the extent to which they influenced government's economic policy. It has been shown that both the business class and organised labour did not play a significant role in the failure of economic reform. I suggest that, although structural adjustment has benefited the business community, other sections of this class have also been hurt by reform measures. Manufacturing, especially textiles, declined in the face of import liberalisation.

It was also demonstrated that, although trade unions have opposed structural adjustment, they have not been very successful in winning concessions for their members. Organised labour has been unable to block the implementation of subsidy cuts and protect jobs, both in the Second and Third Republic. Labour redundancies have been on an upward trend and trade unions have not been able to block them effectively. This indicates the unions' organisational weakness at obstructing economic reforms.

As structural adjustment has acted to weaken the capacity of trade unions to bargain for better wages and protect jobs, they have resorted to opposing the pace and sequence of reforms and not the reforms themselves. This new politics of reform accepts the view that there is no alternative to structural adjustment and that the best way would be to operate within its own logic. The labour movement is currently divided on this matter. It is this disagreement on the way in which the government is handling the economy which is said to have led to the split in the labour movement in 1994, when the MUZ president and four other affiliate unions announced their breakaway from the ZCTU accusing its leadership of having been sponsored by an opposition party.[49]

Notes

[1] T M Callaghy, 'Lost between state and market: the politics of economic adjustment in Ghana, Zambia and Nigeria', in Joan M Nelson, ed, *Economic Crisis and Policy Choice: The Economic Adjustment in the Third World*, Princeton, NJ: Princeton University Press, 1990.

[2] B Beckman, 'Empowerment or repression? World Bank and the politics of African Adjustment' in Peter Gibbon *et al*, eds, *Authoritarianism, Democracy and Adjustment: Politics of Economic Reform in Africa*, Uppsala: Scandinavia Institute for African Studies, 1992.

[3] This was later changed to 10% following trade union opposition.

[4] P D Ncube, M Sakala & M Ndulo, 'The International Monetary Fund and the Zambian economy', in K J Havnevik, ed, *The IMF and the World Bank in Africa*, Uppsala: Scandinavian Institutee for African Studies, 1989.

[5] R Gulhati, *Impasse in Zambia: The Economics and Politics of Reform*, EDI Development Policy Case Series, No 2, Washington, DC: World Bank, 1989.

[6] Institute for African Studies, 'Perspectives on The Zambian Economy: Analysis of The 1989 Budget of Zambia', No 2, Lusaka: Institute for African Studies, University of Zambia, 1989.

[7] President Kaunda's radio and television address, 1 May 1987.

[8] Economist Intelligence Unit, *Zambia: Country Report*, London: EIU, 1992.

[9] J Kydd, 'Coffee after copper? Structural adjustment liberalization and agriculture in Zambia', *Journal of Modern African Studies*, Vol 26, No 2, 1989.

[10] Republic of Zambia, 'Evaluation of the performance of Zambia's maize sub-sector', draft, Lusaka: Planning Division, Ministry of Agriculture, 1990.

[11] World Bank, *World Development Report 1992*, Washington, DC, p 6.

[12] N van de Walle & D Chiwele, 'Democratisation and economic reform in Zambia', discussion paper, University of Michigan, 1994, p 30.

[13] *Ibid*, p 14.

[14] L Rakner, *Trade Unions in the Processes of Democratisation: Study of Party–Labour Relations in Zambia*, CMI Report No 6, Bergen: Chr Michelsen Institute, 1992.

[15] Callaghy, 'Lost between state and market'; and J J Hawkins, 'Understanding the failure of IMF reform: the Zambian case', *World Development*, Vol 19, No 7, July 1991.

[16] Van de Walle & Chiwele, 'Democratisation and economic reform in Zambia'.

[17] R Bates, 'The politics of economic policy reform: a review article', *Journal of African Economies*, Vol 2, No 3, December 1993, p 49.

[18] C Baylies and M Szeftel, 'The Zambian business class', in C Gertzel, ed, *The Dynamics of the One-Party State in Zambia*, Manchester: Manchester University Press, 1984.

[19] B Turok, *Mixed Economy in Focus: Zambia*, London: Institute of Development Alternatives, 1989.

[20] B Liatto, 'Organised labour and the state in Zambia', PhD thesis, University of Leeds, 1989, p 47.

[21] Interview with former minister, Lusaka, 22 December 1993.

[22] J Clarke & C Allison, *Zambia: Debt & Poverty*, Oxford: Oxfam, 1989; and *The Weekly Post*, 2 April 1993 and 11 March 1994.

[23] Kasonde, Mung'omba, Mwaanga, Nkumbula and Wina were later to leave the government. Kasonde, Mung'omba and Wina were dismissed from their positions by President Chiluba. Mwaanga was forced to resign his position as Foreign Affairs minister because of donor pressure arising from a perception that he was associated with drug dealing. Nkumbula had resigned in early 1992 citing cases of corruption and drug-dealing in the MMD government. In 1993 the National Party was formed by those former members of the Chiluba government. In 1995 Dean Mung'omba and Derrick, also former ministers, formed the Zambia Democratic Congress. Nkumbula and Wina died in August and September 1995, respectively.

[24] Interview, Lusaka, November 1993.

[25] Van de Walle & Chiwele, 'Democratisation and economic reform in Zambia'.

[26] Rakner, *Trade Unions in the Processes of Democratisation.*

[27] Interviews, Lusaka, Kitwe and Ndola, October–November 1993.

[28] Liatto, 'Organised labour and the state in Zambia'; and Rakner, *Trade Unions in the Processes of Democratisation.*

[29] Court records of the trial of persons arrested for rioting and looting in December 1986 and June 1990 reveal that most of the accused were either unemployed or students. There were a number of students accused of being responsible for the rioting and looting after the 1990 riots.

[30] J M Nelson, Organized labor, politics and labor market flexibility in developing countries, in S Horton, R Kanbur and D Mazumdar (eds), *Labor Markets in an Era of Adjustment*, Vol 1, Issue Papers, Washington DC, World Bank, 1994.

[31] C Gertzel, 'Dissent and authority in the Zambian one-party state 1973–80', in Gertzel, *The Dynamics of the One-Party state in Zambia.*

[32] *Times of Zambia*, 7 November 1986.

[33] *Ibid*, 11 October 1986.

[34] *Ibid*, 22 September 1986.

[35] Interview with ZCTU President Fackson Shamenda, Ndola, February 1993.

[36] President Kaunda's address to the nation on radio and television, 28 June 1990.

[37] J Walton, 'Debt, protest and the state in Latin America', in Susan Eckstein, *Power and Popular Protest, Latin American Social Movements*, Berkeley, CA: University of California Press, 1989.

[38] H S Bienen & M Gersovitz, 'Economic stabilization, conditionality and political stability', *International Organization*, Vol 39, No 4, 1985.

[39] Interview with Paul Kafumbe, MUZ General Secretary, Kitwe, February 1994.

[40] Zambia Congress of Trade Unions, 'ZCTU position paper: partners in economic recovery the way forward', paper presented at the National Conference on Inflation: Can we Bite the Bullet? The Way Forward, Lusaka 11–13 January 1993.

[41] *Times of Zambia*, 2 July 1993.

[42] Liatto, 'Organised labour and the state in Zambia', p 49; and G S Maipose, 'Retrenchment and redeployment in the public sector: the Zambian case study', mimeo, 1991, p 53.

[43] Interview, Lusaka, March 1994.

[44] Central Statistical Office, *Quarterly Digest of Statistics*, First Quarter, Lusaka: CSO, 1996.

[45] Interview with Paul Kafumbe, MUZ General Secretary, March 1994.

[46] ZCTU, Secretary General's Report to the 8th Quadrennial Conference, Kitwe, 1990 and Secretary General's Report to the 9th Quadrennial Conference, 1994.

[47] Personal communication with Austin Liatto, Vice President of the ZCTU, July 1996, see especially A C Muneku and D Banda, The impact of structural adjustment programmes on the labour market and unionization in Zambia, ZCTU/FES Research Project, Lusaka, 'Frederich Ebert Stiftung, 1996, p. 17.

[48] Central Statistical Office, *Quarterly Digest of Statistics*, Fourth Quarter, Lusaka: CSO 1994; and *Economic Report*, National Commission for Development Planning, Lusaka, 1995.

[49] The faction opposed to the manner the government was implementing structural adjustment was led by Fackson Shamenda, while the pro-government faction was led by Francis Kunda, MUZ president. In the elections for the ZCTU presidency and secretary-general, the pro-MMD faction was defeated. In retaliation and to weaken the labour movement it decided to break away from the ZCTU and form a rival trade union centre—the Federation of Free Trade Unions (FFTU), which is still to be recognised by the government. Apart from MUZ four other unions have since disaffiliated from the ZCTU—Zambia Union of Financial and Allied Workers, National Union of Commercial and Industrial Workers, Zambia National Union of Teachers and the National Union of Building Engineering and General Workers. Interviews with Alfred Mudenda, ZCTU Assistant Secretary General, and Austin Muneku, Kitwe, November 1993 and February 1996, respectively.