

**THE IMPACT OF NAMIBIA'S AFFIRMATIVE ACTION POLICY  
ON EMPLOYMENT OF THE DESIGNATED GROUPS**

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BY

JOSEPHINE NAMASIKU SIFANI

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SUPERVISOR: DR SELMA T. KARUAIHE

**ABSTRACT**

The objective of the study is to determine the impact of affirmative action policy on employment of the designated groups at management level for the period 2001 to 2006. The study uses panel data on 35 public and private institutions, selected randomly using the data provided by the Employment Equity Commission (EEC). The study uses the Fixed Effects Model (FEM) and Random Effects Model (REM) to determine whether employment of the designated groups at management level has an impact on the employment ratio of those institutions. In addition, training offered to designated groups and a dummy variable to reflect compliance by institutions submitting their annual reports to the EEC are used as covariates. Results show that employment of the designated groups has a significant positive relationship on the employment ratio, while training shows an insignificant positive impact on the employment ratio. The compliance dummy shows a significant positive impact on the employment ratio which implies that the more the number of companies that submit their annual reports to the EEC the higher the employment ratio. Furthermore, the Hausman statistics of 0.3062 rejects the null hypothesis that the regressors and the individual institutional effects are not correlated. This implies that the FEM is preferred to the REM.

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**DEDICATION**

I wish to dedicate this thesis to my late parents, my father Mr. Bernard Puteho Mukendwa and my mother Mrs Cecilia Ngonya Mukendwa. May their souls rest in eternal peace.

**DECLARATION**

I, Josephine Namasiku Sifani, declare hereby that this study is a true reflection of my own research, and that this work, or part thereof has not been submitted for a degree in any other institution of higher education.

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**LIST OF ACRONYMS AND ABBREVIATIONS**

AA	Affirmative Action
BCEA	Basic Conditions of Employment Act
CEDAW	Convention on the Elimination of all forms of Discrimination against Women
EEA	Employment Equity Act
EEC	Employment Equity Commission
FEM	Fixed Effects Model
GRETLM	Gnu Regression, Econometrics and Time Series Library
ILO	International Labour Organization
LARRI	Labour Resource and Research Institute
LRA	Labour Relation Act
MGECW	Ministry of Gender Equality and Child Welfare
MLSW	Ministry of Labour and Social Welfare
REM	Random Effects Model
SA	South Africa
SADC	Southern African Development Community
SWANLA	South West Africa Native Labour Association
WENELA	Witwatersrand Native Labour Association



## **CHAPTER ONE: INTRODUCTION AND BACKGROUND TO THE STUDY**

### **1.1 Introduction**

Theoretically, the level of employment in any economy is an indicator used to measure economic wellbeing through economic efficiency. The full utilization of all resources in the economy implies that an economy has reached an optimal level of its resource-use. The level of resource utilization depends on the returns to the resource, which is, its price. In the employment of labour, the return is the wage rate it earns in the labour market. This wage rate could be controlled by government through price controls, such as minimum wages, which in turn depends on the labour policy existing, where affirmative action is one such policy. Although policies on affirmative action have not received the attention of economists both theoretically and empirically, affirmative action does influence the level of employment and could improve or impede economic efficiency, depending on its implementation approach. Since affirmative action has been shown to affect the level of employment to some extent, the current study found it necessary to investigate such impacts using economic theory and econometric modelling, focusing on the Namibian experience.

### **1.2 Background to the Study**

In the Namibian context, affirmative action is defined under Article 17 of the Affirmative Action (Employment) Act of 1998 as:

“a set of measures designed to ensure that persons in designated groups enjoy equal employment opportunities at all level of employment and are equitably represented in the workforce of a relevant employer” (p. 18).

Namibia has a population of about 1,830,330 people, with a population density of 2.1 persons per square kilometre and a growth rate of 2.6 per cent per annum. Out of the total population, 52 per cent are females making up the majority of the population (National Planning Commission, 2003). The total working age (15 – 65 years) population in Namibia is 888,345, among this population 43.4 per cent are employed, 51.3 per cent are males and 36.2 per cent are females. The total labour force participation rate is 47.9 per cent. The rate is higher for males (56.4 per cent) than females (40.7 per cent). The current unemployment rate is 36.7 per cent (broad definition) with females accounting for 43.4 per cent and males 30.3 per cent (Ministry of Labour and Social Welfare, 2006).

Before independence, Namibia was characterized by gross inequalities in the distribution of wealth and unequal access to land, education and health (Jauch 1998). The heterogeneous social and economic grouping that existed during the South African Apartheid regime caused disparities in employment opportunities for the previously disadvantaged groups (blacks, women and people with disabilities). As a result, management positions and training opportunities were dominated by white males. This scenario impacted on the employment's contribution to the national economy, as other groups, such as qualified blacks and female in general were not having the same opportunities to be promoted into management positions as white males.

After independence in 1990, the Namibian government's attempts to transform the country into a more just society increased, with issues on equality and social justice appearing more frequently on the national agenda. The government of the Republic of Namibia realized the need for a legislation to guide organizations to promote justice in the workplace, and the Namibian Constitution of 1990 was therefore used as a primary

source of any legislation pertaining to people's fundamental rights to equality. Article 23 of the Namibian Constitution empowered the Parliament to enact legislation aimed at redressing the imbalance in the Namibian society resulting from past discriminatory laws and practices. Provision was also made for a balanced restructuring of the civil service.

The Public Service Commission of Namibia was therefore established and given the task of ensuring that the past imbalances were redressed through government initiatives. Preference was given to blacks (including coloureds) and women whenever appointment, promotion and transfers took place in the civil service by relaxing the experience requirement (LaRRI, 2005). Relevant employers<sup>1</sup> were also required to put measures in place to retain and develop employees from the designated groups (blacks, women and people with disabilities). Appropriate training courses had to be identified for existing employees in order to empower them with skills to compete for higher positions.

Furthermore, the government's commitment towards redressing the imbalances in the civil service has been demonstrated through various policies and initiatives including the Labour Act of 2007, which provides an enabling environment on Affirmative Action. Other government initiatives include the ratification of the International Convention on the Elimination of all forms of Discrimination against Women (CEDAW); adoption of the National Gender Policy in 1997 aimed at redressing the inequalities between men and women; launching of the National Gender Plan of Action in 1998; implementation of the Affirmative Action Act of 1998; establishment of a fully fledged Ministry of Women and Child Welfare in 2000, now known as the Ministry of Gender Equality and Child Welfare since 2005; and finally, signing of the SADC Declaration on Gender and

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<sup>1</sup> Refers to an employer who employs 25 or more employees. The number of employees must be calculated as the average number of employees employed by the employer during the one year period immediately preceding the date on which the monthly calculations are made.

Development, which sets a minimum target of 30 per cent representation of women in decision making positions at all levels by 2005.

The government also passed the Affirmative Action (Employment) Act no. 29 of 1998, with a view to redress imbalances at the workplace arising from discriminatory dispensation that had previously existed in this country. The legislation is intended to foster fair employment practices with regard to matters such as recruitment, selection, appointment, training, promotion and equitable remuneration of the designated groups.

The main goal of the Affirmative Action Act is to aspire and honour the provisions of fair and just employment practices as echoed in the following statement:

To achieve equal opportunity in employment in accordance with Article 10 and Article 14 of the Namibian constitution; to provide for the establishment of the Employment Equity Commission; to redress through appropriate affirmative action plans the conditions of disadvantage in employment experienced by persons in designated groups arising from past discriminatory laws and practices; to institute procedures to contribute the elimination of discrimination in employment; and to provide for matters incidental thereto ( p.2).

Thus, the Employment Equity Commission (EEC) was established under Section 3 of the Affirmative Action (Employment) Act of 1998, to oversee the implementation of the affirmative action plans. It was accorded the overall responsibility to achieve the objectives of the Act. The EEC is also tasked to give advice to relevant employers on how to design and implement affirmative action programmes effectively.

### **1.3 Statement of the problem**

Employment during the colonial regime was based on race and gender. As a result, blacks and women were subordinated, marginalised and disadvantaged by the past discriminatory laws and practices. At independence, all management positions in the civil service of Namibia were held by white men with the exception of one white woman (Jauch, 1999). This led to the establishment of the Employment Equity Commission to oversee the implementation of the affirmative action legislation. The aim was to increase the representation of the designated groups at the management level in different institutions and empowering them through the necessary training and skills transfer to enable them to succeed in their appointments.

Affirmative action legislation is not only expected to promote employment equity from existing positions, but also to draw from the new entrants to the labour market, who did not have access to those positions in the past. Unless the new entrants with relevant qualifications are absorbed in management positions of key economic sectors with the aim of contributing towards economic growth and development, Namibia may be lacking behind in redressing the imbalances of past employment practices.

Despite the concerted efforts and initiatives by the government to redress the imbalances of the past, very little progress has been made so far in terms of increasing the representation of the designated groups at management levels and empowering them to succeed in their jobs once they are appointed. To date, the number of the designated groups especially women and people with disabilities in management positions remains insignificant relative to the size of the institutions in various economic sectors. The other problem is that there is no convincing evidence that relevant employers are doing their

best to give effect to the provision of the Affirmative Action Act (Employment Equity Commission, 2007). Employment data from the 35 sampled institutions show that some institutions still have a long way to achieve the equal representation required by law. The Affirmative Action (Employment) Act of 1998 requires institutions to set their own numerical targets annually, for them to achieve an equal representation of the different groups of employees in management positions. This is still far from being realized as shown in table 1.1 where the employment ratio of the designated groups out of the total employment in management positions is presented for 10 out of the 35 sampled institutions for simplicity.

Table 1.1: Ratio of Designated groups on Total Employment at Management Level

Year	Institutions									
	A	B	C	D	E	F	G	H	I	J
2001	23.1	0.0	0.0	21.1	16.7	15.4	38.5	21.7	5.0	43.2
2002	35.5	0.0	0.0	25.0	16.7	0.0	37.2	25.0	9.1	41.8
2003	37.9	28.4	32.4	39.4	0.0	30.8	38.9	0.0	12.5	41.9
2004	51.5	0.0	0.0	62.2	20.0	0.0	38.9	38.9	19.2	42.9
2005	54.3	0.0	0.0	0.0	0.0	0.0	40.0	31.8	19.2	47.1
2006	0.0	0.0	0.0	0.0	0.0	25.4	0.0	37.5	30.4	0.0

**Source:** Author's own construct

Note: The ten institutions are labeled as A to J for confidentiality reasons.

A ratio of zero refers to situations where institutions did not submit their annual reports to the EEC, showing lack of compliance.

Although the Namibian government is not specifically clear as to when the equal representation should be achieved, a ratio of between 0% (for institutions that did not submit their reports) and below 50% is an indication of either noncompliance with the EEC requirements of submitting annual reports, or lack of commitment towards achieving the equal representation target. Although not shown in table 1.1, some of the institutions are not far from achieving the SADC target of 30 per cent women in



decisions making positions, although there is still a long way to go for women to be equal to their male counterparts in terms of occupying high positions. Further, according to the EEC reports (2001-2006) the representation of people with disabilities is relatively insignificant (below 10% for the six years), which is a challenge to the government's policy on affirmation action.

While policy makers or social planners would be more concerned with the increase in representation or employment of the designated groups in management positions, economists would be more interested in finding out the extent to which this increase in employment at higher levels translates into improved economic efficiency. However, Holzer and Neumark (1999) showed that economists provide less evidence and consensus on whether affirmative action improves or impedes efficiency. The authors concluded that it is possible for affirmative action programmes to lead to an insignificant decrease in efficiency, but evidence against affirmative action on the basis of economic efficiency remains an empirical issue. It is for this reason that the current study would not focus on economic efficiency, due to data limitations, but concentrate on the problem of low representation of designated groups in management positions.

#### **1.4 Objective of the Study**

The main objective of the study is to determine the impact of affirmative action policy on employment of previously disadvantaged people in management positions out of total employment of the selected institutions. This includes people employed at the level of executive directors, senior managers and middle managers. Since the relevant employers are required by law to set their own numerical targets in employing people

from the designated groups in order to have a balance in terms of race and gender in their workforce profiles especially at management level, it is necessary for the current study to analyse the extent to which this requirement is honoured. More specifically, the study examines the impact of affirmative action policy on the level of employment by estimating the ratio of employment of the designated groups in management positions on total employment of the different institutions.

### **1.5 Significance of the Study**

Since the introduction of the Affirmation Action (Employment) Act No. 29 of 1998, a few studies (Jauch, 1998; LaRRI, 2004) have been undertaken to analyze the impact of affirmative action on the employment of previously disadvantaged groups. However, none of these studies have done an econometric analysis on the impact of affirmative action on employment of the designated group in management positions. The study will shed light on the effectiveness of the affirmative action policy and give direction to future policy initiatives.

### **1.6 Research Methodology and Data**

The study uses econometric packages like GRETL and/or EViews to carry out the statistical analysis, and then run regressions to get the impacts of the variables on total employment. Two panel data models, namely the Fixed Effects Model (FEM) and the Random Effects Model (REM) are employed to look at the time effect as well as the individual institutional effect. Then, the Hausmann specification test is used to compare

the two models and choose the best model in explaining employment dynamics of the designated group.

A sample of 35 private and public institutions for a time period of 6 years (2001-2006) is used. This means that there are 35 cross sectional units and 6 time periods, which constitutes a total of 210 observations. The study uses data on the ratio of employment of the designated groups out of total employment in management positions, to assess the percentage of the designated groups in management positions achieved by institutions. This is the dependent variable to be explained by a dummy on compliance of institutions; employment of the designated groups; and the training offered to designated groups. Secondary data from the affirmative action reports of the 35 institutions, drawn from the 16 sectors classified by the EEC, is used. The focus is on employment at management level, which includes executive directors, senior managers and middle managers. A detailed research methodology will be discussed in Chapter Four.

### **1.7 Organization of the Study**

The study is organized as follows: Chapter one contains the introduction, while chapter two provides the historical background of affirmative action in Namibia. Chapter three presents the literature review, followed by chapter four which outlines the research methodology. Chapter five presents the analysis and interpretation of the data while chapter six concludes with main conclusions and policy recommendations.

## **CHAPTER TWO: HISTORICAL BACKGROUND OF AFFIRMATIVE ACTION IN NAMIBIA**

### **2.1 Introduction**

This chapter provides a historical background to the introduction of affirmative action in Namibia. It starts with a brief overview of the pre-independence labour practices in Namibia followed by the Namibian government initiative to redress the past imbalances in employment.

### **2.2 Pre-Independence labour practices**

Under the German colonial rule, jobs were categorized along racial and gender lines. Black men were recruited to work in white- owned farms whereas black women on the other hand were subject to domestic work in private homes. After the discovery of diamonds and other minerals in Namibia, contract labour systems like South West Africa Native Labour Association (SWANLA) recruited labourers from the northern regions of Namibia to work in mines, railways, farms and fish factories, further, Witwatersrand Native Labour Association (WENELA) recruited labourers from the Caprivi to work in mines in South Africa, Southern Rhodesia known as Zimbabwe today and Northern Rhodesia known as Zambia today (Karuombe, 2001).

After the German colonial rule came the South African Apartheid colonialism which followed similar labour practices as the Germans. The impact of the South African apartheid policies on the Namibian population had its most profound negative effect on blacks in general, and on black women workers in particular. The apartheid system continued to create a particular gender, race and class distinction in the labour market.

There was a hierarchy of order in the job market; white males had complete control over supervisory and management positions, while black male workers were employed in the lower ranks of the mining and farming sectors (Karuuombe, 2001). During the apartheid regime, women were discriminated in terms of employment in management positions both in public and private sector; they were categorized as being suitable for secretarial and other perceived feministic jobs like teaching and nursing.

### **2.3 Developments after independence**

At independence in 1990, the Namibian government committed itself to the eradication of all forms of discrimination and strived to restore gender balance in the labour market. The Namibian government established mechanisms for employers to appoint and promote people from the designated groups in professional positions. The government realized the need for a legislation to guide organizations in promoting justice in the workplace. Various laws were therefore promulgated in an attempt to redress the imbalances of the past. Some of these important pieces of legislation are briefly summarized below.

#### *2.3.1 The Constitution*

The constitution of the Republic of Namibia of 1990 sets out the main framework for any legislation pertaining to people's fundamental rights to equality. Article 10 of the constitution guarantees equality for all people before the law and prohibits discrimination. It stipulates that: "All persons shall be equal before the law. No person may be discriminated against on the grounds of sex, race, colour, ethnic origin, creed or social or

economic status.” (Republic of Namibia, 1990, p.8). The constitution further provides for gender equality in all spheres of life. Article 23 (2) states that:

Nothing contained in Article 10 hereof shall prevent Parliament from enacting legislation providing directly or indirectly for the advancement of persons within Namibia who have been socially, economically or educationally disadvantaged by past discriminatory laws or practices, or for the implementation of policies and programmes aimed at redressing social, economic or educational imbalances in the Namibian society arising out of past discriminatory laws or practices, or for achieving a balanced structure of the public service, the police force, the defence force, and the prison service (p.14).

The same articles gives due recognition to the colonial legacy which has left black women more marginalized. It further states in sub-articles (3) that:

“...it shall be permissible to have regard to the fact that women in Namibia have traditionally suffered special discrimination and that they need to be encouraged and enabled to play a full, equal and effective role in the political, social, economic and cultural life of the nation (p.15).

All these provisions are a means of empowering members of the previously disadvantaged people to enjoy benefits of equal access to employment opportunities.

### 2.3.2 *The Labour Act*

The Labour Act no.11 of 2007 also reinforces the constitutional provisions on discrimination. The act has two specific provisions aimed at providing an enabling environment on Affirmative Action and prohibiting unfair discrimination or harassment at the workplace.

Section 5 prohibits employers from implementing policies and practices that are discriminatory on the basis of colour, sex, race, marital status, etc. The act also provides for affirmative action measures to ensure that racially disadvantaged persons, women and

people with disabilities enjoy equal employment opportunities at all levels of employment.

### *2.3.3 The Affirmative Action (Employment) Act*

The key affirmative action legislation in Namibia is the Affirmative Action (Employment) Act no. 29 of 1998. The legislation was aimed at redressing the imbalances of the past discriminatory dispensation that had previously existed in this country. The act confines affirmative action to employment and sets out its main aim as to achieve equal opportunity in employment and also make provision for the establishment of the Employment Equity Commission (EEC), which was accorded the overall responsibility to administer the affirmative action policy (Republic of Namibia, 1998). The commission represents the interests of employers, employees and member of the designated groups and also monitors compliance with the law and investigates complaints of discrimination in employment practices.

The Affirmative Action Act identified three main designated groups namely: racially disadvantaged persons; women and persons with disabilities. The Act requires all employers with 50 or more staff members (which was latter revised to 25 in 2006), to prepare affirmative action plans targeting blacks, women and people with disabilities for affirmative action. The Act also stipulates affirmative action measures to be taken by employers, these include: “elimination of employment barriers; efforts to accommodate persons with disabilities; furthering employment opportunities through training programmes; and giving preferential treatment in employment decisions to suitably qualified persons from designated groups” (EEC. 2002, p.8)

#### 2.3.4 *Specific Policies and initiatives on Gender*

As noted in Chapter one, the government's growing commitment since 1990 to gender equity and women's empowerment has been demonstrated in a variety of ways. These include a clause in the constitution and the promulgation of other legislation which promotes the rights of women and prohibits unfair discrimination of which some had been summarized above. Other policies and initiatives include:

- The ratification of the international Convention on the Elimination of all forms of Discrimination Against Women (CEDAW);
- Adoption of the National Gender Policy in 1997, which outlines the framework and sets out principles for the implementation, co-ordination and monitoring of gender-sensitive issues which will enhance effectiveness in the management and planning of the developmental processes;
- Launching of the National Gender Plan of Action in 1998 with the aim of promoting gender equality. The Act empowers women through the dissemination of information, mainstreaming gender issues, promoting law and policy reform, and monitoring progress so as to ensure full and equal participation of all people in the political, economic, social and cultural developments;
- Establishment of the Department of Women Affairs in the Office of the President which was later converted to a fully fledged Ministry of Gender Equality and Child Welfare.
- Signing of the SADC Declaration on Gender and Development, which sets a minimum target of 30 per cent representation of women in decision making positions at all levels by 2005.



The above-mentioned legislative framework shows the government's seriousness towards redressing the imbalances of the past. These policy initiatives emphasise the role of government and regional bodies in ensuring gender in the labour market.

#### **2.4 Effectiveness of these Policies and Initiatives**

Since the implementation of affirmative action in Namibia, the representation of people from designated groups has improved. The number of previously racially disadvantaged men increased at the management level in the different sectors, and thus contributing to the economy of the country. However, women and people with disabilities are still under-represented. In 2006, the previously racially disadvantaged people represented 66 per cent of all executive directors and managers, while women accounted for 42 per cent of all positions in the executive director and management occupational categories. Persons with disabilities represented a mere 0.5 per cent of positions at the executive director and management levels of employment (Employment Equity Commission, 2007).

Jauch (1999) pointed out that, six years after independence in 1996, about 70 per cent of the management posts in the Namibian civil service were held by people from disadvantaged groups. Most of them were black men (52 per cent) and only 13 per cent were black women. These figures indicate that affirmative action made the civil service more representative but did not promote women as much as men.

Namibia succeeded in achieving 33 per cent women in the Public Service management cadre, thereby reaching the SADC target of 30 per cent women

representation in decision making structures by 2005. Considerable progress has been made to include women in the Management cadre. Out of 27 government offices, ministries and agencies that submitted information to the Ministry of Gender Equality and Child Welfare (MGECW), 13 or 48 per cent have reached this target, while 14 or 52 per cent haven't represented women adequately (Ministry of Gender Equality and Child Welfare, 2006).

With regard to the private sector, MGECW (2006) concluded in their study that, "the private sector has achieved 33 per cent of women in decision-making positions" (p. 37). Out of a total of 82 private sector institutions that submitted information to the ministry, 73 per cent have reached the SADC 30 per cent target, this is an indication that women are encouraged to attain management positions in the private sector. Despite the improvement of women representation in the public and private sector in general, it is however regrettable to note that the majority of these women occupy positions at the bottom of the ladder (MGECW, 2006).

## **2.5 Summary**

Before independence, black men did not have equal employment opportunities as compared to their white counterparts. They were recruited to work in mines, railways and as farm labourers in white-owned farms. Women were denied opportunities to fill positions at management level and were discriminated against, irrespective of their race and color. After independence in 1990, the Namibian government implemented affirmative action policy and other initiatives with the aim of redistributing resources equally to all Namibians and eradicating all those employment barriers. For the first time,

women were able to compete for decision making positions. The different regulations, policies and initiatives reviewed in this chapter show the government's commitments to redress the imbalances in employment opportunities, aiming to achieve an equitable distribution and allocation of resources in the economy. The next chapter (Chapter three) examines a number of theoretical perspectives on affirmative action and provides empirical evidence on affirmative action.

## CHAPTER THREE: LITERATURE REVIEW

### 3.1 Conceptual or theoretical framework

Human (1993) regards affirmative action as “a means of creating equal employment opportunity and not as reverse discrimination” (p.1). He stated that “Affirmative action requires more than just the training and development of blacks and women, it also requires fairly major restructuring of the way in which human resources are recruited, promoted and developed” (p. 29).

According to Ramphele (2007), “affirmative action refers to specific measures taken to remove impediments to the full realization of the potential of individuals or communities. It is a tool or strategy to achieve goals and enable individual and groups to utilize the equal opportunities made available to them in the transformed environment”(p. 33).

Darity (2005) stated that affirmative action constitutes a set of positive antidiscrimination measures intended to insure for members of groups who otherwise would be excluded or underrepresented in preferred positions in a society. It is intended as a strategy to address present day exclusion, it is not compensation for past discrimination, oppression, or injustice. This is further echoed by LaRRI (2005) that affirmative action must not become a new form of discrimination but an instrument to overcome the legacies (and still widespread practice) of racism and gender discrimination. It may promote the redistribution of opportunities in favour of previously disadvantaged groups, but is not the principal mechanism to redistribute wealth or to overcome poverty.

Furthermore, affirmative action or positive action does not imply that beneficiaries have something wrong with them or need to change, but it highlights and seeks to address the failure of labour market institutions to provide equal opportunities to all. Affirmative action is based on the recognition that the prohibition of discrimination alone may be insufficient to level the playing field, once inequalities have become entrenched. Affirmative action policy has gained international acceptance as a legitimate vehicle to promote social justice whilst enhancing the more efficient use of human resources (ILO, 2007).

Jauch (1998) stressed that affirmative action has to compensate for the various disadvantages suffered by the majority of the Namibian population. Racism has not only resulted in vast socio-economic inequalities, but also created a number of legal and administrative barriers for black people. He added that affirmative action does not necessarily eradicate socio-economic inequalities. Instead, inequalities may be shifted from the basis of race, ethnicity or gender to the basis of class. He argued that affirmative action in Namibia have to go beyond the goal of representativeness to become a meaningful instrument of change. As a strategy to redress the legacies of apartheid and colonialism, it has to bring about representativeness in areas and institutions which were dominated by white minority; it has to contribute to the transformation of institutions and their institutional culture and also has to effect some form of redistribution.

In the Namibian context, affirmative action means equal access to employment opportunities. It is perceived as a measure to correct the imbalances in employment that existed in the Namibian labour market arising from past discriminatory laws and

practices. Affirmative action is intended to foster fair employment practices and equitable distribution of resources.

### **3.2 Empirical Evidence on Affirmative Action**

Research by economists provides less evidence and consensus on the question of whether affirmative action improves or impedes efficiency or performance. This implies that the empirical case against affirmative action on the grounds of efficiency is weak (Holzer & Nuemark, 1999).

Moro and Norman (2001) concluded in their study that an affirmative action policy consisting of a quota may fail in the sense that there still may be equilibria where groups are treated differently. However, the incentives for agents to invest in the discriminated group are improved by affirmative action if the initial equilibrium is the most discriminatory equilibrium in the model without the policy.

Ayres (Undated) argued that sliding-scale preferences may be ideal for setting aside minimum quotas of contracts for minorities, although such quasi-quotas are consistent with narrow tailoring when dramatic shortfalls in minority participation, would undermine government's remedial efforts (p.3). In the case of Namibia, it has been found that improvement from government initiatives have not been significant for women. The representation of the previously racially disadvantaged men increased at the special/skilled/supervisory level where they formed the dominant group, and the share of their female counterparts also improved. However, white men dominated both top and senior management positions while women, were still under-represented (ILO, 2007).

Studies on affirmative action have shown that physical impairments and handicaps are the cause of the socio-economic marginalization experienced by people with disabilities. Aeberhard-Hodges & Raskins (1997) argued that it is not enough to treat these people the same as the general population due to the barriers they experience as a result of their particular situation; instead, they will need special affirmative action programmes to allow them to arrive at an equitable position when competing for training and employment. They concluded in their study that “before introducing affirmative action programmes, the existence of support systems must be contemplated”. They argued that:

a programme may be very well designed, but if buildings are not accessible; if outreach programmes are not put in place to address the negative stereotypes and discriminatory attitudes that persons with disabilities face when seeking for employment and if the education system does not provide the necessary training adapted to their needs, then the practical result is to limit the effectiveness of the programme’s impact (P.106).

However, in a number of cases, affirmative action has redressed labor market inequalities between dominant and designated groups and raised productivity and stock return of enterprises (ILO, 2003).

### **3.3 Affirmative Action in South Africa**

South Africa and Namibia share a common history of being subject to apartheid laws, practices and policies. The discourse of affirmative action in the two countries has been similar arising from the apartheid system that prevented blacks from taking up

positions at management level. Given the close similarities in labour practices between South Africa and Namibia, the study found it necessary to analyse the affirmative action policy in South Africa to draw lessons for Namibia.

Prior to 1994, Black South Africans were unprotected by the law. People were categorized as African, Coloured, Indian or white by the Apartheid regime. Blacks were denied job and educational opportunities on the basis of their race, and access to housing, health services, transport and economic opportunities was limited (Msimang 2000). Given this history, the new government realized the need for a legislation that will protect the rights of poor including, women and socially marginalized groups. The goal was to ensure equity and equal access to job opportunities for all South Africans. As a result the Labour Relation Act of 1995 (LRA) and the Basic Conditions of Employment Act of 1997 (BCEA) were drafted and set out parameters under which workers can be employed and organize themselves. The LRA allowed legal strikes and industrial action for all workers for the first time while the BCEA established clear rules about overtime, working hour and remuneration (Msimang, 2000). These acts were among the few initial documents to level the playing field in the labour market.

In 1998, the government of the Republic of South Africa implemented the Employment Equity Act (EEA) of 1998 with the aim of achieving equity in the workplace by (a) promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination; and (b) implementing Affirmative Action measures in order to redress the disadvantages in employment experienced by designated groups, to ensure their equitable representation in all occupational categories and levels in the workplace (Department of Labour, 2004, 5). The execution of the law specifically



targets blacks, women (of any race) and the disabled (of any race) as the beneficiaries of the policy.

Affirmative action in South Africa was necessitated by evidence of the racial and gender composition of employment of the type, where the management of about 455 South African firms was dominated by white males, accounting for 89 per cent, while the remaining 11 per cent was held by blacks, coloureds or Indians. The reason why there was a need for government intervention is due to the fact that whites are the minorities accounting for only 11 per cent of the total population, yet they dominate management positions in a large number of firms. (Msimang, 2000).

Affirmative action in South Africa appears to have had an impact on the workforce profile of employers covered by the Employment Equity Act with black men having benefited the most. In 2003, black men accounted for 18.5 per cent of the top management positions compared to 5.3 per cent and 15 per cent for black and white women, respectively. According to the promotion figures in 2002-2003, over 37 per cent of the blacks were promoted to higher positions indicating the impact and effectiveness of affirmative action policy. However, the number of people with disabilities has remained low and variable, leading to an insignificant impact of the affirmative action policy for people with disabilities (ILO, 2007).

### **3.4 Summary**

Studies on affirmative action provide less evidence on whether affirmative action improves or impedes efficiency. As a result, evidence against affirmative action on the basis of economic efficiency remains an empirical issue. Efficiency measures are based

on output and level of productivity measured in labour hours. In the case of Namibia, there are no previous studies on efficiency and data on output and productivity are not available. It is for this reason why the current study would not focus on efficiency due to data limitation. However, studies on affirmative action in Namibia provide evidence on the improvement in the representation of black men in management positions, with some progress on the employment of women, while people with disabilities are still underrepresented in decision making positions.

The next chapter (chapter four) provides a theoretical framework of the models used in this study and outlines the methodology employed. The type of data used and the techniques to analyse the data are also presented in the next chapter.

## **CHAPTER FOUR: RESEARCH METHODOLOGY**

### **4.1 Theoretical Framework**

Econometric modelling involves quantitative techniques and different methods to fit the data. Among those methods are the linear or non-linear approaches based on theoretical grounds. One of the approaches used involves panel data, which is suitable to study the dynamics of change. Panel data are collected from the same cross-sectional unit, like households or firms, surveyed over different time intervals (i.e. annually, every second year, etc). Panel data is a data set containing of observations on multiple phenomena observed over multiple time periods, combining time series and cross sectional data (Gujarati, 2003).

Time series is a data set containing observations on a single phenomenon observed over multiple time periods, whereas cross section is a data set containing observations on multiple phenomena observed at a single point in time. In this study, we are using panel data on selected institutions to assess the impact of affirmative action on employment at management level.

### **4.2 Panel Data Regression Models**

There are two types of panel data regression models, namely the Fixed Effect Model and the Random Effect Model. Theoretically, both models are ideal to estimate dynamic impacts with panel data. The choice of each model depends on the researcher and the underlying assumptions of the empirical model in question. It is for this reason why both models are applied in this paper and the best model chosen on the basis of the Hausman specification test.

#### 4.2.1 Fixed Effects Model (FEM)

This is the model to use when we want to control omitted variables that differ between cases but are constant over time. It allows us to use the changes in the variables over time to estimate the effects of the independent variable on the dependent variables.

The Fixed Effects Model is based on the following assumptions:

- The intercept and slope coefficients are constant across time and space and the error term captures differences over time and individuals.
- The slope coefficients are constant but the intercept varies over individuals.
- The slope coefficients are constant but the intercept varies over individuals and time.
- All coefficients (the intercept as well as slope coefficients) vary over individuals.
- The intercept as well as slope coefficients vary over individuals and time.

The model can be estimated as follows:

$$Y_{it} = B_1 + B_2 X_{2it} + B_3 X_{3it} + U_{it} \quad (1)$$

Where  $Y_{it}$  is the dependent variable, X's are the explanatory variables and  $u_i$  is the error term.

#### 4.2.2 Random Effects Model (REM)

Unlike in the fixed effect model where each cross sectional unit (institution) has its own fixed intercept value, in the random effects model the intercept  $\alpha_1$  represents the mean value of all the cross sectional intercept and the error component  $u_i$  represents the deviation of individual intercept from this mean value. The random effects model also acknowledges the heterogeneity of the different institutions captured by the random error term.

$$Y_{it} = B_1 + B_2X_{2it} + B_3X_{3it} + W_{it} \quad (2)$$

In this model the error term, which captures impacts of excluded variables on dependent variable is assumed to be random as follows:

$$W_{it} = a_0 + a_1E_t \quad (3)$$

### 4.3 Model Specification

#### 4.3.1 Fixed Effects Model (FEM) and Random Effects Model (REM)

The paper uses both the (FEM) and the (REM) to investigate the impact of Affirmative Action on employment of the designated groups in management positions.

The study used some of the assumptions of the model that fit the Namibian situation.

The Model for the current study can be specified as follows:

$$Empr. = \alpha_1 + \alpha_2 Compl_i + B_2 Dempl_{it} + B_3 Train_{it} + u_{it} \quad (4)$$

The variables in equation (4) are defined in table 2 as follows:

**Table 4.1: Definition of Variables**

Name	Statistical Meaning and Description	Expected Sign ( with Empr)
<i>Empr</i> refers to the employment ratio of the designated groups on total employment of the selected institutions at management level.	Dependent Variable.	N/A
<i>Compl</i> reflects the number of institutions that comply with the EEC requirements.	<i>Compl</i> is a dummy variable, taking the value of 1 if firm complies and 0 otherwise.	Positive.
<i>Train</i> refers to the number of employees given training by their respective employers.	<i>Train</i> is a quantitative explanatory variable indicating the number of employees from designated groups trained.	Positive or negative depending on whether institutions comply.
<i>Dempl</i> refers to the number of employment for the designated group in management positions.	<i>Dempl</i> is a quantitative explanatory variable indicating the number of employees from the designated group in management positions.	Positive.

#### 4.3.2 Hausmann Specification Test

The Hausmann test is used to test whether the fixed or random effects model should be used. It is used to test the null hypothesis that the regressors and individual effects are not correlated. If the null hypothesis is accepted the random effects model will be appropriate, but if the null hypothesis is rejected, the fixed effects model will be preferred. The Hausman test is a comparison of the covariance matrix of the regressors in the FEM with those in the REM.

The test uses the Chi-Square distribution and is specified as follows:

$$\chi^2 = (\beta_{fe} - \beta_{re})' (\text{Var}[Fe] - \text{Var}[Re])^{-1} (\beta_{fe} - \beta_{re}) \quad (5)$$

Where:  $\chi^2$  is the chi-square distribution notation,

$(\beta_{fe} - \beta_{re})'$  is the transposed coefficient vector

$(\text{Var}[fe] - \text{Var}[re])^{-1}$  is the inverse of the covariance matrix, and

$(\beta_{fe} - \beta_{re})$  is the coefficient vector.

#### **4.4 Sample and data**

The study uses a sample of 35 private and public institutions for a time period of 6 years (2001-2006). This means that there are 35 cross sectional units and 6 time periods, which constitutes a total of 210 observations. The study uses data on the ratio of employment of the designated groups out of total employment in management positions, to assess the percentage of the designated groups in management positions achieved by institutions. This is the dependent variable to be explained by a dummy on compliance of institutions; employment of the designated groups; and the training offered to designated groups. Secondary data from the affirmative action reports of the 35 institutions, drawn from the 16 sectors classified by the EEC, is used. The focus is on employment at management level, which includes executive directors, senior managers and middle managers. As the focus of the study relates to affirmative action policy, it was of great importance to examine the relevant policy documents and reports related to the study.

#### **4.5 Data Analysis**

The study uses EViews to carry out the statistical analysis, and then running regressions to get the impacts of the variables on total employment. Two panel data models, namely the Fixed Effects Model (FEM) and the Random Effects Model (REM) are employed to look at the time effect as well as the individual institutional effect. Then, the Hausmann specification test is used to compare the two models and choose the best model in explaining employment dynamics of the designated group.



## CHAPTER FIVE: ANALYSIS AND INTERPRETATION OF DATA

### 5.1 Panel data regression models

The following equation is estimated to examine the effects of the explanatory variables (employment and training of the designated group) on the employment ratio using both fixed and random effects models. The model given in equation 1 is reproduced in equation 5 as follows:

$$Empr. = \alpha_1 + \alpha_2 Compl_i + B_2 Dempl_{it} + B_3 Train_{it} + u_{it} \quad (6)$$

Where:

- *Empr* is the employment ratio,
- *Compl* is dummy variable taking the value of one when an institution complies with the provisions of the affirmative action policy and zero otherwise.
- *Dempl* is the employment of the designated group,
- *Train* denotes training of the designated group, and
- $U_{it}$  is the error term

#### 5.1.1 Fixed Effects Model (FEM)

This model assumes that the slope coefficients are constant but intercepts differ across individuals (institutions). Each institution's intercept does not vary over time, that is, it is time invariant (Gujarati, 2003).

**Table 5.1: FEM Estimation Results**

<b>Variable</b>	<b>Coefficient</b>	<b>Std. Error</b>	<b>t-Statistics</b>	<b>Probability</b>
Constant	2.665452	2.487385	1.071588	0.2854
dempl	0.223274	0.102333	2.181834	0.0305*
train	0.019801	0.103645	0.191044	0.8487
compl	48.13178	3.443601	13.97717	0.0001*

Source: Author's own construct. EViews6 Results

Note: \* refers to significance at 5%.

The coefficient for the employment of the designated group (dempl) is positive and is statistically significant at 5 per cent. The result shows a positive relationship between the number of the designated groups in management positions and the employment ratio of the designated groups on total employment of the selected institutions. This means that an increase in the number of employees from the designated group leads to an increase in the employment ratio. This is consistent with the theoretical expectation.

The dummy variable of compliance (compl) has a significant positive effect on the employment ratio as expected. This implies that employment ratio will rise when more institutions comply with the provisions of affirmative action by submitting their annual reports. The employment ratio will decline as the cases of non-compliance increases.

The coefficient of training (train) also has an insignificant positive effect on the employment ratio. This is an indication that employees at management level might need training in the short run, but as they acquire more skills and gain experience, training at that level might be reduced.

### *5.1.2 Random Effects Model (REM)*

The results of the REM are shown in table 5.2

**Table 5.2: REM Estimation Results**

<b>Variable</b>	<b>Coefficient</b>	<b>Std.Error</b>	<b>t-Statistics</b>	<b>Probability</b>
Constant	2.340183	4.05629	0.576927	0.5646
dempl	0.234139	0.0901	2.598668	0.0100*
Train	0.017528	0.100609	0.174215	0.8619
Compl	48.27865	3.288293	14.68198	0.0000*

Source: Author's own construct.

Note: \* refers to significance at 5%.

The REM results show no significant difference from the FEM results. There is no much difference in the coefficient values of the explanatory variables. The coefficients of the two variables (dempl and train) are positive as expected. The coefficient of the dummy variable for compliance (compl) is positive and statistically significant at 5 per cent. The diagnostic statistics showing the overall performance of the two models are presented in table 5.3.

**Table 5.3 Diagnostic Tests**

	<b>Fixed Effects Model</b>	<b>Random Effects Model</b>
R <sup>2</sup>	0.835037	0.652165
Durbin Watson Statistics	1.930812	1.632775
F-Statistics	23.53133	128.7447

Source: Author's own construct.

The results presented in table 5.3 show that the equation is correctly specified as the R<sup>2</sup> in both models is reasonably high. The Durbin Watson statistics, which measures autocorrelation for both models are significant at 5 per cent, showing that the hypothesis of no autocorrelation is not rejected. The F-test is highly significant at 1 per cent and it implies that the null hypothesis of equality of the individual effects is rejected.

### 5.1.3 Hausman Specification test

As described in chapter four, the Hausman specification test is used to compare the REM and the FEM and choose the most appropriate model. All the three components of the Hausman statistics capture the difference in the coefficient vector and covariance matrix of the FEM and the REM. The result of the Hausman test is 0.3062 which is statistically insignificant. This test result shows that the null hypothesis of no correlation between the regressors and the individual effects is rejected, indicating that institutions specific effects are correlated with regressors. This implies that the FEM is appropriate, since the random effects estimates are inconsistent and hence, the FEM is the preferred model for this study.

## 5.2 Summary

This chapter presented the results and analyzed the results obtained from the REM and the FEM. The results are interpreted based on the performance of the estimated coefficients and the diagnostic statistics. Interpretation of results forms the basis for conclusions and policy implications of the findings, which is the aim of the study.

## **CHAPTER SIX: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **6.1 Summary and conclusions**

The full potential of affirmative action as envisaged in the Namibian constitution has not yet been realized. Despite the government's efforts to redress the imbalances of the past, very little progress has been made so far in terms of increasing the representation of the designated groups at management level of various institutions. Ten years after the implementation of affirmative action policy in Namibia, the workforce profiles of some relevant employers still reflect the dominance of advantaged persons in management positions relative to people from the disadvantaged groups. The representation of people with disabilities at management level is relatively insignificant.

The main objective of this study is to analyze the impact of affirmative action policy on employment of the designated groups at management level for the period 2001 to 2006. In pursuance of the above objective, the study employed econometric techniques to estimate the effects of the employment of the designated groups in management positions on the employment ratio of the designated groups for 35 selected institutions. Two panel data regression models, namely the fixed and the random effects model are used. Secondary data from the affirmative action reports of the 35 institutions randomly selected from the 16 sectors of the economy are used.

The employment ratio of the designated groups in management positions is regressed on the number of the designated groups in management positions, the number of people trained and the dummy variable for compliance. The regression results for both the FEM and REM show that employment of the designated groups has a positive impact on the employment ratio. This means that an increase in the number of the designated

groups leads to an increase in the employment ratio of the designated groups out of total employment of the selected institutions. The study also found that training at management level has an insignificant positive impact on the employment ratio. The insignificant positive impact of training could be attributed to the fact that employees at management level might need training in their initial period (in the short run). As they gain experience at that level, training offered might be reduced.

The dummy variable for compliance with the submission of annual reports to the EEC shows a significant positive impact on the employment ratio of those institutions that comply. This is an indication that if institutions comply with the provisions of the Affirmation Action (Employment) Act of 1998, by submitting their annual affirmative action reports, they are likely to increase the ratio of the designated groups on total employment.

## **6.2 Recommendations**

The different institutions in Namibia should work towards achieving the target of equal representation in employment opportunities, by setting their numerical targets annually. Achieving the equal representation target would help Namibia realize its goals of affirmative action and lead to equitable allocation of resources in the economy. The results show that an increase in the number of employees from the designated groups would increase their ratio in total employment at management level of institutions and this should be encouraged.

The number of employees from the designated groups in management positions should be supported by offering training opportunities in order to empower them with the

necessary skills. This would strengthen their management capabilities and enable them to make meaningful decisions towards the achievement of their organizational goals. However, results show that training has an insignificant impact in the long run, which implies that the need for training reduces as people become more experienced. The training and recruitment divisions of institutions should map out a clear strategy for fast tracking candidates from designated groups with the necessary potential for managerial roles. A clear plan to equip them with the necessary skills and support also needs to be developed.

Although data in the econometric models were not disaggregated to analyze the impact of gender, the available data show that women are still disadvantaged as compared to men in many sectors of the economy. Therefore, it is necessary for public and private institutions to provide employment opportunities for women in order to improve capacity building of women and increase their role in decision making.

The EEC should adopt an aggressive strategy to urge relevant employers to honour the provisions of the Affirmative Action (Employment) Act of 1998. The affirmative action policy needs to be enforced to ensure compliance by relevant employers by way of prosecuting offenders in accordance with section 47 of the Affirmative Action Act. This action would ensure that institutions comply with the submission of their annual reports to the EEC, which would motivate them to comply with the employment requirements.

In the absence of quantifiable econometric results, available data support the idea that training and rehabilitation programmes for persons with disabilities should be conceptualized and implemented in collaboration with establishments that have actual

needs for their skills and services, to facilitate eventual absorption of qualified people with disabilities in the job market.

Monitoring and evaluation of affirmative action process should take place on a regular basis to enable the EEC to assess the extent to which change in representation of the designated groups is taking place in different institutions. All stakeholders should be involved in the planning, implementation, monitoring and evaluation of affirmative action measures.

The Public Service of Namibia should ensure full implementation of the affirmative action policy by first considering people classified under designated group when they come for interviews. This should be complemented by tailor-made training targeting the empowering of the designated groups. The EEC should be empowered and staffed in order to cover all the 13 regions of Namibia through establishment of cluster centers.

### **6.3 Limitations of the Study**

The current study is limited by short term data series on affirmative action in Namibia, due to newly established policy initiatives. The available data start from 2000 to 2007, but the study only used data from 2001 to 2006 due to incomplete data series in the other years. Further, the absence of relevant studies on the impacts of affirmative action on employment limits the ability of the current study to make comparison for effective policy impacts.



#### **6.4 Recommendation for Further Research**

The study recommends that further research be conducted using a longer series to assess the impact of the policy on the employment of the designated groups in management positions. The study would benefit by disaggregating data according to the different categories of designated group, such as women and people with disabilities whose representation is still low.

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