

**THE IMPLICATIONS OF SECTION 12 AND 18 OF THE  
LABOUR AMENDMENT ACT, 2015 ON FDI: THE CASE OF  
THE WILLOWVALE INDUSTRIAL AREA.**

**BY**

**ARNOLD CHISAMBA**

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENT FOR A MASTERS IN PUBLIC ADMINISTRATION DEGREE**

**DEPARTMENT OF POLITICAL AND ADMINISTRATIVE STUDIES**

**FACULTY OF SOCIAL STUDIES**

**UNIVERSITY OF ZIMBABWE**

**FERUARY 2016**

## **DEDICATIONS**

To my family and friends, your support and encouragement means everything.

## **ACKNOWLEDGEMENTS**

I would like to thank almighty God for giving me strength to deal with what at first seemed like insurmountable challenges in the undertaking of my study. I would also like to extend my profound gratitude to my supervisor Ms M. Chiware who always lent an ear and helped me throughout the duration of my study.

It is only natural that I thank the Willowvale industrialists who participated in the study, Mr Matongo of the Employers Confederation of Zimbabwe (EMCOZ) and the Harare residents who participated in the study for their unwavering support and contribution to enriching my study.

The rest I owe to the support of my family, friends and the department of politics and administrative studies at the University of Zimbabwe.

## **ABSTRACT**

*The area of labour retrenchment regulations and their implications on FDI is a relevant and controversial issue in Zimbabwe. A Supreme Court common law ruling in July 2015 allowed for the termination of employee contracts without severance packages on three months' notice which resulted in mass dismissal based on this precedent. This led to the fast trekking of a Labour Amendment Act by the Government of Zimbabwe to halt these dismissals but the act was largely considered as not being reflective of the challenges affecting industrialists in retrenching employees. It was from such a backdrop that the study focused on studying the implications of section 12 and 18 of the Labour Amendment Act, 2015 on FDI in Willowvale. Views from different authorities on the impact retrenchment regulations were having on FDI were reviewed to gain greater understanding of the research topic. The research then triangulated data collection methods to acquire data on the implications of section 12 and 18 of the Labour Amendment Act, 2015 on FDI in Willowvale. Methods such as in-depth interviews, close ended questionnaires and documentary search were used. The study then came up with the major findings that section 12 of the Labour Amendment Act, 2015 which imposed a retrenchment package to be paid to retrenched employees and section 18 which allowed section 12 to be applied in retrospect to when the mass dismissals started were deterring foreign investment in Willowvale as well as Zimbabwe at large which was suffering from low FDI in-flows within the region. The study also discovered that the enactment of section 12 and 18 of the Labour Amendment Act had angered industrialists, added to the difficulty of doing business in Zimbabwe and resulted in an on-going legal battle between the government of Zimbabwe and the employer representative organizations. The study concluded that the government of Zimbabwe was adopting a neutral stance when it came to the idea of amending the labour retrenchment act. The study also concluded that companies within Willowvale were struggling to cope with retrenchment regulations. The study recommends the amendment of labour legislation in Zimbabwe particularly section 12 and 18 of the Labour Amendment Act, 2015 to increase FDI. The study also strongly recommends an increase in stakeholder participation in the making of labour legislation in Zimbabwe.*

## **Table of contents**

### **Table of Contents**

CHAPTER ONE.....	1
1.1 Background to the problem.....	1
1.2 Objectives of the study.....	4
1.3 Research Questions.....	4
1.4 Hypothesis.....	5
1.5 Justification of the study.....	5
1.6 Limitations.....	5
1.7 Delimitations.....	6
1.8 Structure of the Dissertation.....	6
Chapter 1: Introduction.....	6
Chapter 2: Literature review and theoretical framework.....	6
Chapter 3: Methodology.....	6
Chapter 4: Data presentation and analysis.....	6
Chapter 5: Conclusions and recommendations.....	6
CHAPTER TWO: Literature review and theoretical framework.....	7
2.0 Introduction.....	7
2.1 Conceptualisation of Foreign Direct Investment.....	7
2.1.1 Types of FDI.....	7
2.2 Defining labour law.....	8
2.3 Employee Benefits.....	9
2.4 Conceptualisation of the tripartite relationship.....	9
2.5 History of laws governing labour regulations in Zimbabwe.....	10
2.5.1 Pre-Independence labour law trends.....	10
2.5.2 1980s (Post Independence) labour law trends.....	10
2.5.3 1990s labour law trends.....	11
2.5.4 Post Labour law trends.....	12
2.6 The nexus between labour retrenchment laws and FDI.....	16
2.7 Case study of retrenchment laws and FDI: India.....	19
2.8 Theoretical Framework.....	20
2.8.1 Dunning's Eclectic theory.....	20

2.8.2 The race to the bottom hypothesis.....	21
CHAPTER THREE: Research Methodology.....	23
1.0 Introduction.....	23
3.1 Research design.....	23
Study area.....	24
3.2 Sampling, data collection techniques and target population.....	24
3.2.1 In-depth interviews.....	24
3.2.2 Documentary research.....	27
3.2.3 Close ended questionnaire.....	28
3.3 Data presentation and analysis.....	28
3.3.1 Content analysis.....	28
3.3.2 Thematic analysis.....	29
3.4 Ethical Considerations.....	29
3.5 Conclusion.....	30
CHAPTER FOUR: Data presentation and analysis.....	31
2.0 Introduction.....	31
4.1 Challenges encountered during data collection.....	31
4.2 Conceptualisation of the link labour retrenchment laws and FDI.....	33
4.3 Impacts of labour regulations on FDI in Zimbabwe.....	37
4.3.1 Low levels of FDI in Zimbabwe.....	37
4.3.2 Companies operating under extreme financial pressure.....	40
4.3.3 Restructuring.....	41
4.3.4 Legal battles.....	42
4.3.5 Increased difficulty of doing business.....	42
4.4 Views towards section 12 and 18 of the Labour amendment Act, 2015.....	43
4.5 Future implications of labour regulations of FDI in Zimbabwe.....	45
CHAPTER FIVE: Conclusions and recommendations.....	47
5.1 Conclusions.....	47
5.1.1 Government maintaining a neutral stance towards amendment of laws.....	47
5.1.2 Zimbabwean industries are struggling with FDI in flow.....	47
5.1.3 Lack of coherence among arms of government in Zimbabwe.....	47
5.2 Recommendations and areas of further study.....	48

5.2.1 Immediate amendment of labour regulations.....	48
5.2.2 Increase stakeholder participation in law making.....	48
5.2.3 Promotion of Zimbabwean workforce as a way to lure investment.....	48
5.3 Recommendation of areas for further study.....	49
Bibliography.....	50
List of Appendices.....	55

## **LIST OF CHARTS**

Figure 4.1 Data collection schedule for key informants interviewed.....	32
Figure 4.2 Data collection schedule for Harare Residents.....	32
Figure 4.3 Public opinion chart of Harare residents .....	36
Figure 4.4 Environment to attract FDI.....	39
Figure 4.5 Factors affecting business in Zimbabwe.....	43



## **ABBREVIATIONS**

CZI	Confederation of Zimbabwe Industries
ECA	Economic Commission for Africa
EMCOZ	Employers Confederation of Zimbabwe
ESAP	Economic Structural Adjustment Programme
FDI	Foreign Direct Investment
ILO	International Labour Organisation
OECD	Organisation for Economic Co-operation and development
TNE	Trans National Enterprise
MOFED	Ministry of Finance and Economic Development
MOLSWPS	Ministry of Labour, Social Welfare and Public Service
MNE	Multi National Enterprise
POLAD	Department of Political and Administrative Studies
UNAIDS	United Nations Aids Monitoring and Evaluation Division
UNCTAD	United Nations Trade and Development
UZ	University of Zimbabwe
ZIMPREST	Zimbabwe Programme for Economic Recovery and Social Transformation
ZANU-PF	Zimbabwe African National Union (Patriotic Fund)

## **DEDICATIONS**

To my family and friends, your support and encouragement means everything.

## **ACKNOWLEDGEMENTS**

I would like to thank almighty God for giving me strength to deal with what at first seemed like insurmountable challenges in the undertaking of my study. I would also like to extend my profound gratitude to my supervisor Ms M. Chiware who always lent an ear and helped me throughout the duration of my study.

It is only natural that I thank the Willowvale industrialists who participated in the study, Mr Matongo of the Employers Confederation of Zimbabwe (EMCOZ) and the Harare residents who participated in the study for their unwavering support and contribution to enriching my study.

The rest I owe to the support of my family, friends and the department of politics and administrative studies at the University of Zimbabwe.

## **ABSTRACT**

*The area of labour retrenchment regulations and their implications on FDI is a relevant and controversial issue in Zimbabwe. A Supreme Court common law ruling in July 2015 allowed for the termination of employee contracts without severance packages on three months' notice which resulted in mass dismissal based on this precedent. This led to the fast trekking of a Labour Amendment Act by the Government of Zimbabwe to halt these dismissals but the act was largely considered as not being reflective of the challenges affecting industrialists in retrenching employees. It was from such a backdrop that the study focused on studying the implications of section 12 and 18 of the Labour Amendment Act, 2015 on FDI in Willowvale. Views from different authorities on the impact retrenchment regulations were having on FDI were reviewed to gain greater understanding of the research topic. The research then triangulated data collection methods to acquire data on the implications of section 12 and 18 of the Labour Amendment Act, 2015 on FDI in Willowvale. Methods such as in-depth interviews, close ended questionnaires and documentary search were used. The study then came up with the major findings that section 12 of the Labour Amendment Act, 2015 which imposed a retrenchment package to be paid to retrenched employees and section 18 which allowed section 12 to be applied in retrospect to when the mass dismissals started were deterring foreign investment in Willowvale as well as Zimbabwe at large which was suffering from low FDI in-flows within the region. The study also discovered that the enactment of section 12 and 18 of the Labour Amendment Act had angered industrialists, added to the difficulty of doing business in Zimbabwe and resulted in an on-going legal battle between the government of Zimbabwe and the employer representative organizations. The study concluded that the government of Zimbabwe was adopting a neutral stance when it came to the idea of amending the labour retrenchment act. The study also concluded that companies within Willowvale were struggling to cope with retrenchment regulations. The study recommends the amendment of labour legislation in Zimbabwe particularly section 12 and 18 of the Labour Amendment Act, 2015 to increase FDI. The study also strongly recommends an increase in stakeholder participation in the making of labour legislation in Zimbabwe.*

## Table of contents

### Table of Contents

CHAPTER ONE.....	1
1.1 Background to the problem.....	1
1.2 Objectives of the study.....	4
1.3 Research Questions.....	4
1.4 Hypothesis.....	5
1.5 Justification of the study.....	5
1.6 Limitations.....	5
1.7 Delimitations.....	6
1.8 Structure of the Dissertation.....	6
Chapter 1: Introduction.....	6
Chapter 2: Literature review and theoretical framework.....	6
Chapter 3: Methodology.....	6
Chapter 4: Data presentation and analysis.....	6
Chapter 5: Conclusions and recommendations.....	6
CHAPTER TWO: Literature review and theoretical framework.....	7
3.0 Introduction.....	7
2.1 Conceptualisation of Foreign Direct Investment.....	7
2.1.1 Types of FDI.....	7
2. 2 Defining labour law.....	8
2.3 Employee Benefits.....	9
2.4 Conceptualisation of the tripartite relationship.....	9
2.5 History of laws governing labour labour regulations in Zimbabwe.....	10
2.5.1 Pre-Independence labour law trends.....	10
2.5.2 1980s (Post Independence) labour law trends.....	10
2.5.3 1990s labour law trends.....	11
2.5.4 Post Labour law trends.....	12
2.6 The nexus between labour retrenchment laws and FDI.....	16
2.7 Case study of retrenchment laws and FDI: India.....	19
2.8 Theoretical Framework.....	20
2.8.1 Dunning's Eclectic theory.....	20

2.8.2 The race to the bottom hypothesis.....	21
CHAPTER THREE: Research Methodology.....	23
3.0 Introduction.....	23
3.1 Research design.....	23
Study area.....	24
3.2 Sampling, data collection techniques and target population.....	24
3.2.1 In-depth interviews.....	24
3.2.2 Documentary research.....	27
3.2.3 Close ended questionnaire.....	28
3.3 Data presentation and analysis.....	28
3.3.1 Content analysis.....	28
3.3.2 Thematic analysis.....	29
3.4 Ethical Considerations.....	29
3.5 Conclusion.....	30
CHAPTER FOUR: Data presentation and analysis.....	31
4.0 Introduction.....	31
4.1 Challenges encountered during data collection.....	31
4.2 Conceptualisation of the link labour retrenchment laws and FDI.....	33
4.3 Impacts of labour regulations on FDI in Zimbabwe.....	37
4.3.1 Low levels of FDI in Zimbabwe.....	37
4.3.2 Companies operating under extreme financial pressure.....	40
4.3.3 Restructuring.....	41
4.3.4 Legal battles.....	42
4.3.5 Increased difficulty of doing business.....	42
4.4 Views towards section 12 and 18 of the Labour amendment Act, 2015.....	43
4.5 Future implications of labour regulations of FDI in Zimbabwe.....	45
CHAPTER FIVE: Conclusions and recommendations.....	47
5.1 Conclusions.....	47
5.1.1 Government maintaining a neutral stance towards amendment of laws.....	47
5.1.2 Zimbabwean industries are struggling with FDI in flow.....	47
5.1.3 Lack of coherence among arms of government in Zimbabwe.....	47
5.2 Recommendations and areas of further study.....	48

5.2.1 Immediate amendment of labour regulations.....	48
5.2.2 Increase stakeholder participation in law making.....	48
5.2.3 Promotion of Zimbabwean workforce as a way to lure investment.....	48
5.3 Recommendation of areas for further study.....	49
Bibliography.....	50
List of Appendices.....	55

## **LIST OF CHARTS**

Figure 4.1 Data collection schedule for key informants interviewed.....	32
Figure 4.2 Data collection schedule for Harare Residents.....	32
Figure 4.3 Public opinion chart of Harare residents .....	36
Figure 4.4 Environment to attract FDI.....	39
Figure 4.5 Factors affecting business in Zimbabwe.....	43



## **ABBREVIATIONS**

CZI	Confederation of Zimbabwe Industries
ECA	Economic Commission for Africa
EMCOZ	Employers Confederation of Zimbabwe
ESAP	Economic Structural Adjustment Programme
FDI	Foreign Direct Investment
ILO	International Labour Organisation
OECD	Organisation for Economic Co-operation and development
TNE	Trans National Enterprise
MOFED	Ministry of Finance and Economic Development
MOLSWPS	Ministry of Labour, Social Welfare and Public Service
MNE	Multi National Enterprise
POLAD	Department of Political and Administrative Studies
UNAIDS	United Nations Aids Monitoring and Evaluation Division
UNCTAD	United Nations Trade and Development
UZ	University of Zimbabwe
ZIMPREST	Zimbabwe Programme for Economic Recovery and Social Transformation
ZANU-PF	Zimbabwe African National Union (Patriotic Fund)

## 1.0 CHAPTER ONE

### 1.1 Background to the problem

Labour laws have always had an impact on the economy. In pre-independent Zimbabwe the labour laws were products of the colonial administration that sought to defend the interests of the minority white population in all industrial sectors. Most of the funding for settler activities was supplied by investors in Britain and cheap African labour helped attract investment. Sachikonye (1990:3) outlines these colonial period labour laws being those such as the Industrial Conciliation Act and the Masters and servants act.

At the attainment of independence in 1980 the government of Zimbabwe passed the Minimum Wages Act, No. 4 of 1980 and the Employment Act, No. 13 of 1980 to assist in labour market regulations. Cheater (1990:3) posits that these acts were 'holding operations, establishing a measure of central control while the state prepared a more coherent legal framework to restructure the triangular interface between industrial capital, labour and itself'. In 1985 the government passed the first labour relations act, which was to be amended and repealed in 1992, 1994, 2001, 2002 (now re-termed the Labour Act), 2005, 2006 and 2015. Cheater (1990:7) opines that from the onset, the first labour relations act favoured the labour in the capital-labour relationship. Present in previous versions of the Labour Act of Zimbabwe chapter 28:01 have been sections on giving notice for termination of employment and conditions for undertaking retrenchment so as to protect workers from unfair dismissal. There have been a plethora of reasons that have decreased foreign direct investment (Henceforth FDI) in Zimbabwe with labour market conditions emerging as a strong one in 2015. According to Gwenhamo (2009:3) other reasons for low levels of FDI in Zimbabwe since 1980 have been those such as interventionist economic policies in the first decade after independence, the fast track land reform programme of 2000 and political instability. Whilst it can also be said hyper inflation and the Indigenisation and Economic Empowerment law have also played a part in decreasing FDI levels in Zimbabwe.

Currently there is a shifting of focus as studies like this one are turning to appreciate the role retrenchment laws (sections 12 and 18 of the Labour Amendment Act, 2015) have had in decreasing FDI. According to section 12C (2) of the Labour Amendment Act, 2015 (2015:121) it is unlawful to fire employees without a basic retrenchment package of at least one month's payment for every two years served. Section 12C (1) of the Labour Amendment Act, 2015 (2015:120-121) outlines the retrenchment process requires for employers to consult a works council, employment council or the retrenchment board to seek approval for

retrenchment. Whilst section 18 of the Labour Amendment Act, 2015 (2015:131) explains how the law applies to all workers fired on or after 17 July on three months' notice without retrenchment packages. The passing of sections 12 and 18 of the Labour Amendment Act, 2015 was a direct response to a common law ruling by judge Chidyausiku that allowed for the termination of employees contracts without benefits considering that three months notice was given. This led to mass dismissal of workers in both public and private sector organisations. Machivenyika (2015:1) how on 17 July 2015 Supreme Court Judge Goddfrey Chidyausiku made a ruling in the Nyamande and Donga vs Zuva Petroleum case that allowed for termination of employment with no benefits considering that three months notice was given. To this effect the article claims over '25000' lost their jobs.

It must be appreciated that these job cuts were not spontaneous but rather a last resort by industries to try and lower labour costs. Kuwaza (2015:1) gives a brief description of the context in which the dismissals took place. He states, 'companies and state entities moved to rationalise operations and cut costs in an environment characterised by a crippling liquidity crunch, low capacity utilisation, falling productivity and deflation.' In other words Kuwaza (2015:1) is of the view companies had no choice but to dismiss workers because of the underperformance of the economy. As such most industries that could not afford retrenchment packages had to rehire workers they had previously retrenched. Sections 12 and 18 of the law are unattractive to FDI because regardless of an ailing economy the Government of Zimbabwe enforces pro-employee laws at the expense of the employer. In spite of the struggle by most companies in turning in profit, minimum retrenchment packages still have to be met when retrenching. Moreover seeking approval to retrench from the retrenchment board, works council or employment council may ultimately be rejected. In light of this the companies have to continue to employ workers while the request is being processed.

Companies trying to engage with foreign investors are finding it difficult. This is partly because the high labour costs and retrenchment packages they assumed had been evaded by following the July 17 judgement re-accumulated. The difficulty in terminating employment associated with Zimbabwean labour retrenchment law makes it hard to invest knowing that if losses are incurred retrenchment is a hard option to roll out. The action by the government to apply the law in retrospect by the inclusion of section 18 in the Labour Amendment Act, 2015 also made it clear to investors that the government is out to protect workers at all costs while the interests of employers are negated. Kuwaza (2015:1) notes how this 'angered

struggling businesses that argue that such a move would not only deter investment, but would lead to massive company closures instead of protecting the worker as envisaged.’

As the study is being carried out the effects of sections 12 and 18 on FDI are being realized. There is a possibility that section 12 and 18 of the Labour Amendment Act, 2015 may be amended. However the study seeks to capture the problems that companies have encountered as a result of the act in attracting FDI during the period in which it is still law.

The major problem is that sections 12 and 18 of the Labour Amendment Act, 2015 are eating away at investor confidence and reducing FDI levels. The increased complexity of terminating employment makes it hard to decrease overall labour costs in a struggling economy making Zimbabwe less than an ideal investment destination. Simply put the labour market conditions are not desirable. Moreover the Organisation for Economic Co-Operation and Development (OECD) framework for investment under the human resource development cluster argue that it is important for governments to reflect if the laws that regulate labour are favourable for investors so as to increase FDI. According to OECD (2006:20) governments must ask themselves, ‘What steps are being taken to ensure that labour market regulations support an adaptable workforce and maintain the ability of enterprises to modify their operations and investment planning’.

Sections 12 and 18 of the Labour Act are also not accepted by all parties in the tripartite relationship. The state and labour deem it a success whilst industrialists beg to differ, according to an article entitled ‘employers reject new labour bill’ of 31/08/15 posted on NewsdzeZimbabwe.com they label it a ‘pro-worker act’. There is divergence of interests among different actors in the tripartite forum which comprises of the state (government), labour (workers and unions) and capital (employers/industrialists). This makes starting dialogue to amend sections 12 and 18 to increase FDI in Zimbabwe difficult as members within the tripartite relationship fight to protect their own interests.

Sections 12 and 18 of the Labour Amendment Act, 2015 are decreasing levels of FDI and by so doing add to the likelihood of company foreclosures in Zimbabwe. Companies require foreign investment to grow and increase their manufacturing capacities. The Financial Gazette (2015:2) reports that Confederation of Zimbabwe Industry (Henceforth CZI) president Mr Busisa after taking into consideration plummeting FDI in – flows in Zimbabwe as stating that ‘We are going to have more company closures, more unemployment; our import bill will rise because all the money that we will get will be siphoned towards imports.’

There is need to rectify all barriers to FDI such as section 12 and 18 of the Labour Amendment Act, 2015 to avoid foreclosure of companies.

## **1.2 Objectives of the study**

To establish the link between labour retrenchment laws and FDI in Zimbabwe

To examine the impact sections 12 and 18 of the Labour Amendment Act, 2015 have had on FDI

To ascertain the views of industrialists regarding sections 12 and 18 of the Labour Amendment Act, 2015

To discuss the impact of applying sections and 12 in retrospect had on FDI in-flow in Zimbabwean industry

To recommend that changes be made to sections 12 and 18 of the Labour Amendment Act, 2015 to increase FDI

## **1.3 Research Questions**

What is the relationship between labour retrenchment laws and FDI in Zimbabwe?

How do industrialists view sections 12 and 18 of the Labour Amendment Act, 2015?

How have levels of FDI decreased since the passing of sections 12 and 18 of the Labour Amendment Act, 2015?

What recommendations can be proffered to amend sections 12 and 18 of the Labour Amendment Act, 2015 increase FDI in Zimbabwe?

## **1.4 Hypothesis**

Sections 4, 12 and 18 of the Labour Amendment Act, 2015 act as a deterrent to Foreign direct investment (FDI)

## **1.5 Justification of the study**

The study is virgin in nature and seeks to generate fresh knowledge that explains the relationship between sections 12 and 18 of the Labour Amendment Act, 2015 on FDI. Unfavorable labour regulations for industrialists in Willowvale in the form of sections 12 and 18 of the Labour Amendment Act, 2015 are decreasing levels of FDI. With this in mind the research intends to contribute to policy change by highlighting the challenges industrialists face in complying with sections 12 and 18 of the Labour Amendment Act, 2015

and the negative impact this will have on FDI levels which will continue to decline. These challenges entail rehiring workers and re-increasing the wage bill because of a lack of funds to retrench, increased complexity in terminating employment contracts and difficulty in encouraging foreign investors to invest in a region with high labour costs. This will indicate to legislators that there is a problem deserving of immediate attention.

Moreover it is imperative to undertake the study because most of the information on sections 12 and 18 of the Labour Amendment Act, 2015 and their impact on FDI is being articulated in print and electronic media. It should be noted that the print and electronic media articles produced by journalists may be subject to point of view and personal opinion unlike thorough research grounded academic work. As such the research intends to provide academic, unbiased and thoroughly researched information.

### **1.6 Limitations**

There was a challenge throughout the research of interviewing some respondents like industrialists who hesitated on being a part of the research and divulging on foreign investment in-flows into their businesses as they deemed such information to be classified. However the researcher overcame this challenge by producing a research letter from the University of Zimbabwe Department of Political and Administrative studies to gain access to this information. As such the respondents spoke freely knowing that the research had no other connotations attached to it such as trading company information but is purely for academic use. As a virgin study literature apart from print and online media articles on the research area was difficult to come by. However the researcher countered this challenge by focusing on using the appropriate methodology and sampling techniques to generate his own reliable usable information.

### **1.7 Delimitations**

The focused on examining the implications of sections 4, 12 and 18 of the Labour Amendment Act, 2015 have had on the Harare Willowvale Industrial sector in attracting FDI. This made the study more manageable and helped to increase accuracy of findings by looking at a particular geographical area. Even though there were other deterrents of FDI apart from labour laws the study solely focused on the impact labour retrenchment laws had on FDI. The study did not also cover companies located in industrial areas outside of the Harare Willowvale industrial sector such as Southerton, Workington and Adbernie.

## **1.8 Structure of the dissertation**

**Chapter 1: Introduction** This chapter is introductory. It provides the background, statement of the problem, justification, objectives, research questions, hypothesis, limitations and delimitations of the study.

### **Chapter 2: Literature review and theoretical framework**

This chapter looked at the views of different authorities of the area under study. Theoretical underpinnings driving the research were also discussed in large detail in this chapter.

### **Chapter 3: Methodology**

In this chapter methodologies used in sampling, data collections and the analysis of findings were presented.

### **Chapter 4: Data presentation and analysis**

Chapter four presented and analysed all the data retrieved from the field.

### **Chapter 5: Conclusions and recommendations**

The major conclusions and recommendations of the study were presented in the last chapter

## **CHAPTER TWO**

### **Literature review and theoretical framework**

#### **2.0 Introduction**

This chapter defines key terms and conceptualises the major concepts that are mentioned within the study. The concepts discussed are foreign direct investment (FDI) and the tripartite relationship. The chapter also reviews literature on Zimbabwean labour laws and the nexus between labour retrenchment law and FDI. The theoretical framework in this chapter is based on Dunning's eclectic theory and the race to the bottom theory.

#### **2.1 Conceptualisation of Foreign direct investment (FDI)**

The United Nations Conference on Trade and Development (Henceforth UNCTAD) (2007:245) states that FDI is 'an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor'.

Protsenko (2003:3) sums up a number of definitions of FDI to come up with his understanding of FDI as that of a firm obtaining a 'lasting interest' in a company in another entity (country) outside of the investor's own economy.

##### **2.1.1 Types of FDI**

All countries seek FDI to develop their economies. However it is often not appreciated that FDI is a blanket term and there are numerous sub categories of FDI. FDI can be distinguished by assessing the way in which it is rolled out in different regions, it can be distinguished based on whether it is vertical FDI or Horizontal FDI. FDI can be further distinguished basing on what investors financing multi-national enterprises (Henceforth MNEs) are after in the regions they disburse funds, human capital and technology. Investors usually seek natural resources unavailable in the host country, new markets, efficiency in production and strategic assets. This has given rise to the following classifications of FDI: natural-resource seeking FDI, market-seeking FDI, efficiency seeking FDI and strategic asset seeking FDI. These various types of FDI are explained in greater depth below. It is important to note however, that in the real world there seems to be little concern in differentiating between the numerous types of FDI. According to the World Bank (2015:1) Trans-national companies



(Henceforth TNCs) do not label their activities and it is largely the academic community that sets out to define the varieties of FDI.

According to Neary (2007:3) Horizontal FDI entails, 'when a firm locates a plant abroad in order to improve its market access to foreign consumers. In its purest form, this simply replicates its domestic production facilities at a foreign location'. By comparison Vertical FDI seeks to avail lower production cost in a foreign market.

Jakubiak and Kudina (2008:3) posit that natural-resource seeking FDI occurs when investors seek to invest in nations with natural resources such as minerals, raw materials, low cost labour and agricultural products. They do caution that the availability of natural resources alone is not a guarantee of natural-resource seeking FDI but rather investment has taken place in cases where local financiers lacked the resources to run the industry alone without foreign investors. Jakubiak and Kudina (2008:3) cite UNCTAD 1998 in stating,

Natural-resource seeking FDI took place when resource-abundant countries either lacked the large amounts of capital typically required for resource-extraction or did not have the technical skills needed to extract or sell raw materials to the rest of the world. In addition, infrastructure facilities for getting the raw materials out of the host country and to its final destination had to be in place or needed to be created.

Market-seeking FDI occurs when investors seek new markets to grow their businesses. Jakubiak and Kudina (2008:3) state that marketing seeking FDI may also be a result of a corporation's supplier relocating to foreign markets and the MNEs are compelled to follow them.

According to Asghari and Safa (2014: 86) efficiency seeking FDI is undertaken to 'reduce production costs by gaining access to new technologies or competitively priced inputs and labor'. Of importance is the fact that 'competitively priced labour' has a pool on foreign investors.

Strategic-asset FDI occurs when investors go after 'strategic assets in a local economy, such as brands, new technologies, or distribution channels' Asghari and Safa (2014:86).

## **2.2 Defining labour law**

Davis (1980:212) cites Piron (1978:196) in defining labour law as 'that part of the positive law which regulates the industrial and collective labour relationships in the private sector, between an employer and his workers, workers and their fellow workers and the workers and employers and the state'. Visibly missing in this definition of labour law is that it not only

regulates the industrial and collective labour relationships in the private sector as suggested but also in the public sector. Thus it must be stated that labour laws in most countries have uniform application to all sectors. Jafar and Ghosh (2013:2) extend the discussion by defining labour law by as ‘The set of laws that govern the entire relationship between a workman, an employer and the government to regulate the terms and conditions of employment’. Labour law is enforced by acts of parliament.

### **2.3 Defining employee Benefits**

Grobler et al (2011:400) group employee benefits in the compensation or total rewards employee category along with salary and intrinsic rewards such as achieving personal goals. Grobler et al (2011:424) state that there are numerous types of benefits such as ‘those that are required by law, retirement benefits, pay for time not worked insurance and employee services’. Of importance to this study are the benefits that are required by law. Ibid: 424 have it that ‘government influences employee benefits through regulations concerning safety, healthcare, retirement and unemployment compensation and workers’ compensation’. Grobler et al (2011:426) state that there are compulsory retrenchment benefits in South Africa as propounded by the Unemployment Insurance Act, No 63 of 2001. This act ‘provides for the insurance of employees who are contributors to the unemployment insurance fund against the risk of loss of earnings arising out of unemployment due to the termination of their employment’. Similarly in Zimbabwe it is mandatory for employers to pay dismissed employees retrenchment benefits. According to section 12 of the Labour Amendment Act, 2015 the minimum retrenchment package must equate to one month’s salary for every two years served.

### **2.4 Conceptualisation of the tripartite relationship**

The tripartite relationship is the relationship between the state (government and its institutions, labour (workers and worker representatives) and the capital (employers and employer representatives). The purpose of the tripartite relationship according to Fashoyin (2010:2) is ‘for social dialogue in building consensus on labour and social and economic policies that impact on the wellbeing of workers and the society at large’. Fashoyin (2010:2) goes further in explaining social dialogue as ‘negotiations, consultation and information sharing, either among the bipartite parties in the workplace or industrial sector, or the tripartite partners at the national level, on the broad issues of common interest that pertain to economic and social policy’. The goal of the tripartite relationship is to reach consensus on issues that affect all the parties in the relationship. Dundon and Rollinson (2011:168) posit

that the state should not be seen as a single actor like the other two, but rather it must be taken into cognisance that the state has numerous branches within itself.

## **2.5 History of laws governing labour regulations in Zimbabwe**

This section of the chapter serves to outline the laws and particularly the Labour Act of Zimbabwe first passed in 1985 and how it has shaped labour relations. It looks at the major issues eclipsing previous versions of the act to the present where issues of retrenchment regulations are attracting a lot of attention because of their swaying of FDI in-flow.

### **2.5.1 Pre-independence labour law trends**

During the colonial period in Zimbabwe labour laws were products of the colonial administration that sought to defend the interests of the minority white population in all industrial sectors. Most of the funding for settler activities was supplied by investors in Britain and cheap African labour helped attract investment. Sachikonye (1990:3) outlines colonial period labour laws, giving examples of legislation such as the Industrial conciliation act of 1934 and the Masters and servants act of 1901. Sachikonye (1990:3) goes on to state that legislation was intended to; ‘control the flow of labour and impede unionization and political activity amongst labour. State laws and the related institutions must be construed as responses to the imperatives of capital to broaden its productive capacity and scope to reproduce itself’.

The trend in labour law legislation during this era can be said to have been one of the state supporting the capital’s interests. The capital entirely comprised of the white minority. The legislation by the colonial government was engineered to assist capital in being the privileged partner within the tripartite relationship.

### **2.5.2 1980s (Post Independence) labour law trends**

At the attainment of independence in 1980 the government of Zimbabwe passed the Minimum Wages Act, No. 4 of 1980 and the Employment Act, No. 13 of 1980 to assist in labour market regulations. Cheater (1990:3) posits that these acts were ‘holding operations, establishing a measure of central control while the state prepared a more coherent legal framework to restructure the triangular interface between industrial capital, labour and itself’. In 1985 the government passed the first labour relations act, which was to be amended and repealed in 1992, 1994, 2001, 2002 (now re-termed the Labour Act), 2005, 2006 and 2015. Cheater (1990:7) opines that from the onset of the first labour relations act it favoured the labour in the capital-labour relationship. The labour relations act of 1985 set conditions for

compensation, leave, working conditions and collective bargaining among others. All of which were deemed to be in favour of the labour.

The trends in this period of labour law legislation are those of creating legislation that protected the worker. This was influenced by the fact that Zimbabwe was coming from an era which had been characterised by laws biased towards the capital's interests. The capital had represented minority white interests at the expense of African workers in industrial relations before 1980. There was a reversal of roles as the worker became more insulated from unfair practices by the capital, while the capital became subject to following statutes set by the government.

### **2.5.3 1990s labour law trends**

The 1990s were marked by multiple labour law legislation instruments and amendments to suit the 1991-1995 Economic Structural Adjustment Programme (ESAP) and the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST). These plans were rolled out to try and attract foreign direct investment and cut government expenditure down by the adoption of neo-liberal reforms.

Chiripanhura and Makwavarara (2001:4) note that ESAP brought about market liberalisation which led to deregulation of the labour market and this in turn resulted in numerous retrenchments. The government tried to make labour laws less stringent for investors in an effort to attract investment during this period. Chiripanhura and Makwavarara (2001:12) state that

The government set to deregulate the labour market among other things, giving back to employers the right to hire and fire. The labour relations act of 1985 was under attack from the business community, labelling it a disincentive to both domestic and foreign investment because of its alleged over protection of workers (Madhuku, 1995). It was further alleged that the overprotection resulted in high labour costs and lack of effective production. As such it was found necessary to liberalise the labour market.

Chiripanhura and Makwavarara (2001:13) note that some of the changes made to the labour relations act of 1985 to allow investment were the amendments made to section 20. The amendments to section 20 of the Labour relations act of 1985 allowed for the market to determine the minimum wage. The minister of Labour if they saw it necessary however could establish a minimum wage in an industry. Another visible change was that the right to hire and fire workers which had been taken away by statutory instrument 371 of 1985

returned. However there were procedures to follow in retrenching such as giving notice and working with the works council, employment board or retrenchment committee to undertake dismissal of several employees. This opening of firms to international trade by deregulation of labour law saw many companies failing to compete with international corporations and there was large scaling down of operations and retrenchment of workers especially in the textile industry. Within the public sector there were also massive retrenchments. According to the Economic Commission for Africa (ECA) 2003:15 who cited Makumbe (1997: 21) in noting that the Zimbabwean civil service was cut down by about 12 per cent since the commencement of civil service reforms in 1991. Worth noting however is that the first phases of retrenchment in the public sector were short lived. Therkildsen (2001:21) cites (Makumbe, 1997:7) in explaining that retrenchment caused resentment among civil servants which led to its abandonment in 1995. Other problems associated with public sector retrenchment were the high costs of severance packages and corruption in the implementation of retrenchment benefits.

Madhuku and Sibanda (1997:263) note that there were numerous pieces of legislation that regulated the labour market in the 1990s. This is because there were acts that regulated the public service (not inclusive of armed forces, police and prison officers who had their own specialised acts) and the Labour relations act of 1985 that governed labour matters in the private sector. Madhuku and Sibanda (1997:280) also note that legislation that governed labour relations in the public service in Zimbabwe during this period was the Constitution of Zimbabwe, Public sector act of 1995, Urban councils act of 1995, Rural district councils act of 1988, Posts and telecoms act (cap 265), Zimbabwe broadcasting corporation act, Air Zimbabwe act of 1982, District development fund act of 1981 and the Grain marketing board act. From a close analysis of the numerous laws at play in the 1990s one may state labour law regulation at this period was not harmonised and as such there were probably problems of enforcing labour market regulations. Foreign investors at this period had to consider the sector or specific type of industry and the labour laws that governed it before investing.

The overall trends from this era are those of deregulating labour law to stimulate investment and economic growth. There was also a strong presence of government regulating labour relations through numerous acts in multiple industries in both the public and private sector. This would later lead for the push towards harmonisation of labour law.

#### **2.5.4 Post 2000 labour law trends**

This era was marked by the harmonisation of labour laws. After the 1990s period government and its stakeholders saw the need to harmonise labour law. Chiripanhura and Makwavarara (2001:17) note that

The idea of harmonising the labour law was mooted during the early years of economic reform. Several tripartite meetings were held between the government, employers and workers to deal with the issue. These meetings culminated in the formulation of a draft harmonised labour bill. Which was to be presented to parliament after inputs from stakeholders had been incorporated.

According to the Labour Act Chapter 28:01 (2002:1) the act that was to govern labour relations in Zimbabwe could be termed 'The Labour Act Chapter 28:01'. This means that the Labour Relations Act was re-termed the Labour Act. This also meant that the Labour Act of 2002 now applied to all workers in both the private and public sector, in other words it became harmonised. The act was amended and repealed in 2005, 2006 and 2015. Present in these versions of the act were provisions for retrenchment and special measures to avoid retrenchment. During this period a lot of deterrents to FDI were at play. Apart from pro-employee labour laws, according to Gwenhamo (2009:3) other reasons for low levels of FDI in Zimbabwe since 1980 have been the interventionist economic policies in the first decade after independence, the fast track land reform programme of 2000 and political instability. It can also be said hyper inflation and the Indigenisation and Economic Empowerment law have also played a part in decreasing FDI levels in Zimbabwe. According to Zwinoira (2015) there is also need to appreciate that infrastructure to support FDI such as electricity and water for industrial use has been dwindling since 2000. The Financial Gazette (2015) state that 'Foreign direct investment into Africa grew by 64 percent to US\$87 billion in 2014, but largely bypassed Zimbabwe, reflecting worries over President Robert Mugabe's policies and the risk of investing in the southern African country, latest data has shown'. Among these policies is the labour policy enacted through the Labour Act which is not particularly favourable to foreign investors. The article also goes on to state 'Zimbabwe has lagged regional peers in attracting FDI due to poor rankings on the ease of doing business and structural issues in the economy'.

In 2015 labour law and the sections covering retrenchment regulations in particular continue to be a growing cause of decreasing FDI inflows in Zimbabwe as a direct result of the passing of section 12 and 18 of Labour Amendment Act, 2015. On July 17 2015 judge Chidyausiku

made a ruling that allowed for the termination of employers contracts without benefits considering three months notice was given. Dundon and Rollinson (2011:185) state that common law rulings have a large bearing on labour relations because decisions made by judges in turn create binding precedents on judgments in subsequent cases (cases that follow after a particular ruling). This led to mass dismissal of workers in both public and private sector organisations adding to the unemployment crisis in Zimbabwe. Machivenyika (2015:1) writes how the ruling by Supreme Court judge Goddfrey Chidyausiku in the Nyamande and Donga vs Zuva Petroleum case that allowed for termination of employment with no benefits considering that three months notice was given led to a lot of dismissals. To this effect the article claims over '25000' lost their jobs.

The passing of sections 12 and 18 of the Labour Amendment Act, 2015 were a direct response to stop dismissals based on the common law ruling made in the Nyamande and Donga vs Zuva Petroleum case that allowed for termination of employee contracts without benefits so long as three months notice was given . According to section 12C (2) of the Labour Amendment Act, 2015 (2015:121) it is unlawful to fire employees without a basic retrenchment package of at least one month's payment for every two years served. Section 12C (1) of the Labour Amendment Act, 2015 (2015:120-121) outlines the retrenchment process requires for employers to consult a works council, employment council or the retrenchment board to seek approval for retrenchment. Section 18 of the Labour Amendment Act, 2015 (2015:131) states that section 12C (2) applies to all workers fired on or after 17 July on three months' notice without retrenchment packages. As such most industries that could not afford retrenchment packages had to rehire workers. Kuwaza (2015:1) notes how this 'angered struggling businesses that argue that such a move would not only deter investment, but would lead to massive company closures instead of protecting the worker as envisaged'. Sections 12 and 18 of the law are unattractive to FDI because regardless of an ailing economy the Government of Zimbabwe enforced a pro-employee law at the expense of the employer. In spite of the struggle by most companies in turning in profit, minimum retrenchment packages still have to be met when retrenching. Moreover seeking approval to retrench from the retrenchment board, works council or employment council may ultimately be rejected. In light of this companies have to continue struggling with high labour costs as they employ multitudes of workers even if it is against their will. The difficulty in lowering labour costs through retrenchment dissuades investment as foreign firms are looking elsewhere with better labour market regulations and less state intervention to invest.

It must also be appreciated that these job cuts were not spontaneous but rather a last resort by industries to try and lower labour costs. Kuwaza (2015:1) gives a brief description of the context in which the dismissals took place. He states, ‘companies and state entities moved to rationalise operations and cut costs in an environment characterised by a crippling liquidity crunch, low capacity utilisation, falling productivity and deflation.’ In other words Kuwaza (2015:1) is of the view that companies had no choice but to dismiss workers because of the underperformance of the economy. However section 12 and 18 of the Labour Amendment Act, 2015 do not reflect the situation on the ground. The government of Zimbabwe made it more difficult for companies to attract FDI by increasing the complexity of retrenching workers in a poor economy. Kuwaza (2015:1) believes Investors are viewing sections 12 and 18 of the Labour Amendment Act, 2015 as too stringent and affording the state and labour a lot of power in the tripartite relationship. Several industrialists were interviewed to ascertain their feelings towards the new legislation. An article entitled ‘Employers reject new labour bill’ sourced on [NewsdzeZimbabwe.com](http://NewsdzeZimbabwe.com) captures some of the reactions of employers. Confederation of Zimbabwe industries (CZI) President Mr Busisa Moyo described the law as ‘reactionary and insensitive to the needs of businesses’. Similarly Mr Jack Murehwa president of the Employer’s Confederation of Zimbabwe (EMCOZ) ‘underscored the need for Zimbabwe’s laws to be investor friendly’. Katongomara (2015) writes that Mr Moyo made further comments about the labour legislation. He is also believed to have stated to a local newspaper (The Chronicle) that ‘Companies don’t have the capacity to pay all the workers. We know it’s the law but it could set a chain of events which could affect more workers in the country as companies struggled to pay both dismissed and on-duty workers’. The general consensus among business leaders being one of believing the forced payment of retrenchment packages would lead companies into foreclosure whilst also dissuading foreign investment.

According to Chidza (2015:1) Zimbabwean employers have taken legal action against the government. The Employers’ confederation of Zimbabwe (EMCOZ) through its legal team started an ongoing appeal to the High Court of Zimbabwe. The main argument of EMCOZ is against the enactment of section 18 of the Labour Act which allows section 12 (states the grounds for retrenchment procedures and benefits of employees) to be applied in retrospect. They are also against the fact that even workers fired on grounds of misconduct can be afforded a minimum retrenchment package as in accordance with section 12 of the Labour Amendment Act, 2015. Such legislation is not encouraging to foreign investors. The problem



with EMCOZ wanting to fight the application of section 12 in retrospect is that constitutionally there is no rule that says the government may not apply laws in retrospect. In 2000 the government of Zimbabwe amended the constitution of Zimbabwe amendment 16 to formalise land invasions that had taken place in 1999. Zhou and Zvoushe (2012:218) also point out that this was followed by 'numerous amendments to the Land Acquisition Act'.

As the study is being carried out the effects of sections 12 and 18 of the Labour Amendment Act, 2015 on FDI are being realized. There is a possibility that section 12 and 18 of the Labour Amendment Act, 2015 may be amended. However the study seeks to capture the problems that companies have encountered as a result of the act in attracting FDI during the period in which it is still law.

Emergent trends in the post 2000 era in labour law are the harmonization of labour laws. There is also the trend of great imbalance in the tripartite forum as the state and labour are supporting resolutions and laws that capital is struggling to comply with. There is great conflict between the capital and the state because it continues to protect workers in an ailing economy at the employers' expense.

## **2.6 The nexus between labour retrenchment laws and foreign direct investment**

Machivenyika and Gumbo (2015:1) argue that Zimbabwe's inability to attract foreign investment is a result of high labour costs. Machivenyika and Gumbo (2015:1) also cite the Zimbabwe national competitiveness report 2015 in stating that Zimbabwe has the second highest labour costs next to South Africa in Southern Africa. To note is that the high cost of retrenchment also adds to labour costs which deters investment. This leads the researcher to believe that in order to attract FDI there must be a reform of legislation that affects investment such as the Labour Act.

Scholars such as Sankaran (2007:9) argue that rigid labour laws dissuade investment. He notes how there was huge debate about deleting chapter V-B of the Industrial Disputes Act of India that stipulated that government had to be consulted before retrenchment of employees by employers. By comparison, this showcases that Zimbabwe's current labour retrenchment law situation whereby sections 12 and 18 of the Labour Amendment Act, 2015 are hampering investment has occurred elsewhere with less than desirable effects on foreign businesses willingness to operate in those areas. Zimbabwean policy makers must therefore learn from similar case experiences and move to amend labour retrenchment laws.

Pierre (2008:6) has it that rigid labour laws may not only deter foreign investment but that they may also cause firms to struggle in complying with labour regulations. Pierre (2008:6) further notes that, 'some regulations may influence practices in the informal sector, or may give incentives for firms or workers to remain in the informal sector, thereby potentially stunting their future growth'. This means that labour laws which are regarded as too stringent or unfair by the employees may encourage the breakdown of formal company set ups and the setting up of informal operations. It is in this way that employers feel they will avoid labour regulations. It should be stated however that only small companies would consider the option of informalising operations to avoid labour regulation. In actual fact companies that fail to adhere to labour regulations usually go into foreclosure because of the inability for example to operate with high labour costs. According to Pierre (2008:12) hiring and firing regulations are found as great impediments to doing business as they may not always favour the employers.

Tang (1993:158) notes that there are numerous legal frameworks that must be put in place to increase investment. The investment code, legislation and policies are 'pertinent to private sector development, foreign and domestic'. According to Tang (1993:158) labour laws are among these important frameworks. It can thus be said governments have the task of using among many other alternatives, labour laws to reel in investment. If the laws are not particularly investor friendly then the investor climate becomes hostile. Tang (1993:160) argues that Asian FDI inflow success can in part be attributed to legislation that has lowered labour cost. Tang (1993:160) states, 'Above all, however, low labour costs and a stable political climate have been important contributing factors to foreign investment'.

Menon and Sanyal (2004:4) are of the view that adoption of FDI-friendly policies was responsible for countries like China's ability to maintain a growth rate that exceeded 10 percent per annum in the 1990s. From this one may take that labour laws must please both employees and the employers' in order to attract investment. This is diametric to what transpired in Zimbabwe with the passing of sections 12 and 18 embedded in the Labour Amendment Act, 2015. Menon and Senyal (2004:6) further note that labour laws may be used as instruments to deter or attract FDI. Using the Indian case study they argue that laws are subject to state manipulation and may be pro-worker or pro-employee. They also argue that if Indian public and private plants themselves pay close attention to the labour laws, the foreign investors would be even more cognisant of such laws. As part of their central

argument they also believe states with high labour union activity and labour courts deter investment.

Failure or increased complexity in trying to reduce labour costs because of stringent labour laws decreases FDI in flows. UNCTAD (2015:41) notes how China surpassed the United States of America as the largest recipient of FDI in the world in 2014. Be that as it may, the report also notes that 'FDI fell in manufacturing, especially in industries that are sensitive to rising labour costs'. This serves to show that FDI is sensitive to labour regulations such as the imposition of a minimum wage. It is also worth noting that retrenchment packages are also considered as a labour cost. If employers feel statutory retrenchment packages are too high or unfair basing on the profits they are realising in a particular economy they will pull out their investments. It can also be stated that the investors not actively participating in that economy will not invest at all.

Scholars such as Hornberger et al (2011) speak on the importance of 'investor friendly regulations'. However they place exceeding emphasis on market size and growth as key drivers for FDI. They are concerned with ranking factors that increase FDI. Hornberger et al (2011:1) opine that,

'Business opportunities - as reflected in the size and growth potential of markets - are the most powerful drivers of foreign direct investment. But investment climate features such as strong institutions and investor friendly regulations also matter and may even boost the development impact of the investment'.

It can be said in a nutshell, these scholars argue that the size and growth potential of markets is the most important factor in trying to attract FDI. They do note however that other important aspects of a suitable investment climate are 'strong institutions' and 'investor friendly regulations'. Investor friendly regulations are those that encompass labour market regulations, tax policies and special deals for foreign investors. Labour laws thus must be aligned to make them investor friendly. Moreover Hornberger et al (2011: 2) on the impact of labour issues on FDI state that efficiency driven FDI increases in regions with competitively priced inputs and labour. What this means is that non human inputs should be available at reasonable prices and that labour laws must ensure that the labour market regulations are fair and in accordance with trends in the region. This for example could mean that there should be a fairly established minimum wage and flexible provisions for retrenchments of workers to lessen labour costs if need be.

Globerman and Shapiro (1999:529) cite Barrell and Pain (1997) in arguing that labour relations were important to direct investment flows within Europe. Echoing once more how important it is to have the right labour laws in place in order to attract investment.

It is worth noting however, that some authors such as Banks (2013) and Zwinoira (2015) contest the aspect of labour law having a large impact on FDI. Banks (2013:440) argues that foreign investors look to invest where there are established and seemingly inflexible labour laws because it is good for their image which showcases appreciation of workers and worker rights. According to Banks (2013:440) ‘while FDI can be sensitive to unit labour costs, there is no evidence that it responds in a systematically negative way to labour and employment legislation, either in the developing or industrialized world’. Zwinoira (2015:3) adds to the discussion on whether a clear cut relationship between labour law and FDI. Zwinoira (2015:3) opines that the International Labour Organisation (ILO) feels the labour laws have no bearing on FDI inflow. The country office director for the ILO in Zimbabwe, Hopolang Phororo was believed to have said there was no link between labour law and attracting investment. The ILO official’s belief was that low FDI levels could be remedied by rectifying infrastructure bottlenecks to support industry such as the energy problems rampaging Zimbabwe. It can thus be said there is some room for debate whether labour law can impact FDI levels.

## **2.7 Case study of retrenchment laws and FDI: India**

Countries that acquire considerably more FDI than Zimbabwe such as India are in the process of tweaking retrenchment laws to increase FDI. Sahoo (2014: 7) states that, “The last couple of years have witnessed a slowdown of FDI inflows to India—from \$35 billion in 2011-12 to 24 in 2013-14”. Ibid: 8 goes further into explaining that in order to attract more FDI certain retrenchment laws are trying to be altered by the government. Unfair retrenchment regulations discourage investors into investing in labour intensive industries because it is difficult to retrench employees or downsize company operations. Legislation such as the Industrial dispute act of 1947 in India make it impossible to lay off workers without government approval. This is just one of the numerous laws within India. Sahoo (2014:8) states that there are about 250 laws that govern labour relations that are playing large parts in deterring investors. Apart from these laws Ibid: 8 argues that the government under Prime Minister N Modi is pushing to make labour laws more favourable to foreign investors.

Similarly, Jafar and Ghosh (2013:4) argue that the multiplicity and complexity of labour laws in their case study (India) were identified as some of the factors impeding the increase in investment and employment in the country. According to Jafar and Ghosh (2013:4) the labour laws were criticized as 'restrictive labour laws'. The Indian labour laws, particularly the long retrenchment procedures and government involvement in retrenchment processes in certain industries put off investors. It is because of this some foreign investors feel that the labour regulations are too stringent for them to operate in India and do not afford them the luxury to hire and fire at will.

## **2.8 Theoretical Framework**

### **2.8.1 Dunning's eclectic theory**

Dunning propounded the eclectic theory or eclectic (OLI) paradigm. Dunning (2001:5) argues that multinational enterprises (MNEs) seek to lessen transaction costs through FDI and that they follow a three pronged framework when deciding to invest in a foreign company. The framework includes ownership advantages that consider product or company specific advantages. The second aspect is centred on location specific advantages that look at where the company will derive greater benefit by establishing itself in a specific region. The third factor seeks market internalization.

Within the framework there is need to dwell greatly on the second aspect that assesses location specific advantages such as low labour costs. According to Dunning (2001:5) low labour costs and fair labour market regulation increase FDI. Dunning further assumes that foreign investors tend to invest in locations that are advantageous to them. Basing on the assumptions of the eclectic theory it the researcher believes sections 12 and 18 of the Labour Amendment Act, 2015 should be realigned to make the law more investor friendly. Section 12 sets a minimum retrenchment package and section 18 made it illegal to dismiss a worker without a retrenchment package. In Zimbabwe labour costs cannot be easily decreased because there are high retrenchment costs that are set in place by the law. Katongomara (2015) explains how employer representatives voiced the need to reform the law because they were no funds to pay both the on duty and retrenched workers. A lack of funds to retrench has seen most companies continue to operate with high labour costs and most of their profits being directed towards the wage bill. At present there are seemingly few visible benefits to investing in Zimbabwe. Taking into consideration the costs, and time needed to negotiate with the state if say a company backed by foreign investors wanted to retrench employees

may in itself act as a deterrent to investors. It is only by rectifying labour retrenchment laws that location specific advantages can be gained by investors who will in turn choose to invest in Zimbabwe.

Dunning (2000:179) argues that immobile assets such as labour have a direct bearing on FDI. Investors may invest in a particular location because of the availability of labour. But in order for that to happen, investors also consider laws and regulations encompassing the labour. According to Dunning (2000:179)

‘While the exchange rate might certainly affect a timing of the fdi, the extent to which the acquired assets — together with the business environment of which they are part — advances the competitiveness and strategic trajectories of the investing firms, are the critical locational determinants.’

From the statement above it is evident that Dunning believes assets such as labour together with the business environment within which they exist play a critical role in determining whether FDI will be disbursed towards a certain location. Within the business environment is the internal milieu that pertains to internal organisational matters. The external environment that is determined by contexts outside the organisation is also a part of the business environment. The external environment covers the political, economic, social and technological issues with laws falling under the political bracket. In essence Dunning posits that laws which dictate labour practices are part of the business environment and basing on their nature these can act as a push or deterrent to investors. The more stringent these laws are deemed to be by foreign investors the lesser the likelihood there is of the disbursement of FDI.

According to Cantwell (2015:16) the eclectic theory states that FDI is disbursed towards a host country (recipient of FDI) from the home country (foreign investor). Cantwell (2015:16) argues that ‘host country governments are generally believed to bargain with (or to take measures to attract) incoming foreign-owned firms with respect to the conditions for their local presence.’ Basing on Cantwell the above mentioned statement, Zimbabwe as a host country to foreign investors must amend section 12 and 18 of the Labour Amendment Act, 2015 as a measure to increase FDI.

### **2.8.2 The race to the bottom Hypothesis**

The race to the bottom hypothesis argues that countries lower labour regulation standards to attract FDI. Olney (2011:1) writes extensively on ‘the race to the bottom hypothesis’. Olney (2011:5) argues that the hypothesis is based on two assumptions. The first assumption is

‘multinationals choose where to invest based in part on the employment restrictions within the foreign country. Fundamentally, stricter labor restrictions will impose additional costs on MNE and make investing in that particular country less appealing’. According to Olney (2011:7) the second assumption of the theory states that ‘countries competitively undercut each others labor market standards in order to attract foreign investment.’

Willborn (2013:2) sums up the assumptions of the race to the bottom hypothesis as the competition between states which results in the lowering of labour regulations through legislation. He argues that companies prefer to operate in legal environments which have the least regulations for labour and, when possible they migrate to regions with lower labour market regulations. This ultimately results in nations competing for business using lower labour standards to attract foreign investors.

The researcher believes section 12 and 18 of the Labour Amendment Act, 2015 which set a mandatory minimum retrenchment package and increased the overall complexity of terminating employment are reducing FDI in flow in Zimbabwe. In order to increase FDI there must be amendment to labour legislation. The race to the bottom hypothesis informs us that Multi-national enterprises (MNEs) invest in countries with low or less stringent labour regulations. It can be said therefore, there is need to make labour laws reflect the economic situation on the ground in Zimbabwe and that by making labour law less stringent FDI will increase.

In summation it can be stated that there is a large belief that labour laws affect where companies direct their investments. As such laws need to be aligned to be investor friendly but also not negating the rights of workers. Economic situations also need to be contextualised and ultimately the tripartite forum needs to compromise when crafting labour laws to appease all of the member’s interests.

## **CHAPTER THREE**

### **Research Methodology**

#### **3.0 Introduction**

This chapter presents the methodology used to collect and analyse research findings. The researcher made use of the case study research design and triangulated data collection techniques. This means that both qualitative and quantitative data collection techniques were used in the field. The researcher also noted down the ethical considerations he upheld in the field.

#### **3.1 Research Design**

According to Bell (1995:85) a research design may be conceptualized as, ‘an investigation or experiment in the discovery of facts, theories or laws into a phenomenon’. The study made use of the case study research design. According to Rose et al (2015:1) ‘The word ‘case’ means ‘an instance of’ and the central feature of case study research design is the investigation of the one or more specific ‘instances of’ something that comprise the cases in the study’. This implies that the focus and findings of the research will be drawn from a specific case. The case study comprises of companies located in the Harare Willowvale industrial area. It is an area where the researcher’s investigation problem is well pronounced. The researcher targeted the industrial site as it is one of the areas that heavily rely on FDI to stay in business. This case study was also chosen by the researcher in an attempt to make the study more precise as it zoned in on a set of companies in one geographical location. The researcher also chose the case study research design because it fits in with the purpose of the research which aims to support policy review. The fit of case study research designs in studies pushing for policy review is supported by Younus (2014:30) who states that ‘Case studies are frequently used in policy research as they offer the opportunity to examine the process of policy implementation and at the same time outline recommendations for future policy development and implementation’.

The researcher used triangulation to generate both qualitative and quantitative data. The United Nations Aids monitoring and evaluation division (UNAIDS) defines and classifies different types of triangulation. According to UNAIDS (2010:13) triangulation is ‘a process of combining data from different sources to study a particular social phenomenon’. UNAIDS (2010:13) goes further in stating that there are four types of triangulation. UNAIDS (2010:13)



cite Denzin 1978 in describing these four basic types of triangulation as data triangulation, theory triangulation, investigator triangulation and methodological triangulation.

The study used methodological triangulation to triangulate probability and non-probability sampling methods. The researcher used triangulation to counter the shortcomings of the probability and non-probability sampling techniques. Davis and Gallardo (1999:162) summarise probability or random sampling techniques to be those that allow all units in the target population to stand and an equal chance of being selected. Davis and Gallardo (1999:165) further conceptualise non-probability or random sampling techniques as being inclusive of sampling methods that do not give all subjects within the target population an equal chance of selection. A common disadvantage of probability sampling techniques is that they took more time to carry out as compared to non probability sampling techniques. A notable shortcoming of probability sampling techniques was that they were potentially prone to bias because all subjects within the sample did not stand an equal chance of selection. By triangulating both probability and non probability sampling techniques the disadvantages of each technique were lessened.

### **Study area**

The study was undertaken within the Harare metropolitan province of Zimbabwe. There was special focus on respondents from the Harare Willowvale industrial area. The rest of the respondents such as academics, a lawyer, residents and worker representatives (EMCOZ) were also selected from within Harare.

### **3.2 Sampling, data collection techniques and target population**

According to O'Leary (2004:103) sampling involves, 'using the most practical procedures possible for gathering a sample that best represents a larger population'. Data collection tools according to Hayes et al (2003:50) are 'tools used to gather data in a scientific investigation.' Written below are the data collection and sampling techniques that were used, reasons they were deemed appropriate and the respondents they were used on and the objectives that was fulfilled by engaging the various respondents.

#### **3.2.1 In-depth interviews**

In-depth interviews can be summed up as 'a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program, or situation' Boyce and Neal (2006:3). This data collection technique was chosen by the researcher to allow deep probing of what impact

sections 12 and 18 of the Labour Amendment Act, 2015 had on FDI. Deep probing was done by requesting for more information from interviewees. These interviewees were respondents such as the two academics, the lawyer and an EMCOZ officer. The researcher was able to get a more complete story as subjects such as the lawyer (Mr Kanoti) were guided to give further information on a particular issue after their initial response. Examples of probes that were used to acquire more information are those such as ‘can you tell me more about that?’ that have been suggested in literature by authors such as Berg (2001:76). Moreover as a virgin study that had not been carried out before, in-depth interviews helped in generating a lot of new information on the research area. For instance the researcher was able to acquire information about the mood of industrialists towards the labour retrenchment laws from Mr Matongo the EMCOZ public relations officer who had not been questioned by any other scholar on the matter.

Three out of a potential five industrialists working for different organizations within Willowvale were interviewed by the researcher. The industrialists were selected from an infinite or infinity population. An infinite population can be described as a population where ‘a number of elements in this population is unimaginable’ Kozak (2008:59). There are numerous companies operating in Willowvale and several unknown figures of the industrialists that manage and employ employees within those firms. As such the researcher deemed it correct to classify the Willowvale industrial area as comprising of an infinite population. These industrialists were selected by way of convenience sampling. According to Ross (2005:7) ‘A sample of convenience is the terminology used to describe a sample in which elements have been selected from the target population on the basis of their accessibility or convenience to the researcher.’ The industrialists chosen by the researcher because as industrialists operating in Willowvale they were suitably positioned to help ascertain what the views of industrialists were regarding sections 12 and 18 of the Labour Amendment Act, 2015. The researcher made use of interview guides. Interview guides help the researcher draw different questions that only a particular respondent could answer. For instance the interview guide for industrialists was different from that of the lawyer. Boyce and Neal (2006:5) in line with this further advise researchers to develop interview guides for different respondents to stay on track when interviewing them. The interview guides helped the researcher to conduct the interviews in an expedient and flowing manner also collecting all the information the respondent sought from the respondents.

An in-depth interview was also conducted on a practicing lawyer (Mr Kanoti). The researcher used an interview guide constructed around the objectives the lawyer was to help fulfill. Namely, assisting in fulfilling the research objectives that sought to examine the impact sections 12 and 18 of the Labour Amendment Act, 2015 have had on FDI and to recommend the kind of changes that need to be made to section 12 and 18 of the Labour Amendment Act, 2015. The lawyer was selected using purposive sampling. Nachmias and Nachmias (1987:185) believe this form of sampling requires the researcher to subjectively select a respondent 'that appears to him or her to be representative of the population'. The researcher purposefully interviewed a classmate who is a practicing lawyer. The researcher believed him to be representative of the infinite population of lawyers practicing in Harare. Mr Kanoti was also selected because he is an expert at interpreting the law, as such the study would not be fully grounded if a lawyer had not assisted in highlighting the implications sections 12 and 18 of the Labour Amendment Act, 2015 are having on FDI that the researcher may not fully understand. Moreover there was need to consult only one lawyer because the interpretation of the law is the same no matter which lawyer interprets it.

Two academics were engaged by the researcher. Academics were best suited to discuss the impact applying sections 12 and 18 in retrospect have had on FDI in flow in Zimbabwean industry. This was because both academics selected had requisite knowledge on the subject. The first lecturer was selected from the Faculty of Commerce at the University of Zimbabwe where concepts about industries are well documented and concepts such as FDI are often explored. This respondent was chosen by imploring convenience sampling. The researcher made use of an interview guide when he conducted the interview.

The second lecturer was selected by simple random sampling from a sampling frame of seventeen lecturers within the Department of Politics and Administration at the University of Zimbabwe. Nachmias and Nachmias (1987:193) state that to undertake this form of sampling one must 'assign to each sampling unit a unique number and select samples by use of a table of random digits'. Menza et al (2008:2) state that a sample frame may be identified as a 'finite list of mutually-exclusive sample units'. The researcher used a sampling frame complete with all the names of the lecturers in the department so they each stood an equal chance of being selected to avoid bias in the selection of samples. However instead of using tables to select subjects the researcher assigned numbers to all the seventeen lecturers in the University of Zimbabwe Department of Politics and Administration and picked one at random from a selection pile, this is known as the lottery method. The researcher used the

lottery method because scholars such as Haque (2009:2) argue that it is a good unbiased way of obtaining a simple random sample.

The researcher also conducted an interview with the EMCOZ public relations officer (MR Matongo). This respondent was selected by purposive sampling. He was selected because of his extensive knowledge of industrialists and their business needs as his organization represents over two hundred employers from organizations throughout the whole of Zimbabwe including Harare where Willowvale is situated.

The investigator also planned to no avail on interviewing a public relations representative from the Ministry of public service, labour and social welfare. The public relations expert within the Ministry was singled out by way of purposive sampling. The researcher intended to ascertain whether the ministry felt inclined to changing the law because of the backlash it has received from industrialists. This was in line with the research objective that seeks to recommend for changes to be made to sections 12 and 18 of the Labour Amendment Act, 2015 to increase FDI.

### **3.2.2 Documentary research**

The study was in part informed by documentary research. Mogalakwe (2006:221) cites Bailey 1994 in describing documentary research as ‘the analysis of documents that contain information about the phenomenon we wish to study.’ The study shall made reference to published works such as journal papers, books, articles and website material. This served to enrich the study by helping with research analysis. The researcher believes consulting works written by authors who analyse the relationship between labour retrenchment laws and FDI in other countries as well as in Zimbabwe assisted the researcher by supporting his own analysis. The researcher also used this form of data collection because it is unobtrusive. The unobtrusive aspect of documentary research stems from the fact that unlike other data collection methods such as interviews and questionnaires the researcher did not need to get permission from subjects to obtain relevant information. There required no special permission to view open access documents online. There was also no approval needed to access published works. Documentary research proved to be advantageous as it was being less time consuming than other data collection methods that required approval to collect information. Documentary research was chosen by the researcher because it also afforded the researcher access to physically inaccessible cases. For instance the researcher compared his findings with those generated in another region of the world without having to physically go there.

However documentary research runs the risk that it may be biased. For instance some documents represent the beliefs, opinions and thoughts of the author. This may be the case with articles. To combat this challenge the researcher cross validated information from documentary research with information gathered from other collection techniques mentioned in this chapter.

### **3.2.3 Close ended questionnaire**

Close ended questionnaires are tools for acquiring information from respondents by asking closed questions that require 'the respondent to choose, among a possible set of answers, the response that most closely represents his/her viewpoint' Auriat and Siniscalco (2005:23). Close ended questionnaires were used in the study because they will assisted the researcher acquire a vast amount of information that was easy to analyse because the responses among respondents could be easily compared. Close ended questionnaires used in the study will had a preliminary section that stated the research topic, a section for including the respondents' details and a brief explanation of the problem under investigation. The close ended questionnaires were to be deployed on the general citizens who shall be selected by convenience sampling. However these citizens were only allowed to fill in the questionnaires if they agreed to having some knowledge of labour retrenchment regulations and FDI. The researcher dispatched the questionnaires in different parts of Harare to try and ensure there was some level of representativeness of the citizens in Harare. The researcher dispatched ten questionnaires each in one low density suburb (Mount Pleasant), medium density suburb (Hatfield) and high density suburb (Warren Park D). In an effort to avoid the potential problem associated with questionnaires such as poor completion rate the researcher administered questionnaires face to face and respondents were expected to complete the questionnaires and return them to the researcher afterwards. This eliminates room for non completion as may be the case with postal and self completion questionnaires. The citizens helped address the research objective that aims to discuss the impact applying section 12 and 18 of the Labour Amendment Act, 2015 have had on FDI flow in Zimbabwean Industry.

### **3.3 Data Presentation and analysis**

The bulk of the research was explained in a textual format with certain statistical information being tabulated or charted when possible. Yin (1994:41) conceptualises data analysis as comprising of examining the evidence of the data collection process to address the propositions of the study. The research made use of content analysis and thematic analysis to pick up and tag recurrent themes throughout the course of the study.

### **3.3.1 Content analysis**

Neuendorf (2002:1) defines content analysis as, 'the systematic, objective, quantitative analysis of message characteristics'. Hsieh and Shannon (2005:1277) cite Weber 1990 in explaining that 'The specific type of content analysis approach chosen by a researcher varies with the theoretical and substantive interests of the researcher and the problem being studied'. In light of this the researcher chose to use relational content analysis. This form of content analysis helped analyse the relationship between the two research variables. It helped illuminate whether there was a clear cut relationship between labour retrenchment laws and FDI. There are numerous steps that one must undertake to carry out content analysis. Stark and Humphrey (2009:2) state these steps include theory and rationale, conceptualising decisions, operationalising measures, coding schemes, sampling, training and initial reliability, coding and final reliability. These steps were applied religiously by the researcher when he analysed the data that was recovered from the field.

Stark and Humphrey (2009:3) posit that the researcher might meet a challenge of analysing content if there is not a lot of material to analyse. To eliminate this challenge the researcher strove to meet the set target of respondents needed to record a successful data collection process when carrying out field work.

### **3.3.2 Thematic analysis**

Fugard and Potts (2015:669) define thematic analysis as 'a qualitative method for uncovering themes, some level of patterned response or meaning'. The researcher implored thematic analysis in the study because according to authors like Braun and Clarke (2006:27) it may help a researcher produce a wide range of findings from the reviewed data. These research findings and themes mentioned above could potentially go unnoticed if the data is not closely analysed by use of thematic analysis. Thematic analysis may however pose a problem of producing too much data. Braun and Clarke (2006:27) opine that this 'can be potentially paralysing to the researcher trying to decide what aspects of their data to focus on.' The researcher combated this by maintaining focus on themes that were congruent with the research questions and research objectives. The researcher carried out thematic analysis by following six guidelines crafted by Braun and Clarke (2006:15-23). These steps include familiarising with data, generating codes, searching for themes, reviewing themes, defining and naming themes and producing a report.

### **3.4 Ethical considerations**

Babbie (1994:448) posits that ethics pertain to issues that deal with morality and issues of right and wrong. The stud upheld ethics of anonymity and informed consent. This served to allow respondents to speak freely on issues pertaining to the labour retrenchment laws and FDI without fear of being victimized because of their opinions and beliefs. The researcher also collected information from subjects that voluntarily wished to partake in the study. The researcher acquired permission or informed consent from participants to refer to them either anonymously or use their true identities. The researcher applied to engage respondents such as industrialists who partook in the study by writing a letter seeking permission to interview respondents. The researcher obtained an authorisation letter from the Department of Politics and Administration at the University of Zimbabwe. This authorisation letter served to show respondents that information gathered was for academic purposes and will not be used for anything else.

### **3.5 Conclusion**

This chapter presented the methodology that was used throughout the study. Data collection techniques and sampling methods were also discussed at large. Chapter three also stated the data analysis methods used in the following chapter. The chapter also outlined how some challenges surrounding the methodology were to be mitigated.

## **CHAPTER FOUR**

### **Data Presentation and Analysis**

#### **4.0 Introduction**

This chapter discusses the data collected from field work. The study set out to investigate the implications of section 12 and 18 of the Labour Amendment Act, 2015 on foreign direct investment using the case of the Willowvale industrial sector. The chapter describes: the conceptualisation of the link between labour retrenchment laws and FDI, the impacts of labour regulations on FDI in Zimbabwe, views towards sections 12 and 18 of the labour amendment act, 2015 and the future implications of labour retrenchment regulations on FDI in Zimbabwe.

#### **4.1 Challenges encountered during data collection**

The researcher faced one challenge that he successfully managed to counter. The researcher failed to interview the required number of industrialists (interviewed three instead of five) because he was not granted research clearance by two organisations in Willowvale. The researcher however countered this when he interviewed another key respondent, the public relations officer of the Employers' confederation of Zimbabwe (EMCOZ) Mr Matongo. Mr Matongo provided a wealth of information on behalf of all the industrialists from over the two hundred and fifty companies the organisation represents (numerous companies operating in Willowvale are also included in that cluster).

#### **4.1 Data Collection Schedules**

**Figure 4.1 data collection schedule for key informants interviewed**



<b>Interview with:</b>	<b>Date</b>	<b>Organisation</b>
University of Zimbabwe lecturer: Mr Murwira	01/12/15	University of Zimbabwe
University of Zimbabwe lecturer: Faculty of Commerce lecturer	03/02/15	University of Zimbabwe
Advocate (Senior lawyer): Mr Kanoti	16/11/15	Kanoti and partners
Employers representative (Public relations officer of EMCOZ): Mr Matongo	13/12/15	Employers confederation of Zimbabwe (EMCOZ)
Industrialist operating in Willowvale: employee X in human resources department	24/11/15	Organisation A
Industrialist operating in Willowvale: employee Y in humanresources department	24/11/15	Organisation B
Industrialist operating in Willowvale: employee Z secretary to Head of human resources	27/11/15	Organisation C

**Figure 4.2 presents the data collection schedule for Harare citizens**

<b>Location</b>	<b>Date</b>	<b>Residential area</b>
Low density	14/12/15	Mount pleasant
High density	15/12/15	Warren Park D
Medium density	06/01/16	Hatfield

#### **4.2 Conceptualisation of the link between labour retrenchment laws and FDI**

The researcher engaged numerous respondents. Namely two academics, a lawyer, an employer representative, three industrialists and thirty Harare residents with competent knowledge of retrenchment requirements in Zimbabwe and the concept of FDI to ascertain how they conceptualised the link between labour retrenchment laws and FDI. The researcher asked the respondents mentioned above whether they believed a strong, weak or nonexistent relationship characterised the link between labour retrenchment laws and FDI.

Sixty-five percent of the research respondents agreed to the existence of a strong relationship between the variables, one such respondent was advocate Kanoti of Kanoti and partners who argued that labour retrenchment laws and FDI are interconnected. He also added that labour law is a great factor that influences the level of foreign investment in a country. According to Mr Kanoti the law must be appreciated knowing that its contents can either decrease or increase FDI. If the laws are viewed as harsh or stringent by investors there is a high probability that they may invest elsewhere. This respondent (Mr Kanoti) compared to other respondents such as the Willowvale employees and Harare residents knew extensively about the existence of the relationship between the two variables because of his position as a lawyer and extensive understanding of the law as he has been practicing for over twenty years. In agreement with Mr Kanoti another respondent, Mr Matongo of EMCOZ in his conceptualisation of the relationship between the two variables indicated that there has always been a strong relationship between labour retrenchment laws and FDI. However he (Mr Matongo) highlighted that in 2015 this relationship was made increasingly popular by the media frenzy surrounding the issue of retrenchment and workers losing their jobs thus bringing this relationship into the media spotlight. He went on to add that the relationship however also depends with the type of industry. Mr Matongo stated that in labour intensive industries such as mining the effects would be more severe but in less labour intensive industries the effect on FDI would not be as tremendous. Mr Matongo's view was deemed by the researcher as valid because EMCOZ represents over two hundred employers from different organisations thus he was in possession of a wide spectrum of information on the matter. As a public relations officer he has access to information about the concerns of employees and how such concerns affect their businesses. Concerns such as labour regulations and their impact on employers businesses included.

However when it came to collecting information from Residents in Harare with competent knowledge of retrenchment requirements in Zimbabwe and the concept of FDI who were

asked to describe how they viewed the relationship between retrenchment regulations and FDI the responses varied, there were three distinct views. Namely those that believed a strong relationship existed between the variables, those who believed a weak relationship existed between the variables and those who perceived there was no relationship between the two variables. Out of a total of thirty Harare residents fifty-seven percent believed that there was a strong relationship between the two variables, thirty-three percent stated that the relationship between the two variables was weak whilst ten percent argued there was no relationship between the variables at all. The researcher upon analysing the questionnaire responses found a pattern and deduced that the respondents' responses were guided by party affiliation. Those who agreed that there was a strong relationship between labour retrenchment laws and FDI (fifty-seven percent) were in support of the current labour retrenchment laws enacted by the parliament mostly run by the ruling party ZANU-PF. The respondents who argued that there was a weak or nonexistent relationship between the variables (forty-three percent) were citizens that did not support the ruling party or its decision through its majority representation in parliament to enact section 12 and 18 of the labour amendment act 2015.

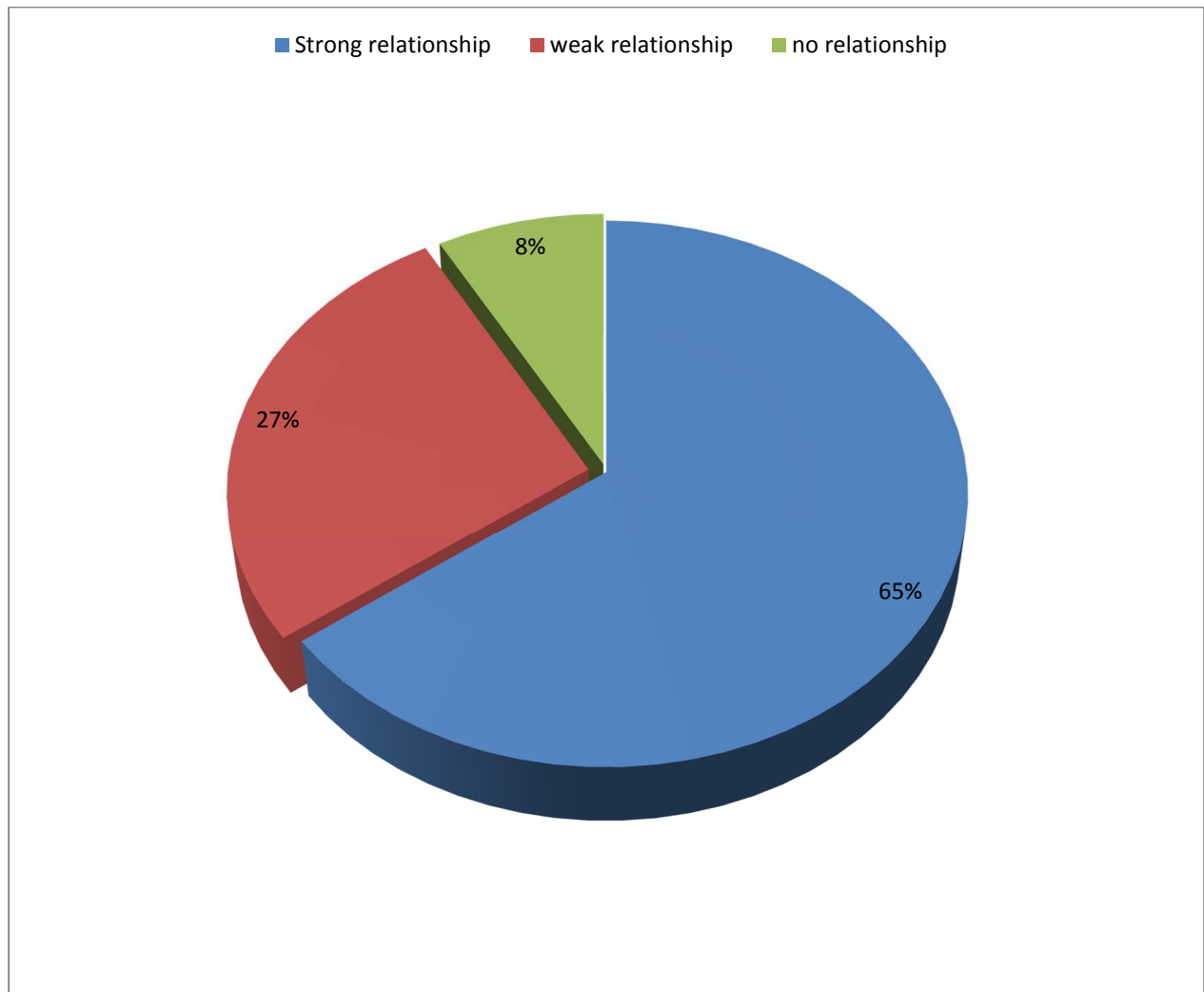
The confederation of Zimbabwean industries (Henceforth CZI) (2015:18) in its manufacturing survey not only described the relationship between labour retrenchment regulations as strong but also provided a reason as to why they believed the relationship was strong. CZI (2015:18) states that because of the status of Zimbabwe as a developing country the effects of labour law on FDI are tremendous. This is because Zimbabwean industries do not have access to advanced levels of machinery that would help relieve pressure on the reliance of manpower. (Ibid: 18) states 'Labour remains a key ingredient into the production process. Zimbabwe is not highly mechanised'. This means that a lot of the production in industry is somewhat reliant on manpower and cannot be highly supplemented by machines as is the case in developed nations.

Three industrialists from Willowvale were interviewed by the researcher to give their input on the relationship between labour retrenchment laws and FDI. Anonymous employee Z who works as the secretary to the head of human resources in organisation C situated in Willowvale stated that the link between labour retrenchment regulations and FDI is very real and present in the world now more than ever. The respondent went on to state how countries such as China with flexible retrenchment regulations were using this factor to pull investors. The respondent further added that China is now a manufacturing powerhouse that has

received foreign investments from major corporations in Europe, Asia and North America. The respondent pointed out that in his industry situated in Willowvale that deals with purchasing and retailing bulk fuel for motor vehicles, unfair labour practices such as the high cost of severance packages were keeping investors away from investing. Anonymous employee Y who works in the human resources department in Organisation B situated in Willowvale believed the relationship between the two variables was strong because foreign investors in the modern era seek to understand local legislation before investing. Anonymous employee Z as a secretary to the head of human resources in Organisation C situated in Willowvale agreed that a strong relationship existed between the two variables. This respondent went further to state that retrenchments were on-going during the time of the study and would most likely continue into the future. As such any foreign investor would find it in their best interest to know how this could affect their investments. The responses of the three industrialists working in companies situated in Willowvale all concur with the notion that a strong relationship exists between labour retrenchment laws and FDI in-flows. This stems from the fact that they were aware of the impact labour regulations were having on retrenchment patterns in Willowvale. It is first hand information from those who were and are currently still witnessing the burden of retrenching employees following the set out legal parameters.

A University of Zimbabwe lecturer within the Faculty of Commerce argued that no economy was independent of state regulations. According to this respondent FDI was largely dependent on the laws the government passed. These laws applied to investment laws, tax laws and labour laws. The respondent also argued that investors were calculative of where they chose to invest and laws could either have a pull or push effect. This means legislation could either be inviting to foreign nationals or push them away. The researcher acknowledges this view as valid seeing as the lecturer hailing from a Faculty of Commerce and business studies is competent in appreciating FDI and the means by which to increase it. The researcher also believes that this respondent (academic) and others of a similar mind acknowledge the existence of multiple factors deterring FDI in-flow notably labour retrenchment laws, taxation and investment policy. Similarly Mr Murwira a lecturer in the POLAD at the University of Zimbabwe stated that the relationship between the two variables was strong and that politics and economics were intertwined. None could thrive without the other.

**Figure 4.3 depicts a public opinion chart of Respondents in explaining the relationship between the two research variables**



*Source: Field work*

The researcher made the observation that the majority (sixty-five percent) of the entire research respondents viewed the relationship between labour retrenchment law and FDI as being strong, seventeen percent argued a relationship existed between the two variables but only a weak one. Whilst eight percent argued that no relationship existed between the two variables. As Far as conceptualising the link between labour retrenchment laws and FDI it would appear most respondents agree to the existence of a strong link between the two variables.

### **4.3 Impacts of labour regulations on FDI in Zimbabwe**

Field work leans toward the notion that section 12 and 18 of the labour amendment act, 2015 which set a minimum retrenchment package and enforced this retrenchment package in retrospect has had negative impacts on FDI.

#### **4.3.1 Low levels of FDI in Zimbabwe.**

All 3 respondents in Willowvale (employee X-organisation A, employee Y-organisation B and employee Z-organisation C) opined that the companies they worked for were strongly seeking FDI. The respondents all agreed that retrenchment regulations were shunning investors from industries. The interviewer asked them on a scale which ranged from none, less than desirable and high how much investment stakes were foreign nationals putting into their organisations. One hundred percent of the industrialists respondents interviewed in Willowvale admitted their organisations were not being backed by foreign investors at all. This illuminates the fact that industrialists are struggling to acquire foreign investment. A closer analysis reaches the basis that most organisations in Willowvale were embarking in producing goods and services alone upon failing to attract FDI. Thus the introduction of Section 12 and 18 of the labour amendment act, 2015 can be deemed to have been a new bottleneck in an already difficult race to attract FDI. The respondents however could not offer any statistical data. The researcher valued this piece of information coming from respondents in the field witnessing the problems stemming from the enactment of section 12 and 18 of the labour amendment act, 2015.

The Ministry of finance and economic development (Henceforth MOFED) in Zimbabwe in the National budget statement 2015 (MOFED 2015) alludes to the fact that Zimbabwe is underperforming in terms of attracting FDI as compared to regional competitors. In November 2015 the government released the national budget statement. Of interest to the researcher was the theme of the budget statement outlined in MOFED (2015:1) which aimed at 'building a conducive environment that attracts foreign direct investment'. This theme outlined in the budget statement was a candid acceptance of the fact that Zimbabwe's environment, including the legal environment was not conducive to increasing FDI. According to MOFED (2015:95) In 2015 Zimbabwe attracted 591 million in FDI whilst SADC economies such as South Africa, Zambia and Botswana registered annual investments of \$6 billion, \$2 billion and \$1.8 billion respectively. This can be accredited to the ease of doing business in such economies and fairer labour practices. The MOFED (2015:96)

acknowledges this slump in FDI to be a result of major cost drivers such as ‘labour, power, water, finance, transport, taxation and information communication technology’ that need to be rectified. It is also interesting to note that labour was identified as one of the constraints to the countries competitiveness.

The research posited that on a global scale Zimbabwe did not perform well in terms of attracting FDI. Other independent surveys such as the 2015 CZI manufacturing survey allude with the researcher’s findings. CZI (2015:8) maintains that Zimbabwe in 2015 lacked competitive appeal to attract FDI because of three main factors namely access to finance, policy instability and restrictive labour regulations. CZI (2015:8) states:

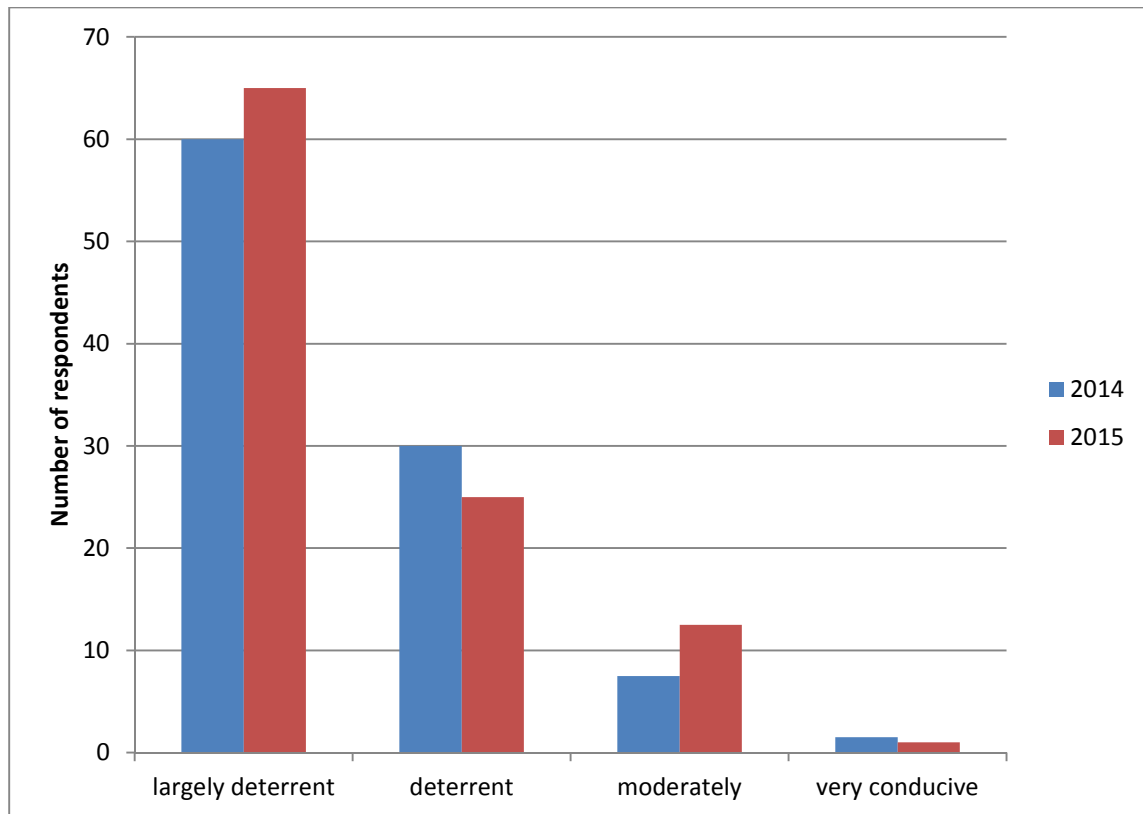
The World Economic Forum Global Competitiveness Index (GCI) Report for 2015/16 showed that Zimbabwe’s ranking was largely unchanged being number 124 in 2014 and number 125 out of 144 countries in 2015 on the global competitiveness rankings. The report showed that access to finance remains the main problem followed by policy instability and restrictive labour regulations.

The passage above is in line with the researcher’s findings that section 12 and 18 were playing a role in deterring FDI in Zimbabwe.

Respondents such as Mr Matongo (EMCOZ) accredited low levels of FDI inflow in 2015 to the difficult environment businesses had to operate in. Mr Matongo argued that labour retrenchment laws are part and parcel of the factors that were deterring investment among a host of factors. He further argued that there was need to amend section 12 and 18 of the labour amendment act, 2015 for business to continue operating. Similarly in agreement with the view that retrenchment legislation is having a negative impact on FDI, CZI (2015:15) states ‘CZI has previously called for the review of legislations that have a bearing on FDI.’ CZI under its manufacturing survey for 2015 analysed the environment for investing in Zimbabwe. They juxtaposed this with the conditions from the year 2014. Conditions such as labour regulations in Zimbabwe, debt overhang and the requirements of the economic indigenization and empowerment act. The scale ranged from largely deterrent to very conducive environment for FDI.

However it should be noted that this survey looked at a host of deterrents and not just legal impediments that include pieces of legislation such as the labour amendment act, 2015.

**Figure 4.4 represents the environment to attract FDI**



*Source: CZI Manufacturing Survey 2015*

From the diagram above it has been found that the complexity of Zimbabwe's business environment which includes labour regulations, empowerment and indiginisation requirements and a large debt overhang are deterring FDI. The majority of the respondents (sixty-five percent) labeled Zimbabwe's business environment largely deterrent to FDI with only (two-percent) labeling it as very conducive.

The researcher also established that labour regulations were responsible for the low levels of FDI being recorded in Zimbabwe. This is supported by The United States department of state investment climate statement (2015:16) which weighs in on how unfeasible labour regulations such as retrenchment requirements in Zimbabwe were in trying to lure investments. The report states



The government encourages foreign investors to make maximum use of Zimbabwean management and technical personnel. The country's labor laws make it very difficult for employers to adjust employment in response to an economic downturn. Not only are employers required to pay severance pay, but the dispute resolution process takes a long time.

The passage above posits that among the key factors to deterring investment were the issues of paying retrenchment or severance packages that were not reflective of the economic environment and long dispute resolution procedures. Simply put the passage sums up the argument that labour regulations in Zimbabwe are deterring investment.

In contrast to the argument that section 12 and 18 are decreasing FDI, Journalists such as Zengeni (2015:1) do not agree that labour legislation is the result of low FDI in-flow in Zimbabwe. Zengeni argues that all FDI bottlenecks are in the process of being rectified in Zimbabwe and labour legislation is not one of them. While to some extent this may be true the article does not touch on labour retrenchment law issues. Instead it focuses on the ease of doing business, technical working groups, the insolvency draft bill, movable property securities and shop licensing. The deliberate exclusion of the labour retrenchment laws in the comprehensive list of barriers hindering investment is proof that a certain percentage of actors such as journalists do not see labour retrenchment regulations as an obstacle to FDI-in flows.

#### **4.3.2 Companies operating under extreme financial pressure**

Three respondents (employee X-organisation A, employee Y-organisation B and employee Z-organisation C) interviewed in the Willowvale industrial sector in 2015 concurred that their organisations could not afford the retrenchment packages. All three of these respondents work within the human resource departments of their organisations and were aware to the impediments to retrenching their workforces. Two of the three Willowvale respondents were in agreement that most companies within Willowvale including those they worked for were operating under extreme financial pressure because they could not afford to pay the retrenchment packages stipulated in section 12 of the labour amendment act, 2015. Operating under extreme financial pressure can ultimately lead to the foreclosure of companies which would leave no avenue to attract FDI. In support of this Katongomara (2015:1) writes that Mr Moyo the CZI president made comments about the labour legislation. He is believed to have stated that 'Companies do not have the financial capacity to pay all the retrenched workers. We know it is law but it could potentially set a chain of events which can affect workers in the country as companies struggle to pay both dismissed and on-duty workers'.

Moreover Mr Matongo the public relations officer of EMCOZ informed the researcher that comparatively Zimbabwean industrialists 'had it rough' which means Zimbabwean industrialists were facing more stringent retrenchment regulations as compared to other countries in the region. He pointed out that in countries like South Africa the retrenchment package was half of what Zimbabwean industrialists have to pay retrenched employees. Mr Matongo also pointed out that several media reports claim that companies in Zimbabwe were operating for long stretches without paying employees. The reason behind it was that the companies could not afford retrenchment packages and so they opted to avoid retrenchment even though it strained them financially. Thus it can be said that companies were operating under financial pressure.

Similarly Kwaramba (2015) shed light on the plight of Zimbabwean companies by noting that:

Many workers went for months without earning salaries as evidenced by state entities such as National Railways of Zimbabwe, Air Zimbabwe and Grain Marketing Board. They could not retrench because the costs were too high. Instead, they just kept workers hoping that they would get a job elsewhere, misbehave and get fired or resign. Such state of affairs is not good for the employer-employee relationship.

The passage above further serves to showcase that companies were left between a rock and a hard place in 2015 because they could not afford retrenchment they had to move on and continue operating with large employee rosters they could not manage to pay on time.

### **4.3.3 Restructuring**

The application of section 12 in retrospect has resulted in companies within the Willowvale area moving to restructure themselves in a bid to comply with retrenchment law this is according to anonymous employee X. The same respondent (anonymous employee X) argues that restructuring was an adverse effect of the new retrenchment laws where companies were opting to sheepishly obey the law and retrench than to continue employing workers they could not pay. This has also seen the introduction of shift work whereby companies in a bid to save money are lessening employees' work hours so as to pay workers lower salaries. Shift work entails alternating the workforce and using fewer employees than before to produce the same output of goods and services. The researcher believes however this has the likely effect of affecting organisational efficiency as it seems impractical to cut the workforce and expect the same output. Employee X believes the output of goods and

services would decline because of the shortage of personnel. Employee X also believes this would continue into 2016 and beyond.

#### **4.3.4 Legal battles**

The enactment of section 12 and 18 of the labour amendment act, 2015 led to employers taking the Ministry of labour, public service and social welfare to court. According to Mr Matongo of EMCOZ employers are disgruntled with existing retrenchment labour legislation particularly section 12 and section 18 of the labour amendment act, 2015. This retrospective provision has resulted in an ongoing battle between employer representatives and the government of Zimbabwe. Throughout the course of the research Mr Matongo of EMCOZ told the researcher that the legal case between the government of Zimbabwe and EMCOZ was ongoing. Mr Kanoti of Kanoti and partners observed that legal action taken by employers is a clear indication of discontent. He further argued that taking the government to court was done with the ultimate hope that section 18 can be reversed and that what the employers deem to be just may prevail. From the contributions by Mr Matongo and Mr Kanoti the researcher deduced that the government of Zimbabwe and Ministry of labour, social welfare and public service seemingly overestimated their power in assuming that any labour retrenchment laws they enacted to counter mass retrenchment would not be met with resistance.

#### **4.3.5 Increased difficulty of doing business**

Retrenchment regulations have increased the difficulty of doing business in Zimbabwe. The 2015 CZI manufacturing survey uncovered that labour regulations are adding to the difficulty of conducting business in Zimbabwean industry. In accordance with these findings The CZI manufacturing survey juxtaposed a series of factors affecting businesses in Zimbabwe. Astoundingly fifty percent of the survey respondents believed restrictive labour regulations had a negative effect on business because it pushed away investors and made it hard to run companies with full employment rosters. While twenty-four percent believed it had a very negative impact on the undertaking of business endeavours, it would seem these respondents reacted this way because they want the immediate amendment of labour retrenchment regulations to increase the ease of doing business in their organisations. CZI survey material is diverse and highly accurate; CZI (2015:5) explains how the survey had questionnaires filled by respondents from the four CZI chambers which are Manicaland, Mashonaland, Matebeleland and Midlands. These also include CZI members and non-members, Chief executive officers and directors in participating firm.

**Table 4.5 illustrates factors affecting businesses in Zimbabwe**

<b>FACTOR</b>	<b>Very Positive</b>	<b>Positive</b>	<b>No Effect</b>	<b>Negative</b>	<b>Very Negative</b>
Minimum wages	1%	9%	38%	41%	11%
<b>Restrictive Labour Regulations</b>	<b>0%</b>	<b>1%</b>	<b>24%</b>	<b>50%</b>	<b>24%</b>
Policy Instability	0%	0%	10%	42%	48%
Corruption	0%	0%	21%	37%	43%
Power Cuts	0%	0%	11%	37%	52%
Electricity Charges	0%	3%	8%	45%	45%
Access to financing	1%	6%	17%	37%	39%
Domestic Demand	1%	16%	7%	45%	31%
Public Sector Bureaucracy	0%	0%	19%	53%	27%
EMA Requirements	0%	6%	36%	40%	18%
Interest Rates	0%	2%	13%	48%	36%
Exchange Rate	4%	18%	38%	25%	15%
Insufficient capacity to innovate	0%	3%	28%	45%	24%
Ageing Equipment	0%	1%	19%	41%	39%
Competition from Imports	0%	0%	12%	32%	56%
ConsignmetBased ConformityAssessment	0%	4%	62%	18%	17%

*Source: CZI Manufacturing Survey 2015* (The information on labour regulations is highlighted to stand out from other factors that do not concern the study).

The results thus obtained are compatible with the research in stating the large impact restrictive labour retrenchment laws have had on FDI in Zimbabwe in 2015. Out of the total percentage of those interviewed fifty percent believed restrictive labour regulations had a negative impact on conducting business in Zimbabwe while twenty-four percent of the survey respondents believed it had a very negative effect on conducting business in Zimbabwe.

#### **4.4 Views towards sections 12 and 18 of the labour amendment act, 2015**

Fifty percent of Harare residents with a basic appreciation of retrenchment regulations and the concept of FDI were of the view that section 12 and 18 of the Labour Amendment Act, 2015 were detrimental to FDI inflow. This view was most likely supported by these respondents because they appreciate the challenges companies are having in trying to meet retrenchment packages. The other fifty percent viewed the aforementioned labour regulations as being fair to the interests of labour. The difference in views to the other respondents may be credited to the fact that these Harare residents who themselves are employees in companies operating within the country were out to defend their interests by supporting the law which requires for them to be paid a retrenchment package.

Anonymous employee X a worker in the human resources department at organisation A believed the company bosses were upset and angered about section 12 and 18 of the labour

amendment act, 2015. According to Anonymous employee X they view sections 12 and 18 of the Labour Amendment Act, 2015 as being 'unfair'. The respondent went further to say that the manner in which the aforementioned sections had reversed their ability to retrench workers on three months' notice without severance packages was sudden and unexpected. What had seemingly presented itself as an avenue for relieving the financial pressure on businesses had come back to haunt them. However the respondent went on to say:

*'Zvirinani kuita mutemo ukuwomesera vanoda kudzinga vamwe kunyangwe pasina mari yacho. Just imagine 25 000 vanhu vasiri pamabasa without a full scale retrenchment package? In these trying times?'*

Translated from Shona the respondent questioned morality of firing employees without severance packages even if it disadvantages industrialists. According to the interviewee it was better for both the industrialists and workers to work collectively to save their organisations from closure than to retrench employees without benefits in a hostile economic environment. This argument adds a moral dimension to the study. Raising questions such as what can be done to leave both employers and employees well off? When can government remedy the situation? (This shall be further discussed in the next chapter under recommendations).

Mr Murwira a lecturer within the University of Zimbabwe department of politics and administration views section 12 and 18 of the labour amendment act, 2015 being volatile and extremely sensitive to change and pressure from stakeholders. He believes the government is playing a balancing act, this means that the government is taking a reactionary stance towards amending labour legislation. According to Mr Murwira labour legislation is determined by the pressure that different stakeholders put on government. With section 12 and 18 this respondent argues that the Labour Amendment Act was amended by the labour amendment act, 2015 to make the employees happy, but if it offsets the employers and there is extreme resistance the government might have to counter this by amending the retrenchment laws again in the future.

A lecturer in the Faculty of Commerce viewed the laws as counter friendly to the effort to lure investors into Zimbabwe. The respondent argued that many people in the business community were likely to view section 12 and 18 of the Labour Amendment Act, 2015 in the same light. This view is in line with those of other actors in the business community, taking for instance an article entitled 'Labour dispute to persist as businesses disown new labour law' on [www.newzimbabwe.com](http://www.newzimbabwe.com) John Mufukare an executive director of EMCOZ had

similar things to say about the law. The article states Mr Mufukare is believed to have described the law as one that made a ‘mockery’ of just labour practices. The word ‘mockery’ refers to any behaviour that makes fun of anything in a hurtful manner. In this case just labour legislation is being put to shame by the labour amendment act, 2015. Similarly in an article entitled ‘Employers reject new labour bill’ on [www.newsdezimbabwe.com](http://www.newsdezimbabwe.com) has it that Confederation of Zimbabwe industries (CZI) President Mr Busisa Moyo described the law as ‘reactionary and insensitive to the needs of businesses’. The article goes on to state that Mr Jack Murehwa president of the Employer’s Confederation of Zimbabwe (EMCOZ) ‘underscored the need for Zimbabwe’s laws to be investor friendly’. The researchers observed that most people in the business community had a similar view when it came to appreciating the enacted retrenchment regulations. The view that these regulations were bad for business.

Mr Kanoti of Kanoti and associates did not comment on the matter opting to reserve his comments.

#### **4.5 Future implications of labour regulations on FDI in Zimbabwe**

As part of the research, the researcher outlined the possible future outcomes that are going to happen if section 12 and 18 of the labour amendment act, 2015 remain unchanged and how they will in part affect FDI. These implications were voiced by respondents and were recurrent throughout the field work. These include company foreclosures in 2016 and beyond, difficulty in getting government to enact legislation that appeases all stakeholders in the tripartite relationship, rise in informal operating within companies and an increased failure to observe the law when retrenching employees.

Three respondents (employee X-organisation A, employee Y-organisation B and employee Z-organisation C) within the Willowvale area opined that company foreclosures were imminent in the future if the retrenchment regulations remained unchanged. Company foreclosures would result in there being a fewer number of organisations to receive FDI which will lower FDI in-flow further. Eighty-four percent of the Harare residents who participated in the research believe companies will resort to foreclosing and liquidating their assets to pay off retrenchment packages. The challenge of avoiding company foreclosures stems not only from paying workers dismissed according to the 2015 court ruling but in maintaining the law well beyond 2015. In an economy that is not performing as well as it should be the decision to retrench employees will likely rise from time to time. The ability to

pay the retrenchment fees being enforced by the government however is questionable at best. The Financial Gazette (2015:8) in support of the research argue that company foreclosures are imminent. In an article entitled 'Zimbabwe: Experts See No Letup On Economic Crisis' CZI President Mr Busisa was quoted stating that:

We are going to have more company closures, more unemployment; our import bill will rise because all the money that we will get will be siphoned towards imports. By failing to have a (strong) domestic manufacturing sector, government will have less and less revenue.

From this the researcher gathered that industry experts are also of the view that the labour regulations if unchanged shall continue forcing companies into foreclosure.

Mr Kanoti of Kanoti and partners views sections 12 and 18 of the Labour Amendment Act, 2015 as potentially leading to an increase in informal operating within companies. A fragment of thirteen percent of the residents who filled out questionnaires also believes that the current retrenchment laws may fuel non compliance with retrenchment regulations. This is a serious implication basing on the fact that informal or unregistered enterprises cannot receive FDI. This is because investors require paperwork such as company registration before engaging in business. Potential employers wishing to venture into business may decide to establish informal organisations without contracts and registering of companies to try and avoid retrenchment packages when they relieve employees of their jobs. He believes such scenarios are already playing out in some small enterprises and that retrenchment regulations are going to fuel their rise. Other factors that are also influencing an increase in informal operating within businesses he attributes to the arduous company registration procedures and attempts to avoid taxation.

Seventy percent of the citizen respondents also agreed to the assumption that there was a need to amend labour retrenchment laws or it was going to add to non compliance in following retrenchment procedures laid out in section 12 and 18 of the Labour Amendment Act, 2015. Mr Matongo of EMCOZ, a lecturer in the Faculty of Commerce at the UZ were also in agreement when it came to the idea that it was likely that companies were going to most likely seek to ignore retrenchment processes because of the unavailability of resources to keep up with the law. Mr Matongo argued that in actuality some organisations were already facing legal action from former employees they retrenched without following the right procedures. He speculates that more legal action is likely to ensue in the years to come if the regulations are not amended.

## **CHAPTER FIVE**

### **Conclusions and recommendations**

#### **5.1 Conclusions**

##### **5.1.1 The Government is maintaining a neutral stance towards labour legislation amendment**

The government of Zimbabwe is choosing not to alter current labour retrenchment laws. The government seems to be imploring a neutral stance. While this may be a choice the government has, it may not necessarily be the best one. Section 12 and 18 of the labour amendment act, 2015 are pleasing to workers and workers unions whilst the employers who are a key stakeholder in the tripartite relationship are left unhappy. While it may be difficult to appease all three actors in the tripartite relationship, action in the form labour legislation amendment particularly sections to do with retrenchment is necessary to keep businesses afloat or open and increase FDI in Zimbabwe. It is impractical to focus on a drive to increase FDI when the leaders of the business that are to receive foreign investments are facing challenges to keep industries open. Consultation is lacking in the tripartite relationship. The government was pressured by workers and worker representatives to strengthen the position of employees against unfair dismissal. This led to fast trekking of labour legislation and halting of dismissals based on a common law ruling. Many employers feel that the government never heard their concerns and acted selfishly. As it stands the Labour Amendment Act is branded a pro employee document by the employers.

##### **5.1.2 Zimbabwean industries are struggling with low FDI in-flow**

The plight of Zimbabwean industries is not being fully comprehended by many. Field work assisted the researcher in appreciating this fact first hand. Companies are facing problems of having large work rosters they cannot pay on time. Whilst restructuring is being carried out to introduce shift work. The obsolete machinery and infrastructure itself within the companies situated in Willowvale also seem to be a cry for foreign investment.

##### **5.1.3 There is a lack of coherence between the different arms of government**

The research problem stemmed from the lack of coherence between the judicial systems and the legislative and executive arms of government. The Supreme Court allowed for the dismissal of employees on three months' notice without a severance package in a case that started mass dismissals in June 2015. The legislature and the executive were not in support of



this and rectified the situation by implementing the labour amendment act, 2015. However in doing so a problem arose in applying retrenchment requirements in retrospect which is affecting multiple industries within the country. The enactment of the law is also decreasing FDI. There is clearly a difference of opinions from the different arms of government as to what must be done and what is best for both the workers, employers and FDI in-flow of the country. This lack of coherence can also lead to controversial interpretation of the retrenchment laws if it is not rectified soon.

## **5.2 Recommendations and areas of further study**

### **5.2.1 Immediate amendment of labour regulations**

There is need to amend section 12 and 18 of the labour amendment act, 2015. Laws applied in retrospect seem unfair even though it is constitutionally not illegal to implement such legislation in Zimbabwe. Retrenchment packages need to be reflective of the economy and not just good on paper. The truth is that in as much as it is mandatory for companies to pay retrenchment packages there exists the likelihood that these will not be paid out by most employers to employees because of the unavailability of retrenchment funds. Viable options to include in the changes could be the lowering of the retrenchment packages to be more reflective of the economy and the avoidance of formulating statutes which operate in retrospect. Such action however is being avoided because of the moral challenge of allowing people to be retrenched without larger severance packages that have been legally required by law in Zimbabwe. It becomes a case of practicality versus morality in which case the research supports the former. Thus the government of Zimbabwe must accept the current economic situation and adjust accordingly. The government must fulfil its role as a regulator in the tripartite relationship while being aware of the current economic situation. Statutes that might seem unfair in Zimbabwe to both employers and employees in labour legislation will have to be reflective of the environment labour and capital are operating in.

Amendment of labour legislation and retrenchment regulations in particular must also be done in such a way that it competes with labour retrenchment laws within the region. For instance in South Africa labour laws require industrialists to pay half of the retrenchment packages industrialists in Zimbabwe are required to pay retrenched employees. If the Zimbabwe Labour Amendment Act were to dictate similar or better stipulates pertaining to retrenchment practices this could help lure investors. However there is still a need to protect

employees from being short changed by legislators who may be blindsided by the prospect of FDI that they may end up almost entirely scrapping severance packages.

### **5.2.2 Increase stakeholder participation in law making**

The Labour Amendment Act, 2015 was introduced as a counter reactionary measure to halt job dismissals. The act sailed through parliament in under three months. The amendment process however must not be one that is hurried. There is need for informed decision making by the state and consulting key stakeholders. These stakeholders include citizens, employees and employee representative, employer and employer representatives, international investors, academics and legal experts. There is need to open dialogue on matters surrounding FDI and labour retrenchment laws.

### **5.2.3 Promotion of the Zimbabwean workforce as a way to lure investment**

Zimbabwe has one of the highest literacy rates in Africa. Zimbabwe also has many skilled individuals that have resorted to informal tending as a means to gain livelihoods in the absence of jobs. The government of Zimbabwe may promote this fact to investors to try and sway them to invest in Zimbabwe because of the abundance of skilled manpower. Although in order for this plan to work and increase FDI in-flow the government of Zimbabwe will need to pair it up with fairer labour regulations.

### **5.3 Recommendation of areas for further study**

The researcher believes the study only scratched the surface in terms of introducing labour regulations as a deterrent to FDI in Zimbabwe. Other factors that have a bearing on FDI such as political contexts, infrastructure deficits, indignisation and empowerment legislation and the availability of skilled manpower have been studied at large before. The researcher feels it is necessary to continue analysing the impact labour retrenchment laws shall have on FDI, especially with the prospect of the implementation of mega FDI deals between China and Zimbabwe in the future for example. The researcher believes different methodologies can be used by other researchers to generate usable data as the methods used in this study are not exhaustive.

## **BIBLIOGRAPHY**

### **Books**

- Al Radhan, R and Stoudman, G. (2006). Definitions of Globalization: A Comprehensive Overview and a Proposed Definition. GCSP. Geneva
- Asghari, M and Safa, A. FDI effects on economic growth: The role of natural resource and environmental policy
- Auriat, N and Siniscalco, M. (2005). Questionnaire design. Paris. UNESCO International Institute for Educational Planning
- Babbie, E. 1994. The Practice of Social Science Research, 7th Edition Belmont: Wadsworth pub.co
- Banks, K. (2013) Must Canada Change Its Labour and Employment Laws to Compete with the United States? Toronto. Queens University
- Bell, J. (1995). Doing Your Research Project, Philadelphia: Open University
- Cantwell, J. (2015). An Introduction to the eclectic paradigm as a meta-framework for the cross-disciplinary analysis of international business Palgrave macmillan. England
- Cheater ,A. (1992) Industrial Sociology in the First Decade of Zimbabwean Independence: Harare, UZ.
- Confederation of Zimbabwean Industries (CZI). 2015. 2015 CZI MANUFACTURING SECTOR SURVEY REPORT.CZI.Harare
- Chiripanhura, B and Makwavarara, T. (2001).The labour market and economic development 1980-2000. Zimbabwe Congress of Trade Unions (ZCTU). Harare
- Davis, and Gallardo, (1999). Straight talk about communication research methods 1st edition. Property of Kendall Hunt Publishing Co.
- Dundon, T and Rollinson, R. (2011)Understanding employment relations second edition. McGraw-Hill. London
- ECA (Economic Commission For Africa). (2003). Public Sector Management Reforms In Africa ECA Adis Ababa . Ethiopia
- Foshiyin, T. (2010). Tripartite institutions, collective bargaining and employment relations in the Mauritian labour market. International labour Organisation (ILO). Geneva
- Grobler et al. (2011). Human resource management in South Africa 4<sup>th</sup> edition. Cenage Learning Emea. United Kingdom
- Hayes ,N. 2003. A student's Dictionary of Psychology. New York: McGraw Hill
- Haque, M. (2009). Sampling methods in social research. Visva Bharati, Santiniketan, West Bangal
- Humphrey, L and Stark, A. (2009) Content analysis. Vancouver island University
- Hornberger et al . (2011). Attracting FDI: How much does investment climate matter? World Bank. Washington D.C

- Jafar, A and Ghosh, A. (2013). Comprehending the relationship between labour law and development in the Indian context. Labour Law inaugural conference June 13-15. Barcelona
- Jakubiak, M and Kudina, A. (2008). The motives and impediments to FDI in the CIS. OECD. Poland
- Madhuku, L and Kalula, E. (1997). Public sector labour relations in Southern Africa: Developments and trends. Institute of development and labour law University of Cape town and Friedrich Ebert Stiftung . South Africa
- McDonald, D for the International Labour Organisation (ILO). (1997). Industrial relations and globalization: challenges for employees and their organisations. ILO. Bangkok
- Menon, N and Sanyal, P. (2004). Labor Conflict and Foreign Investments: An Analysis of FDI in India. Brandeis University
- Ministry of finance and Economic development. (2015). The National budget statement 2016.
- Nachmias, C and Nachmias, D 1987, Research methods in the social sciences third edition, new York, St. Martin's press
- Neuedorf. K. (2002). The content analysis guidebook. Sage publications. London
- Neary, J.P. (2007). World Economy FDI: The OLI Framework. University of Oxford and CEPR
- Olney. W. (2011). A Race to the Bottom? Employment Protection and Foreign Direct Investment. Williams College. Williamstown
- O'Leary, A. 2004. The Essential Guide to Doing Research. London: SAGE Publications.
- Protsenko, A. (2003). Vertical and Horizontal Foreign Direct Investments in Transition Countries. University of Munich. Munich
- Rose, S. Spinks, N and Canhoto, A (2015) Management Research: applying the principles.
- Ross, K. (2005). Sample design for educational survey research. United nations International Institute for Educational Planning (UNESCO). France
- Sachikonye, L. (1990). Labour legislation in Zimbabwe: Historical and Contemporary
- Sahoo, P. (2014). Making India an Attractive Investment Destination: Analyzing FDI Policy and Challenges. National Bureau of Asian Research (NBR). Delhi
- Sankaran, K. (2007). Labour laws in South Asia: The need for an inclusive approach. International Institute for Labour Studies. Geneva
- Therkildson, O. (2001). Efficiency, Accountability and Implementation Public Sector Reform in East and Southern Africa. UNRISD
- United Nations Aids Monitoring and evaluation fund (UNAIDS). (2013). An introduction to triangulation. UNAIDS
- United Nations Conference on Trade and Development (UNCTAD). (2015). The world investment report 2015. UNCTAD. Geneva
- United States department of state. 2015. Zimbabwe investment climate statement. U.S department of state

Willborn, S. (2013). Labor law and the race to the bottom. University of Nebraska-Lincoln. Nebraska

Yin, R. 1994. Case study research: Design and methods. Thousand Oaks, CA: Sage Publications.

Younus, M. (2014) Vulnerability and Adaptation to Climate Change in Bangladesh, Springer Theses. Springer Science+Business Media Dordrecht 2014

## **Journals**

Braun, V. and Clarke, V. (2006) Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3 (2). pp. 77-101. ISSN1478-0887

Boyce, C and Neale, P. (2006). CONDUCTING IN-DEPTH INTERVIEWS:A Guide for Designing and Conducting In-Depth Interviews for Evaluation Input. Pathfinder International

Davis, DM. (1980). The functions of Labour Law. The comparative and international law journal of Southern Africa, Vol 13, No.2 (July 1980) pp212-217

Dunning, J. (2000). The eclectic paradigm as an envelope for economic and business theories of MNE activity. *International Business Review* 9 (2000) 163–190. Pergamon

Dunnig, J. (2001). The Eclectic (OLI) Paradigm of International Production: Past, Present and Future *International Journal of the Economics of Business*. Taylor & Francis Ltd

Fugard, A and Potts, H. (2015). Supporting thinking on sample sizes for thematic analyses: a quantitative tool. *International journal of social research Methodology*. 18:6 669-684

Gwenhamo, F.2009. Foreign direct investment in Zimbabwe: the role of institutional factors. Working Paper 144. School of economics. University of Cape Town

Globerman, S and Shapiro, D. (1999). The Impact of Government Policies on Foreign Direct Investment: The Canadian Experience. *Journal of International Business Studies*, Vol. 30, No. 3 (3rd Qtr., 1999), pp. 513-532. Palgrave Macmillan Journals

Hsieh, S and Shannon, H. (2005). Three approaches to qualitative content analysis *Qualitative health research*, Vol 15 No.9 1277-1288

Kozak, M. (2008). Finite and Infinite Populations in Biological Statistics: Should We Distinguish Them? *The Journal of American Science*, 4(1), 2008, ISSN 1545-1003,

Menza, C., C. Caldow, C. Jeffrey and M. Monaco. 2008. Analysis of Sample Frames and Subsampling Methods for Reef Fish Surveys. NOAA Technical Memorandum NOS NCCOS 72. 14 pp.

Mogalakwe, M. (2006). The Use of Documentary Research Methods in Social Research. *African Sociological Review*, 10, (1), 2006, pp. 221-230.

Pierre, G. (2008). MADAGASCAR: De Jure Labor Regulations and Actual investment Climate Constraints. Africa Region Working Paper Series No. 118 (a). World bank

Tang, S. (1993). The Legislative Framework for Direct Foreign Investment in ASEAN. *ASEAN Economic Bulletin* Vol. 10, No.

Zhou, G and Zvoushe, H. (2012) Public Policy Making in Zimbabwe: A Three Decade Perspective. International Journal of Humanities and Social Science Vol. 2 No. 8 [Special Issue – April 2012]

### **Newspapers**

Chidza, R. (2015:1) Labour law fight begins. Newsday Zimbabwe 10 October

Machivenyika, F. (2015:1) President signs Labour Act. The Herald 8 September

Machivenyika, F and Gumbo, L. (2015:1) Report spells out FDI constraints. The Herald 2 November

Ruwende (2015:1) Zim excited over President Xi visit'. The Herald

Zengeni, H and Makichi, T. (2015:1). FDI: Zim clears all bottlenecks. The Herald Decemebr 12

Zwinoira (2015). Lowering protection of employees not related to economic growth: ILO. Newsday 1 September

### **Government Publications**

Government of Zimbabwe. (1985). The Labour relations act

Government of Zimbabwe. (2015). The Labour Amendment Act, 2015 (Act No 5 of 2015). Harare. Printflow

### **Online sources**

Employers reject new labour bill. Published 16/08/2015 [www.NewsdzeZimbabwe.com](http://www.NewsdzeZimbabwe.com) accessed 31/08/15

Katongomara, A. We've no capacity to pay workers: CZI published 29/08/15 [www.Nehandaradio.com](http://www.Nehandaradio.com)

Kuwaza, K. Labour law amendments leave parties disillusioned. Published 11/09/15 [www.Zimbaweindependent.com](http://www.Zimbaweindependent.com)

[www.worldbank.org/module1aboutFDI/investmentgeneration toolkit](http://www.worldbank.org/module1aboutFDI/investmentgeneration toolkit) accessed 10/10/15

The Financial Gazette. FDI into Africa-by passes Zimbabwe. Published 26/09/15 on [www.Financialgazette.com](http://www.Financialgazette.com)

Gwanyanya, P. (2015). China could be a game Changer in. Zim published 4/12/15 sourced on [www.the herald.co.zw](http://www.the herald.co.zw)

Kwaramba, N. 2015. Labour Bill a tragedy of good intentions published 28/08/15 sourced on [www.theindependent.com](http://www.theindependent.com)

Labour dispute to persist as businesses disown new labour law published 06/09/15 sourced online [www.newzimbabwe.com](http://www.newzimbabwe.com)

Makoshori, S. (2015). Zimbabwe: Experts See No Letup On Economic Crisis. Published 17/12/15 [www.thefinancialgazette.com](http://www.thefinancialgazette.com)

Mtero, C. 2015. Shifting Labour Regulations in Zimbabwe: The Need for Clarity to create a Stable, Investor-friendly Economy published 24/11/15 sourced on [www.govenanceafrica.org](http://www.govenanceafrica.org)

New fdi figures a warning signal published 26/06/15 sourced [www.theindependent.co.zw](http://www.theindependent.co.zw)

Ruwende, I. (2015). Zim excited over President Xi Visit published 30/11/15 sourced on [www.herald.co.zw](http://www.herald.co.zw)

Zengeni, H and Makichi, T. (2015:). FDI:Zim clears all bottlenecks published 18/12/15 sourced on [www.theherald.com](http://www.theherald.com)

## **LIST OF APPENDIXES**

*APPENDIX 1: CLOSE ENDED QUESTIONNAIRE*

*APPENDIX 2: INTERVIEW GUIDE FOR LAWYER*

*APPENDIX 3: INTERVIEW GUIDE FOR ACADEMICS*

*APPENDIX 4: INTERVIEW GUIDE FOR INDUSTRIALISTS*

*APPENDIX 5: INTERVIEW GUIDE FOR EMCOZ PUBLIC RELATIONS OFFICER*



APPENDIX 1

**QUESTIONNAIRE FOR HARARE RESIDENTS**

**RESEARCHER: ARNOLD CHISAMBA**

*My name is Arnold Tafadzwa Chisamba. I am currently studying for the attainment of a Masters in Public Administration degree (MPA) at the University of Zimbabwe. I am conducting a research on :The implications of Sections 12 and 18 of the Labour Amendment Act, 2015 on foreign direct investment: The case of the Harare Willowvale industrial sector. The information generated from this questionnaire shall be used for purely academic purposes and be treated with the utmost confidence.*

**DEMOGRAPHIC PROFILE**

Respondent profile

(i) Age.....

(ii) Gender.....

Residential area.....

(ii) Low density  Medium density  High density

Date of interview.....

**1. Do you have any knowledge on the retrenchment laws that industrialists must follow in Zimbabwe when retrenching?**

Yes/No.....

**2. Do you Understand the concept of FDI?**

Yes/No.....

**3. What kind of relationship do you think exists between retrenchment labour legislation and FDI? (Indicate choice by way of ticking empty box with required option to the right)**

Strong relationship	
Weak Relationship	
No relationship	

**4. Do you think the Labour Amendment Act, 2015 has had an impact on Foreign Direct investment (FDI) in Zimbabwe?**

Yes/No.....

**5. Do you think industrialists are viewing sections 12 and 18 of the Labour Amendment Act, 2015 in a positive light?**

Yes/No.....

**6. Have FDI levels been decreasing since the passing of sections 12 and 18 of the Labour Amendment Act, 2015 in Zimbabwean Industries?**

Yes/No.....

**7. Do you think amendments should be made to sections 12 and 18 of the Labour Amendment Act, 2015 to increase FDI in Zimbabwe?**

Yes/No.....

**8. Do you believe applying labour laws in retrospect had any impact on FDI inflow in Zimbabwe?**

Yes/No.....

**9. What political party do you support?**

.....

**10. Do you think section 12 and 18 of the Labour Amendment Act will be followed by industrialists in Willowvale?**

Yes they shall be followed	
No they shall fuel non compliance	

**11. How do you view section 12 and 18 of the Labour amendment act, 2015?**

a. Fair	
b. Unfair	
c. Detrimental to FDI inflow	
d. Likely to change	

**12. What are the future implications if section 12 and 18 of the Labour Amendment Act, 2015 remain unchanged?**

a. Company Foreclosures	
b. Non compliance with the retrenchment law	
c. Rise in informal operating by companies	
d. All the above	
e. None of the above	

**Thank you for your cooperation**

## *APPENDIX 2*

### **Key Informant interview guide for the practicing lawyer**

My name is Arnold Tafadzwa Chisamba. I am currently studying for the attainment of a Masters in Public Administration degree (MPA) at the University of Zimbabwe. I am conducting a research on the implications of Sections 12 and 18 of the Labour Amendment Act, 2015 on foreign direct investment: The case of the Harare Willowvale industrial sector. I am kindly asking for your assistance in the carrying out of this research by giving me your honest opinion and thoughts. I also reassure you that all information generated will be used for academic purposes only and may opt to maintain their anonymity.

1. What impacts have section 12 and 18 of the Labour Amendment Act, 2015 had on FDI?
2. How would describe the relationship between retrenchment regulations and FDI in Zimbabwe?
3. What changes would you recommend to be made to section 12 and 18 of the Labour Amendment Act, 2015?
4. How far do you think legal instruments can go in dissuading foreign direct investment?
5. In your experience, do you think there is congruence between the legislature and the courts when it comes to labour laws?
6. Are there any peculiarities about section 12 and 18 of the Labour Amendment Act, 2015 that you have noticed?
7. Do you think all stakeholders played a role in the formulation of the Labour Amendment Act, 2015
8. What relationship do you think exists between retrenchment labour laws and FDI in Willowvale?
9. What are your thoughts on the employers and employer organisations that have taken the Ministry of Labour, Public Service and Social Welfare to Court
10. What issues in future do you think shall stem from the continuation of the enactment of section 12 and 18 of the Labour Amendment Act, 2015?
11. What are the future implications if section 12 and 18 of the Labour Amendment Act, 2015 remain unchanged?
12. Do you have any additional comments to add on any issue we have or have not discussed?

**Thank you for your cooperation**

### *APPENDIX 3*

#### **Key informant interview guide for UZ Academics**

My name is Arnold Tafadzwa Chisamba. I am currently studying for the attainment of a Masters in Public Administration degree (MPA) at the University of Zimbabwe. I am conducting a research on the implications of Sections 12 and 18 of the Labour Amendment Act, 2015 on foreign direct investment: The case of the Harare Willowvale industrial sector. I am kindly asking for your assistance in the carrying out of this research by giving me your honest opinion and thoughts. I also reassure you that all information generated will be used for academic purposes only and may opt to maintain their anonymity.

1. What do you think is the relationship between retrenchment labour laws go and FDI?
2. What impacts have section 12 and 18 of the Labour Amendment Act, 2015 had on FDI?
3. Do you think applying section 12 of the Labour Amendment Act, 2015 in retrospect by the government is appropriate?
4. What challenges do you think companies are having in adhering to section 12 of the Labour Amendment Act, 2015 that deals with the issue of retrenchment?
5. In your experience are laws that are applied in retrospect widely received by citizens?
6. Do you think labour legislation is acting as a deterrent to FDI in flow in 2015?
7. How do you view section 12 and 18 of the Labour amendment act, 2015?
8. What are the future implications if section 12 and 18 of the Labour Amendment Act, 2015 remain unchanged?
9. Do you have any additional comments to add on any issue we have or have not discussed?

**Thank you for your cooperation**

*APPENDIX 4:*

**Key Informant interview guide for industrialists in Willowvale industrial area**

My name is Arnold Tafadzwa Chisamba. I am currently studying for the attainment of a Masters in Public Administration degree (MPA) at the University of Zimbabwe. I am conducting a research on the implications of Sections 12 and 18 of the Labour Amendment Act, 2015 on foreign direct investment: The case of the Harare Willowvale industrial sector. I am kindly asking for your assistance in the carrying out of this research by giving me your honest opinion and thoughts. I also reassure you that all information generated will be used for academic purposes only and may opt to maintain their anonymity

1. What industry do you operate in?
2. What impacts have section 12 and 18 of the Labour Amendment Act, 2015 had on FDI?
3. How do you conceptualise the relationship between retrenchment regulations and FDI in Zimbabwe?
4. From a scale of none existant, weak and strong how large a role is foreign direct investment (FDI) playing in your sector?
5. What are your views toward section 12 and 18 of the Labour Amendment Act, 2015?
6. Do you think your organization would be financially capable of retrenching several employees following the procedures outlined in section 12 of the Labour Amendment Act, 2015?
7. In 2015 were you among the industrialists who retrenched workers according to a high court ruling and then were forced to rehire them because you could not afford retrenchment?
8. Do you think labour legislation, particularly issues to do with retrenchment is making it harder for industries to attract FDI?
9. As industrialists do you think you were adequately represented in the formation of the Labour Amendment Act, 2015?
10. What future implications do you think shall arise from the continued enactment of section 12 and 18 of the Labour Amendment Act, 2015?
11. Do you have any additional comments to add on any issue we have or have not discussed?

**Thank you for your cooperation**

*APPENDIX 5:*

**Key informant guide for EMCOZ public relations officer**

My name is Arnold Tafadzwa Chisamba. I am currently studying for the attainment of a Masters in Public Administration degree (MPA) at the University of Zimbabwe. I am conducting a research on the implications of Sections 12 and 18 of the Labour Amendment Act, 2015 on foreign direct investment: The case of the Harare Willowvale industrial sector. I am kindly asking for your assistance in the carrying out of this research by giving me your honest opinion and thoughts. I also reassure you that all information generated will be used for academic purposes only and respondents may opt to maintain their anonymity.

1. How do you conceptualise the relationship between retrenchment regulations and FDI in Zimbabwe?
2. What impacts have section 12 and 18 of the Labour Amendment Act, 2015 had on FDI?
3. What are your views toward section 12 and 18 of the Labour Amendment Act, 2015?
4. What future implications do you think shall arise from the continued enactment of section 12 and 18 of the Labour Amendment Act, 2015?
5. Do you have any additional comments to add on any issue we have or have not discussed?

**Thank you for your cooperation**