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# **Minimum and Living Wages in Zambia: Some Analytical Considerations for Improving Workers' Conditions**

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## Contents

1. Introduction .....	1
2. Minimum wage and the national average wage in Zambia.....	2
3. Minimum wage and living wage .....	3
4. Conclusion and recommendations.....	4
References .....	5

## 1. Introduction

Across the world, minimum wage rules play an important role in shaping the wage structure among the lowest paid (ILO, 2010). However, the character of effects depends on a vector of interlinkages and interactions with structures of collective bargaining and how the level of the minimum wage relate with the living conditions for workers and typical families. Using the Wage Indicator Foundation Database, this paper sets out to analyse how minimum wages in Zambia relate with the cost of living for workers and typical families in order to understand what would constitute a model collective agreement in Zambia and thus inform trade union strategies and actions for improving workers' conditions.

More specifically, the paper is guided by the following three broad questions:

- How does the minimum wage in Zambia relate with the national average wage for paid employees?
- To what extent is the minimum wage reflective of the cost of living for workers and typical families in Zambia and what gaps exists between the minimum wage and the living wage?
- What would constitute a model collective bargaining agreement for improved conditions of workers in Zambia?

On this basis, the paper presents a quick investigation of these issues for Zambia – providing a somewhat broader basis for creating a model collective agreement. The paper is organised into four sections. The first section introduces the rationale of the paper. The second section conceptualises and analyses the level and scope of the minimum wage in Zambia and how that relates with the national average wage and the Gross Domestic Product (GDP) per capita. Section three analyses the relationship between the minimum wage in Zambia and the living wage of individual workers and typical families to understand what gaps exist. Section four recommends a model collective bargaining agreement for melding the discussion and consolidating action points for the living wage agenda.

## 2. Minimum wage and the national average wage in Zambia

The International Labour Organisation (ILO) defines a minimum wage as “a wage which provides a floor to the wage structure in order to protect workers at the bottom of the wage distribution” (ILO, 2010:19). Incidentally, minimum wages are a nearly universal policy instrument. They are applied in more than 90 per cent of ILO member States (ILO, 2010:19). However, the level at which minimum wages are set varies greatly between countries, as do the rate and frequency at which they are updated.

In Zambia, the minimum wage law was first enacted in 1982. Under legal provisions, the minimum wage is supposed to be updated every two years but this hardly happens. Over the 30 year period between 1982 and 2012[1], the minimum wage was only revised four times - in 1997 (i.e. after 15 years), 2002 (after 5 years), 2006 (after 4 years) and 2012 (after 6 years). The last update of the minimum wage in Zambia was done in 2012 - about four years ago (See Republic of Zambia, Statutory Instrument No. 46 of July 2012). Thus, in this paper, data used to analyse the minimum wage and related interactions is based on 2012 figures[2]. However, the current minimum wage in real terms (i.e. adjusted for inflationary effects for the period December 2012 to December 2015) for all the categories was computed to update these rates and thus give a sense of the current real value of the minimum wage. This way, an indication of the current purchasing power of those who earn minimum wages is provided. Two additional country level indicators were also computed to provide a broader vector of interlinkages between the minimum wage and living condition measures in the country.

In this regard, the first indicator is the ratio of the minimum wage to the average wage – a measure of the extent to which the country potentially tries to reduce wage inequality through minimum wage policies. The second is the ratio of the minimum wage to GDP per capita, which provides an indication of how changes in the rates of minimum wages relate to changes in the overall levels of labour productivity. Orthodoxy economic argument suggests that rewards to factors of production must be on the basis of preference and productivity [3]. However, the Keynesian argument posits that rewards to factors of production are based on power relations and not necessarily preferences and productivity. Collective bargaining and minimum wage regulation, as a labour market institution and official policy instrument, respectively, resonates with the Keynesian conviction.

The minimum wage in Zambia is provided for under the Minimum Wages and Conditions of Service Act, Cap 276 of the Laws of Zambia. The prevailing minimum wages range between ZMW 420 (i.e. about US\$ 43) and ZMW 1445 (i.e. about US\$147.4) {GRZ, Statutory Instrument No.46 of 2012}. The Wage Indicator Foundation (2016) database computes the minimum wage for Zambia at €37.9. For purposes of this paper and to enable comparison with regional countries, this rate is used. Table 1 below summarises minimum wages prevailing in Zambia in local currency and US dollar equivalent with adjustments made to reflect the purchasing power as at December 2015. This was by taking inflation effects into account.

**Table 1: Minimum Wage in Zambia (ZMW), October 2016**

Job Type	Skill Level	Nominal Minimum Wage/ Hour (ZMW)	Nominal Minimum Wage/Month (ZMW)	Real Minimum wage per month[4] as at December 2015 (ZMW)	Purchasing power lost (%) 2012-2015
Cleaners, general worker,	<b>Category I</b>	<b>3.646 (US\$ 0.37)</b>	<b>700 (US\$ 71.4)</b>	<b>500 (US\$51)</b>	<b>28.5</b>
Handy boys, office boy	<b>Category I</b>				
Watchman	<b>Category II</b>	<b>3.646 (US\$ 0.37)</b>	<b>700 (US\$71.4)</b>	<b>500 (US\$ 51)</b>	<b>28.5</b>
Drivers	<b>Category III</b>	<b>5.22 (US\$ 0.53)</b>	<b>1,002.38 (US\$102.2)</b>	<b>716.7 (US\$73.1)</b>	<b>28.5</b>
Receptionist, typist	<b>Category IV</b>	<b>5.656 (US\$0.57)</b>	<b>1,085.91 (US\$110.8)</b>	<b>776.42 (US\$79.2)</b>	<b>28.5</b>
Qualified clerk	<b>Category V</b>	<b>7.527 (US\$ 0.77)</b>		<b>1,445.10 (US\$147.4)</b>	<b>28.5</b>
Domestic workers				<b>420.00 (US\$ 43)</b>	<b>28.5</b>

**Source:** Government of the Republic of Zambia, Statutory Instrument No.46 of 2012

**\*\*US dollar equivalent provided in brackets.**

The minimum wage rates were last reviewed in July 2012. Nonetheless, as seen from Table 1, between 2012 and 2015, the real minimum wage fell by 28.5 percent. Therefore, in December 2015, workers on minimum wages were earning about 71.5 percent of what they were earning four years ago, in terms of purchasing power. In a country where the majority of workers are in the informal economy and only protected by the minimum wage, frequent adjustments of the minimum wage could ensure that inflationary effects on their purchasing power are moderated.

Looked at from another perspective, it is the case that the ratio of the minimum wage to the average wage in Zambia – a measure of the extent to which the country tries to reduce wage inequality through minimum wage policies was 38.06 percent in December 2014. The minimum wage at about 38 percent of the national average wage is arguably too low to have meaningful impact on wage inequality[5]. A more coordinated approach, perhaps through a form of Joint Industrial Councils or such other similar platforms might be of essence. When the minimum wage is compared with GDP per capita, the ratio still remains modest at 52.48 percent implying that aggregate increases in labour productivity have not translated into higher minimum wages.

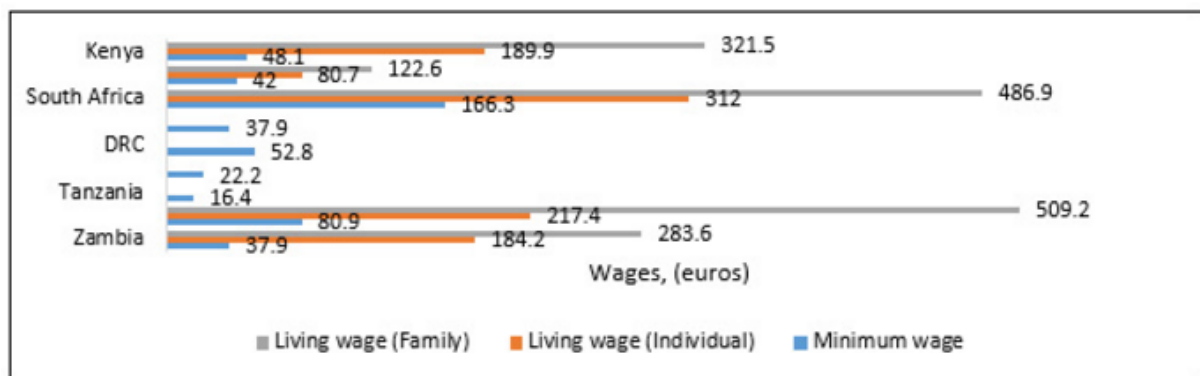
### 3. Minimum wage and living wage

There is no universally agreed definition of a living wage as a concept. The ILO defines the living wage as an amount 'sufficient to meet the basic living needs of an average-sized family in a particular economy'. In Zambia, an averaged sized family is six members (i.e. four children and two adults). Given the lack of an agreed definition of a living wage, it has been defined differently in different contexts but with a common feature that it is a wage which affords the earner and her or his family the most basic costs of living. It is intended to cover the basic necessities for someone to live a decent life such as housing, food, childcare, transportation, healthcare, taxes and other basic necessities.

In countries where the living wage is statutory, specific legal regimes are enacted to govern the implementation of the policy. However, most developing countries do not have explicit policies that target the implementation of living wages due to constraints in resource availability. Trade unions, however, prefer to benchmark collective bargaining demands on a living wage on account that minimum wages do not necessarily give employees enough purchasing power to meet their basic needs. More often the minimum wage is insufficient to cover expenses for nutritious food and necessary medications. Figure 1 below compares the minimum wage with the living wage for an individual and an average sized family. For Zambia, as elsewhere in the sub-region, it can be seen that a huge gap exists between the minimum wage and the living wage. It is the growing attention to, and criticism of, such nature of minimum wages that has stimulated interest in the concept of the living wage. Therefore, the idea of a living wage is basically a salary high enough to enable workers to meet their basic needs.

For Zambia, the living wage for an individual worker is currently computed at €184 while that of an average sized family computed at €283.6 (Wage Indicator Foundation, 2016). Both are higher than the minimum wage computed at €37.9. Evidently, workers on minimum wages earn wages only about 13 percent of what they would need to sufficiently meet the basic living needs of an average-sized family, leaving them with an income deficit of about 87 percent. This points to a crude fact that the incidence of the working poor in Zambia remains rather substantial. Addressing the challenge of poverty at the workplace must, therefore, assume even greater significance for trade unions.

Figure 1: Minimum Wages versus living wages in Selected African countries



**Source:** Wage Indicator 2016-[wageindicator.org](http://wageindicator.org)- living wages

## 4. Conclusion and recommendations

The paper reaches a conclusion that the current minimum wage in Zambia is insufficient to cover the minimum requirement for decent subsistence in Zambia. This is demonstrated by a huge gap that exists between the minimum wage and the living wage. Addressing this challenge from a trade union point of view requires, at the very minimum, a two pronged approach.

### 1. Timely revision of minimum wages

First, advocating for timely revision of minimum wages to protect workers covered under the minimum wages legislation against erosion of their purchasing power.

### 2. Using CBAs as tools for advancing the living wage agenda

Second, using collective bargaining agreements (CBAs) as a tool for addressing the quest for a living wage through social dialogue. As such, collective agreements should contain, as a standard requirement, key elements of the living wage agenda. These should include;



- House, transport and meal allowances;
- Health insurance, reproductive rights (including maternity/paternity leave, child care) and occupational health and safety;
- Better pay, working hours and social protection.

These elements must provide a useful starting point for a gradual attainment of the living wage agenda. As a safeguard, the duration of CBAs should not exceed two years to guard against the inflationary effects on the purchasing power of wages and conditions of work secured through collective bargaining.

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[1] In 1997, under Statutory Instrument No. 119 of 1997 (General order) and Statutory Instrument No. 120 of 1997 (Shop Workers), the Minimum wage was set at K245 per hour or K55,000 per month. In 2002, under Statutory Instrument No.2 (General Order) and Statutory Instrument No.3 (Shop Workers), the Minimum Wage was set at K400 per hour or K95,000 per month. In 2006, under Statutory Instrument No. 56 (shop workers) and Statutory Instrument No. 57 (General Order), the Minimum wage was increased to K268,800 per month with 30% housing allowance, K70,000 lunch allowance and K80,000 transport allowance. In 2012, the minimum wage was set at K420,000 per month with housing allowance of 30% of the basic salary, lunch allowance of K120,000 and Transport Allowance of K102,400 per month.

[2] These are the latest minimum wage rates available.

[3] Of course, the ratio of minimum wages to GDP per capita is a very imperfect indicator, mainly because GDP per capita is an imperfect indicator of labour productivity, but it is more frequently available than average wages (especially in developing countries). Also, *change* in the GDP per capita is commonly accepted for estimating *change* in labour productivity over time. The ratio of the minimum wage to GDP per capita should, however, be interpreted with care in cross-country comparisons, particularly because countries differ in the proportion of the population that is employed. See, for example, Saget (2008) for a more detailed discussion on appropriate minimum wage indicators.

[4] Adjusted for inflation effects for the period December 2012 - December 2015.

[5] According to the LFS (2014:9), the national average monthly income for paid employees, interns and apprentices was ZMW 2,344. Males received an average monthly income of ZMW2,427 while females received ZMW 2,129. Rural areas recorded an average monthly income of ZMW2,173 while urban areas had an average monthly income of ZMW 2,405. The average minimum wage, however, was computed at ZMW 892- arithmetic mean of the minimum wage rates for the six categories specified in Statutory Instrument Number 46 of 2012, including the rate for domestic workers.

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in <http://www.ilo.org/public/english/dialogue/actemp/downloads/publications/srscbarg.pdf>

Wage indicator database as in <http://wageindicator-collective-agreements-database.silk.co/>

