

Press Statement

31st December, 2022.

NATIONAL MINIMUM WAGE INCREASE WON'T BE ENOUGH TO ADDRESS RISING LIVING COSTS

The year 2022 comes to a close with a key policy announcement made by the Ministry of Labour and Social Security on Tuesday, December 27, 2022, on the revised upward adjustment to the minimum wages for un-unionized employees; domestic workers, shopkeepers, and general workers, which will take effect in January 2023. This intervention is being made in the light of the most recent revision which was completed in 2018 for specified groups of employment workers. The Jesuit Centre for Theological Reflection (JCTR), as an organization whose mission is to improve justice and equality for all, particularly the poor and vulnerable, has examined the proposed minimum wage increase from a critical social justice standpoint and offers the following observations and recommendations.

The pursuit of salary increases in any context must be viewed as a collective bargaining process or rather a balancing act in which the state seeks to reconcile workers' demands with employers' ability to meet that minimum wage. According to the Employment Code Act No.3 of 2019, a review of minimum wages and working conditions for any group of employees must be made to the Minister at least every two years, with recommendations provided. In this regard, the JCTR applauds the efforts that have been made and initiated from an evidence-based standpoint (through research) to revise wages upward through the Labour Advisory Committee. A committee comprised of members with diverse expertise.

However, the stark reality remains that numerous variables such inflation, a high cost of living and eroded purchasing power over time must be taken into consideration. The intention of raising the minimum wage is to help lift some working families above the poverty line by addressing the primary problem of wages or earnings that have failed to keep pace with inflation and the cost of goods and services. When the minimum wage is not indexed against the prevailing cost of living, its value erodes over time, making it difficult for low-wage workers to make ends meet.

In November 2022, the JCTR Basic Needs and Nutrition Basket (BNNB) national average cost of living was K6, 089.86. This is significantly higher than the national average income of K4,215 (the 2021 Labour Force Survey). This is even more striking when we take a look at a district like Lusaka¹, where the cost of basic essential food and non-food items in November stood at K8,567.20. This situation is compounded by the fact that basic food items alone, according to JCTR BNNB, averaged at around K3,000 nationwide through the year. When compared to the lowest category (domestic worker proposed new gross pay of K1,300) and the highest proposed minimum wage under the general order (category VII e.g. qualified clerk with a proposed new minimum wage of K4,099.77), a mismatch is clearly presented. It is evident that families are unable to meet the cost of the most basic essentials.

¹ Lusaka province had the highest share of employed population by province at 33.1% (LFS, 2021)

This results in compromised living conditions and sustains a vicious cycle of poverty in families and in the nation.

The other side of the coin must not be overlooked, as raising the minimum wage is not a magic bullet. It has the potential to harm small businesses that are barely breaking even, as well as to exclude certain groups of people from the labor force. This scenario is occurring in a context in which several businesses, including large corporations, are recovering from an unfavorable environment caused by COVID-19, debt, and climate change, among other things. However, as the JCTR, the guiding premise should align with church teachings that emphasise the importance of providing a just wage that is sufficient for establishing and properly maintaining a family and providing for the security of its future. A wage that will enable individuals fully participate in societal activities in addition to making ends meet.

JCTR thus views the proposed revision as a step forward but likely insufficient in terms of addressing the current cost of living. Furthermore, to safeguard this progress even with the existence of a comprehensive employment legal framework (Employment Act No.3 of 2019), compliance remains critical. This is especially important when it comes to the minimum wage for non-unionized employees like domestic workers, who are easily exploited and taken advantage of. Extensive inspections would thus continue to be essential to ensure compliance.

A clarion call is therefore made to Government and vested stakeholders to broadly revisit and review on a regular basis a more holistic income-based and cost-based approach to poverty alleviation. Reforming existing government policies, for example, that raise the prices of basic goods and services and thus harm the poor through higher living costs, is critical. JCTR has repeatedly argued that the monthly review of fuel pump prices continues to cause volatility, which has a significant impact on the market prices of commodities and services. There is a need to consider reverting to a 90-day fuel pump price review cycle to ensure stability and predictability and avoid such costs being passed on to consumers.

Another example is that, aside from food, the second largest expenditure of most households is housing, whether it is rent or the cost of owner-occupied housing. However, high housing costs continue to be a major burden on the poor, both directly and indirectly in terms of labor mobility and job matching. Limiting the housing crisis in Zambia by ensuring the development of affordable and adequate housing units for the poor and marginalized groups becomes a means of providing for the poor and vulnerable, including low-wage workers.

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