

## **Is Specification of the New Minimum Wage By The Zimbabwe Government In 2020 A Rebirth of the Once Defunct Regularisation of Labour And Industrial relations?**

**Dr Dominic Uzhenyu**

*Senior lecturer and Regional Programme Coordinator in the Graduate School of Business, Faculty of Commerce and Law at the Zimbabwe Open University*

---

**Abstract:** The Zimbabwe government surprised industry and commerce by issuing a proclamation of the minimum wage for all sectors through a Statutory Instrument number 81 of 2020 (SI 81/20) effective 1 April 2020, against a background that financial matters and remuneration for a particular sector be resolved through dialogue by a coalition body of workers and employers, known as the National Employment Council (NEC). This paradigm shift was announced when the country was just embarking on a national lockdown caused by the devastating COVID-19 global pandemic. The study which was largely qualitative adopted the interpretivism philosophy, inductive approach and used a survey design. The key informants selected comprised of selected NECs, Ministry of Public Service, Labour and Social Welfare officials, human resource managers and employees. The convenience sampling technique was used to identify the participants (key informants) who were interviewed. Data collected was analysed using the content analysis technique culminating in interesting findings which included; the government move was ill-timed, there was lack of consultation and involvement of other key stakeholders (social partners) and that had heavy implications on companies' wage bills. The major recommendations were the need to have all stakeholder consultation before promulgation or enforcement of a labour legislation, as well as, conducting a proper macro-environmental analysis first before making unilateral decisions.

---

Date of Submission: 10-06-2020

Date of Acceptance: 28-06-2020

---

### **Definition of key terms**

**Labour relations-** employment matters that involve the key stakeholders namely, the government, employers and employees

**Minimum wage-** the lowest wage that should be paid to the lowest worker regardless of the nature of the job or sector as long as the organisation is formally registered.

**Regularisation-** the right to take control and give direction. In this case the government deciding on what to be paid as minimum wage.

**Statutory instrument-** a law that makes it mandatory for enforcement, in this case by an organisation to pay the set minimum wage thereby becoming binding and obligatory on its part.

### **I. BACKGROUND OF THE STUDY**

Remuneration issues have always been difficult to come up with a standard guideline even for workers in the same trade, business or profession. Even the International Labour Organisation (ILO) has conventions that are meant to promote fair remuneration in order to come up with a win-win situation for both the employer and the employee. However, most conventions do not specify or stipulate the quantum of the wages, salaries and fringe benefits but encourage dialogue or collective bargaining so that the employees are also involved in what they deserve to be paid although there is need to also consider other variables like company performance, capacity to pay, market prevailing rates, labour laws, economic trends and other environmental forces. The ILO promotes collective bargaining in both the public and private sectors as enshrined in its conventions namely number 98, 151 and 154.

When Zimbabwe attained independence in 1980, the new black dominated government made a lot of labour reforms which were proffered through an amended Labour Relations Act of 1985. In the context of wage reviews, minimum and maximum wages were fixed by the state. The state was the sole decider of most, if not all issues pertaining to industrial relations. All employers were required to apply to Labour Relations Officers for determinations to dismiss employees found guilty of acts of misconduct (Sambureni, 2001). In this kind of arrangement, the role of employers' associations and that of trade unions with regard to industrial relations was

minimal and at best, the roles of implementers and overseers respectively were arbitrarily arrived at by the state. The state became the sole player in industrial relations and the other two who were supposedly championing industrial relations at workplaces were relegated to spectators in their field. The government through the State President gazetted salary structures for all professions and trades during Workers day commemorations (celebrations) on 1 May of each year. Government used to set (peg) minimum and maximum wages and even subsidised wages for those businesses which were incapacitated to pay those set wages (Uzhenyu, 2015).

In 1990, Zimbabwe adopted macro-economic reforms commonly referred to as the Economic Structural Adjustment Programme (ESAP). The market reforms were a brainchild of the Bretton Woods institutions namely the International Monetary Fund (IMF) and the World Bank. These were meant to reduce government recurrent expenditure (salaries, subsidies, financing of public utilities such as health, education, energy, transport, agriculture and even state enterprises) and to remove monopolisation of service delivery and product exclusive rights as more players were allowed to also invest in areas of interest including foreign investors (Mudyawabikwa, 2004). Another dimension, which transformed the labour relations set up in Zimbabwe, was the deregulation by government of its stronghold on issues to do with employment contracts and conditions of service. Workers committees and trade unions were empowered to negotiate and collectively bargain with employers under the auspices of National Employment Councils (NECs). This meant that different sectors, professions and trades could negotiate and agree on remuneration levels pertaining to them (Kasuso & Uzhenyu, 2019). The advent of the Economic Structural Adjustment Programme (ESAP) in 1990 was a major milestone in the transformation of Labour relations in Zimbabwe and issues of wage determination in the private sector has been a preserve of NECs since then.

The Zimbabwe economy which has been characterized by economic challenges for a very long time usually fueled by inconsistent monetary policies centred on the topical issues of dollarisation (multi-currency regime) and dedollarisation (use of domestic or local currency). In May 2019, Zimbabwe which had been using a multi-currency regime system dominated by the United States dollar (USD), abandoned the use of multi-currencies for domestic transactions as its domestic bond note and its electronic transfer through the Real Time Gross Settlement System (RTGS) or mobile money transfer like Ecocash, One wallet and Telecash became the legal forms of tender or settlement. This fueled the parallel forex market as financial institutions, notably banks could not suffice the needs of clients to provide forex to import or pay for other international obligations. The Zimbabwe bond note has been depreciating against major trading currencies used like the USD and the South African Rand. The situation was compounded by poor agricultural seasons for the past three years due to very low rains received including the 2019-2020 season having been declared another drought season. Government forex requirements have been stretched to the limit especially on meeting fuel imports and drought relief.

Prices of basic commodities in Zimbabwe have since the last quarter of 2019 been on a free fall with inflation rising with great concern of citizens, companies and investors. Companies have been struggling to keep afloat and sustain operations and have been using the illegal forex market to benchmark prices of their commodities and services as a way of cushioning themselves. The government which has been threatened with numerous industrial actions by its employees (civil servants) since the beginning of 2020, has tried under difficult circumstances to cushion its workers by adjusting their salaries (wages) regularly though they fall short of the expectations of the employees. The employees want salaries in tandem with the cost of living (poverty datum line). The private sector and other institutions like non-profit making organisations and churches have been struggling to cushion their workers as income and donor support have been on the decline largely due to economic hardships.

Like any other government, the Zimbabwe government has a role to protect its citizens from being vulnerable to adverse economic effects including its role of ensuring the welfare of all workers as enshrined in the country's constitution of 2013 which encourages fair remuneration to all workers. The Corona virus pandemic (COVID-19) which affected the entire globe and declared by the United Nations through its organ, the World Health Organisation, a global catastrophe, triggered the Zimbabwe government call for a 21 days national lockdown as a way to curb the spread of the disease taking a cue from such a practice that was being effected by a number of countries all over the world. The lockdown which meant that most businesses had to stop operations to allow workers to stay at home, had the effect of businesses subject to massive loss of income due to non-sales during this period. The lockdown announced on 27 March 2020 by the State President, became effective on 30 March 2020. Further extensions have been enforced since then with the latest one effective 18 May 2020 declared as indefinite but subject to review fortnightly (Herald, 2020).

While the nation (Zimbabwe) was still taken aback by the lockdown and pondering about the deadly COVID-19 pandemic, The Minister of Public Service, Labour and Social Welfare issued a proclamation of an amended piece of legislation, the Statutory Instrument (SI) 81 of 2020 (Number 15-Specification of Minimum wages) which was to be enforced effectively from 1 April 2020. Every employer was supposed to pay a monthly minimum wage of ZWD 2 549,74 equivalent to USD 128 based at the interbank rate by then for the least paid employee(s) except for those employed in the agricultural and domestic sectors (Changunda, 2020; Vinga, 2020). There was provision for an employer to apply to the respective NEC for exemption stating the reasons. In

turn, the NEC's verdict if it was in the affirmative, was to be submitted to the Minister of Public Service, Labour and Social Welfare who could then even turn it down if he was not convinced. SI 81(2020) repealed the previous SI 70 of 1996 Section 5.

After the proclamation of the new minimum wage law, the Zimbabwe Confederation of Trade Unions (ZCTU) which is the largest labour body in the country, immediately shot out at the announcement criticising the amount. It cited the consumer basket and pointed out that in Zimbabwean dollars the minimum wage should have been more realistic if it were around ZWL\$10000 (USD\$400) (Vinga, 2020).

Employers represented by the Employers Confederation of Zimbabwe and other interested stakeholders were also not happy with the Minister's unilateral declaration of a minimum at a time when the nation was busy fighting with the COVID-19 pandemic, saying there were bigger priorities to deal with at that moment such as health services and the care of health professionals at the frontline of this pandemic war. In addition, the employers bemoaned the fact that the ministry seemed to have ignored the negotiations that were ongoing about review of wages.

## **II. STATEMENT OF THE PROBLEM**

Zimbabwe had since 1990 adopted a deregulated industrial relations system that allowed workers and employers to determine remuneration and other conditions of service through agreements made by either the works council at enterprise level or the more superior one negotiated through the NEC, that is at industrial or sectoral level. The unilateral setting of a minimum wage by government that became effective on 1 April 2020 through a statutory instrument to make it compulsory, has brought back memories of the 1980s raising concerns that government could be reverting to the control of employment relations having side-lined the other two social partners namely; the workers and employers.

## **III. RESEARCH QUESTIONS**

1. How relevant was the SI 81 of 2020?
2. What are the challenges related to the implementation of SI 81 of 2020?
3. What are the implications of SI 181 on the control of employment relations by government?
4. How best can issues of workers remuneration be handled during a catastrophe(disaster)?

## **IV. LITERATURE REVIEW**

### **Economic Theory of Minimum Wage**

Economic theory allows individuals to study the monetary effects of social and government policies (Vitez, 1996). Nations are built upon several economic principles. Minimum wage is a common economic principle affecting the income of a nation's citizens. Nations use minimum wage policies to ensure individuals can maintain a minimum quality of life. According to Vitez (1996) a minimum wage is a basic government-imposed price control. Price controls set a floor indicating what minimum price must be paid for certain goods or services. Governments set price controls to ensure individuals receive a fair wage at various jobs. Minimum wage positions usually require basic, non-technical skills. However, companies paying workers minimum wage may be able to avoid offering employment benefits. Minimum wage also allows employers to use more part-time workers and avoid overtime pay (Meer & West, 2016). Governments use minimum wage laws to ensure a basic quality of life among all citizens within its borders. These laws attempt to improve an individual's position in the economic income brackets. Rather than have copious amounts of underpaid or poor citizens, minimum wage laws seek a level of economic equality. Governments can use minimum wage laws to force companies to pay all individuals equally, regardless of race, creed, sex or other feature (Fukumura & Yamagishi, 2019).

### *Effects*

Minimum wage laws sometimes have unintended consequences. A major consequence is increasing an individual's income tax liability (Becker, 2017, Tonin, 2011). Nations with progressive income tax systems require individuals to pay more taxes as their income increases. Setting a high minimum wage or using incremental increases can force individuals into higher tax brackets. Additionally, high minimum wage laws significantly increase a company's labour expense, potentially forcing it to lay off current employees. Price controls in a free market economy can distort the basic theory of supply and demand. Businesses often make decisions based on the supply and demand concept. For example, when consumer demand for certain products increases, companies must increase their production output to meet this demand. Increasing supply usually requires additional labour. Companies may forgo additional labour if government price controls force companies to pay employees higher wages than what the job position is worth (Machin, Manning & Rahman, 2003). Minimum wage laws may create difficulties for higher paid workers (Webb, 1912). Federal governments often revisit their minimum wage laws to ensure non-skilled workers are adequately compensated for their services. However, skilled or long-term employees do not receive benefits from minimum wage laws. These

individuals can earn a set level of income for several years without an increase, depending on the company for which they work. Consistently raising the minimum wage may then require companies to increase wages to higher-paid individuals, increasing the cost of doing business which can have other adverse effects especially in developing countries (Rani, Belser, Oelz & Ranjbar, 2013).

## V. METHODOLOGY

The study adopted the interpretivism philosophy, inductive approach and used a survey design (Flick, 2018; Neuman, 2013; Tracy, 2019). The key informants were selected NECS, ministry of labour officials and human resource managers and affected employees. The convenience sampling technique was used to identify participants (key informants) who were interviewed (Leedy & Omrod, 2016; Merriam & Grenier, 2019). Data collected was analysed using the content analysis since this was purely a qualitative study (Hennick, Hutter & Bailey, 2020; Silverman, 2016). The researcher observed research ethics in line with best practice (Myers, 2019).

## VI. FINDINGS

- **Implication of the statutory instrument**

NECs to comply since they are subservient to the Minister who is the custodian of the country's major administrative legislation, the Labour Act 28:01 (amended 2015). All registered companies to comply unless if application for waiver is approved.

- **Timing of statutory instrument**

The law was punitive to some organisations like churches or other businesses that had no source of income as they were not operating due to the national lockdown. However, contrary to that, workers who were to benefit from this statutory instrument felt that government had at least done something though not adequate taking cognisance of the ever-spiraling inflation and economic hardships experienced by the lowly paid workers.

- **Involvement and participation**

There was no consultation as per standing arrangement that all major changes pertaining to labour matters should involve all the social partners (government, workers and employers) through the umbrella body, the Tripartite Negotiating Forum (TNF). This shows that the government acted in bad faith as that was an imposition and therefore an arbitrary decision killing the spirit of engagement.

- **Issue of allowances**

Allowances such as transport and housing allowances were silent but usually negotiated by NECs but in this instance, it was implicit whether they were embedded as a total package or left for employers to decide.

- **Effect on wage/salary bill**

Organisations have job evaluation systems (grading of jobs) and to increase the wages of the least paid worker, means a ripple effect on the entire company's wage bill since literally and impliedly it becomes a review of the entire workforce with each one having to get an increment. Those previously earning more cannot therefore be paid less and this raises the issue of capacity to pay and sustenance. There were also other overheads emanating from the move such as; increased statutory obligations like income tax payments and pensions contributions by the employer which could suffocate companies financially.

- **Revenue on basis of donations or morale support**

Some organisations are not really businesses and may be incapacitated since they rely on donor support, well-wishers or members' willingness to fund activities and operations like churches and voluntary organisations.

- **Workers not happy with both the quantum and government action**

**Key informant 1** representing the biggest labour said the new regulations were gazetted at a time negotiations were still taking place and also at a time when everyone's attention was on the COVID-19 pandemic.

He said the minimum wage was awfully inadequate.

*"Using the consumer council basket, and the prices that were obtaining three weeks back, the minimum wage should be \$10 850. The Minister has now unilaterally gazetted that minimum which is less than 50 percent of the poverty datum line, and we are not happy. Furthermore, as labour we have limited options as some companies are closed making it difficult to mount a challenge to the newly gazetted minimum wage,"*

Another **Key informant 2** from one of the NECs said *'We still have a deadlock at the Tripartite Negotiating Forum where Government and labour had somehow agreed on a formula that would have seen the minimum wage being around US\$230 and then paid in Zimbabwe dollars after factoring an exchange rate'*.

- **Employers critic of government unilateral decision**

Apart from being not happy with the timing, another **Key informant 3** representing one of the employers' association had this to say

‘the minimum wage will impact negatively for those industrial sectors that cannot afford or are struggling economically given the advent of the national lockdown, which entails loss of production and revenues which complicates the employers’ predicament. While some sectors are able to pass on the cost to their customers, there are some that may not be able to do that. These will experience severe hardships from a cost perspective and may need to apply for exemption which would likely be either not granted or take long to get feedback given that the Minister is busy being a member of the COVID-19 National task force’.

## VII. CONCLUSION

The study found that the government move was ill timed and some organisations seemed to be not in a position to pay the minimum wage as that had a ripple effect on the entire wage bill especially in the wake of the COVID-19 pandemic and the national lockdown effects that affected business operations. There was a high possibility that some organisations would fail to recover especially those in hard hit sectors like the hospitality industry and entertainment sector since they were likely to be closed for a relatively longer time as part of lockdown measures in a bid to combat the dreaded disease.

## VIII. RECOMMENDATIONS

### **Consultation through the Tripartite Negotiating Forum**

There was need for government to consult particularly the other social partners, namely employers and workers on matters of employment relations in line with the TNF Act of 2019. This would promote sound dialogue, collaboration, trust and inclusivity in order to establish amicable decisions. Proper environmental analysis should be the leading determining factor.

### **Government waiver of tax payments as part of disaster management**

The government sincerity should be seen by adopting a win-win situation if it were to have a tax relief or moratorium to organisations during period of disasters including workers.

### **Government financial rescue package**

Government should set aside funds to assist those organisations that would be incapacitated to pay so that it becomes its responsibility to ensure social protection of those vulnerable employees.

### **Viable insurance schemes**

There is need to set up robust mandatory insurance schemes and policies that should cater for disasters so that organisations are secured against potential business downturn or income loss.

## REFERENCES

- [1]. Becker, G. S. (2017). *Economic theory*. Routledge.
- [2]. Changunda, K. G. (2020). *Government gazettes new minimum wage*, April 7 2020 Startupbiz.
- [3]. Flick, U. (2018). *An introduction to qualitative research*. Sage Publications Limited.
- [4]. Fukumura, K., & Yamagishi, A. (2019). Minimum wage competition. Available at SSRN 3269097.
- [5]. Hennink, M., Hutter, I., & Bailey, A. (2020). *Qualitative research methods*. SAGE Publications Limited.
- [6]. Herald (2020). New minimum wage riles employers, employees. Business Reporter, Herald 2 April
- [7]. Kasuso, T., and Uzhenyu, D. (2019). *Industrial relations management*. Harare: Zimbabwe Open University.
- [8]. Leedy, P.D., and Omrod, J.E. (2016). *Practical research, Planning and Design*. Boston: Pearson publications.
- [9]. Low Pay Commission. (2006). *National Minimum Wage: Low Pay Commission Report 2006; [seventh Report]* (Vol. 6759). The Stationery Office
- [10]. Machin, S., Manning, A., & Rahman, L. (2003). Where the minimum wage bites hard: Introduction of minimum wages to a low wage sector. *Journal of the European Economic Association*, 1(1), 154-180.
- [11]. Meer, J., & West, J. (2016). Effects of the minimum wage on employment dynamics. *Journal of Human Resources*, 51(2), 500-522.
- [12]. Merriam, S. B., & Grenier, R. S. (Eds.). (2019). *Qualitative research in practice: Examples for discussion and analysis*. John Wiley & Sons.
- [13]. Mudyawabikwa, P. (2004). *Trade Unions in Zimbabwe*. Harare: Zimbabwe Open University.
- [14]. Myers, M. D. (2019). *Qualitative research in business and management*. Sage Publications Limited.
- [15]. Neuman, W.L. (2013). *Social research methods: Qualitative and quantitative methods*. Essex: Pearson education.
- [16]. Rani, U., Belser, P., Oelz, M., & Ranjbar, S. (2013). Minimum wage coverage and compliance in developing countries. *International Labour Review*, 152(3-4), 381-410.
- [17]. Sambureni, N. T. (2001). *Industrial and Labour Relations*. Harare: Zimbabwe Open University.
- [18]. Silverman, D. (Ed.). (2016). *Qualitative research*. Sage.

- [19]. Tonin, M. (2011). Minimum wage and tax evasion: Theory and evidence. *Journal of Public Economics*, 95(11-12), 1635-1651.
- [20]. Tracy, S. J. (2019). *Qualitative research methods: Collecting evidence, crafting analysis, communicating impact*. John Wiley & Sons.
- [21]. Uzhenyu, D. (2015). *Introduction toIndustrial relations*. Harare: Zimbabwe Open University.
- [22]. Vinga, A. (2020). Government Sets Private Sector Minimum Wage At \$2 500, *Newsday* 29th March 2020 Zimbabwe
- [23]. Vitez, O. (1996). *Economic Theory of Minimum Wage*
- [24]. Webb, S. (1912). *The economic theory of a legal minimum wage*. *Journal of Political Economy*, 20(10), 973-998.

Dr Dominic Uzhenyu. "Is Specification of the New Minimum Wage ByThe Zimbabwe GovernmentIn 2020 ARebirth of the Once Defunct Regularisation of Labour And Industrial relations?." *IOSR Journal of Humanities and Social Science (IOSR-JHSS)*, 25(6), 2020, pp. 47-52.