

Effect of Current Economic Condition on Employee Spending Patterns

Author: Benjamin Sombi . September 2019

Zimbabwe has been subject to rising high inflation rates which promise to remain high till the end of the year. The next three months promise to be very difficult economically. In June 2019, the country reintroduced the Zimbabwe dollar, in which most transactions were to be conducted. Unfortunately, due to substantial economic activity in the informal sector, most prices quoted by vendors in the local currency are actually determined by the United States Dollar (USD). Thus, the price of goods regularly increases in line with the exchange rate, thereby causing salaries of employees who earn in the local currency to lose their purchasing power.

In times where salaries lose purchasing power, employees tend to buy more inferior goods than they normally would, whilst minimising the luxury and normal goods they purchase. An inferior good by definition is any good that consumers demand more of when their real income decreases, and less of when it increases (Barreto, 2009). The term inferior does not necessarily mean an inferiority in quality.

We recently undertook an employee spending patterns survey that assessed the spending patterns of employees working in Zimbabwe in this current economy. The aim of the survey was to identify the spending and saving habits, as well as, attitudes toward employment in Zimbabwe from the employees' perspective in the economic hardships.

Nearly half (48 percent) of the participants are spending majority of their salaries on groceries and forty two percent (42 percent) of the participants are spending on school fees for their children.

Majority of the participants (76 percent) reported that they do not have savings. People are surviving without an emergency fund set up aside that can help them in time of need. This is contrary to the 50/30/20 rule that states that in general employees should have at least 20% of their remuneration set aside for savings and emergency needs.

A large percent of the participants (39 percent) are not keeping any USD at home. For those that are getting a chance of obtaining USDs, they are keeping an average of US\$473 at home. This might be people who are working in sectors that pay in USDs.

When it comes to keeping USDs in bank accounts, the majority of the participants (77 percent) do not have any USD in the bank and those that have USD savings in the Bank are keeping an average of US\$6,901.

In an attempt to cut costs, spending on groceries (31.7 percent) and travelling expenses (23.2 percent) were the most reduced by most people.

Half (50 percent) of the participants do not have any savings in USD and those that have savings in USD have an average amount of US\$5,528.

The results reviewed that a small percent of the participants (6 percent) obtain their foreign currency through the bank. Majority of the participants (76 percent) got their foreign currency from the black market.

Majority of the participants (77 percent) said they would take a job opportunity from a foreign country.

A large percent of people (55 percent) that are paid in RTGS dollars do not believe it is worth being employed whilst seventy nine percent (79 percent) of the participants that are paid in USD believed it is worth being employed. Sixty five percent (65%) of the participants that are paid partially in USD and partially in RTGS dollars also believed it is worth being employed.

Most of the participants (63 percent) of the participants that spent majority of their salaries on groceries did not believe it was worth being employed and sixty percent (60 percent) of the participants that spend majority of their salaries on their children's school fees believed it was worth being employed.

Most of the sectors are dominantly paid in RTGS dollar. Eighty four percent (84 percent) of the participants that were paid in RTGS dollars did not have any savings.

People's spending patterns have changed. With investors losing investment confidence in Zimbabwe, the last quarter will be difficult economically for people. People are forced to focus on basic needs and inferior products. Zimbabwe are being forced to adopt a short-term mindset or culture (where money is concerned), as the majority of participants neither had any savings or an emergency fund set up. This is supported by the categories which the fewest participants spent their salaries on, namely investments, home improvement, and own education. All these categories have an element of forward planning and thinking. This hand-to-mouth culture could be a result of a shortage of disposable income and/or the diminishing purchasing power of salaries in Zimbabwe. Although companies have tried to give employees cost of living allowances to cushion them for the rise in cost of living, it is not enough to match the inflation rate.

One can safely conclude that, the current economic condition have affected how employees spend and keep their remuneration.

Benjamin Sombi is a Data Scientist, Entrepreneur, & Business Analytics Manager- Industrial Psychology Consultants (Pvt) Ltd a management and human resources consulting firm.
<https://www.linkedin.com/in/benjamin-sombi-86ab5394/> Phone +263 4
481946-48/481950/2900276/2900966 or cell number +263 779 929 942 or email:
benjamin@ipcconsultants.com or visit our website at www.ipcconsultants.com

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