

How to describe marketing

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In recent years, the cost of living has been driving salary trends in Zimbabwe. The cost of living is the amount of money required to cater to basic expenses such as accommodation, food, and health care to maintain a certain standard of living. The cost of living has a connection with salaries and wages in normal situations. Wages should reflect the higher living costs in more expensive towns such as Harare.

Using Zimstat 2017 Poverty, Employment, Consumption, and Expenditure Survey Report, it was observed that 26.6% of adults 18 years and older in Zimbabwe depend on wages and salaries as their main source of income. It was also reported that the people with the highest primary income in Zimbabwe are managers earning an average gross monthly income of US\$ 14,881, followed by professionals earning an average gross primary monthly income of US\$ 6,929. Most employed people (34.1%) earn between US\$ 451 and US\$ 600 monthly gross primary income. Zimbabwe was still using the multi-currency system when the Zimstat figures were made.

The cost of living in Zimbabwe significantly increased in 2018 compared to 2019. Inflation was on an upward trend. Employee remuneration was eroded by a factor of 8 which was the average exchange rate in August 2019. It was safe to say at that stage most employees were struggling to make ends meet given the devaluation of their salaries and rising inflation. The subsequent business challenges emanating from the policy changes brought in new challenges related to how people are remunerated.

After the policy announcements through Statutory Instrument, 142 of 2019 by the Minister of Finance and Economic Development, most companies were still assessing the impact of the changes before aligning remuneration with the new and emerging economic realities. The Zimbabwean dollar was predicted to have a possibility of boosting local production and exports since local firms were struggling to compete on price with regional competitors. It was cheap to import products from outside the country than buying them locally and that had a huge impact on the economy and unemployment rates.

Examination of the *salary trends* from 2013 to 2019 shows that annual nominal revenue was increasing yearly. The general increase was infinitesimal for higher-level employees, with the exception of the period 2014 to 2015 which showed the highest increase in salaries. For lower-level employees, there was a general increase of 2% over the years, with the exception of the period 2014 to 2015 which showed decreases in salaries. The trend in real income was different from the pattern observed under nominal income due to inflation rate fluctuations from 2013 through 2018.

Trends starting in 2016 indicate a decline in real income. Real income in all grades decreased by 1% from 2016 to 2017. Real income also fell from 2017 to 2018 for higher levels by a percentage greater than that for lower levels by one (1) %. From August 2018 to August 2019, salaries increased significantly (about 50%) in terms of nominal income, but in fact, wages lost purchasing power in terms of real income, by approximately the same margin as nominal income. Predictions indicated that real

income would decline by an average of 2% in 2020.

In Zimbabwe, salary increases fell from 2018(-9%) to an average of -53% this year, lower than last year's projected decline of -31%. Korn Ferry's estimated the rate of the salary increase for all of Africa for 2019 was 0.9%. Real basic salaries were expected to rise on a national average by 57% by 2020. Total direct allowances plus basic salaries paid to Zimbabwe's employees fell from 2018(-9%) to an average of -56% this year, higher than last year's projected further decline of -24%.

For 2020, real total direct cash payments to employees were expected to rise on a national average by 68%. Total labor costs for employees in Zimbabwe increased from 2018 (-9%) to an average of 4% this year, higher than last year's projected further decline of -26%. For 2020, on a national average, the actual total cost of employing someone is expected to increase by 51%.

There were incremental changes in the salaries of NEC employees since the beginning of 2019, which also provided the need to increase the salaries of the remaining employment levels. Nonetheless, with the current competitive climate relating in particular to the costs of basic commodities, the trend in 2019 was that businesses provided workers with a cost of living adjustment that was subject to regular review after three or four-month intervals. As for compensation, the pattern in the allowance for medical aid was for businesses to care for the employee and three dependents. The pattern for the school fees payment was that on behalf of the employee, businesses paid the fees directly to the school.

Significant increments in the nominal values of salaries were noted in terms of the total cost of employment. Basic salaries were observed to have actually lost purchasing power significantly. This was mainly due to the fluctuations in the inflation rate. With the inflation rate on the verge of increase, forecasts showed that by 2020 the total cost of employment would have decreased by 2%.

The results obtained from the employee retention survey (IPC,2019) showed that due to the economic challenges in the country and the ever-increasing cost of living, companies put in place systems to lift off part of the load off their employees' shoulders, by taking care of some of their subsistence costs. Some companies were either trying to pay their employees at the inter-bank rate or provide salary adjustments on a weekly basis, however, the corrosive inflation and subsequent rise in the cost of living made it unsustainable for employers.

The survey also revealed that not as many employees were leaving organizations for other countries, as many would suspect. Companies were thus urged to properly identify their local competitors and assess what remuneration and incentives package is affordable and sustainable to ensure employees are not lured by packages being offered elsewhere. However, it is not certain if this still holds for 2020.

As a means of remunerating employees effectively, organizations need to base their remuneration policies on best practices and up-to-date remuneration surveys that are best suited for their industry. This is one amongst other products IPC delivers and for more information and statistics with regards to the Zimbabwean salary trends contact IPC for their National Salary Trends and Forecasts for the 2020 Report. Learn more about the IPC salary surveys by contacting our experienced and very capable consultants for more information. With adequate information on what the market is paying employees,

your organization will be able to pay its employees competitively.

References

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2. Cost of Living Expenses report. Industrial Psychology Consultants, 2019.

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