

Trends in Wages, Salaries, and the Cost of Living

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The cost of living is the amount of money needed to sustain a certain standard of living by affording basic expenses such as housing, food and healthcare. Cost of living is often used to compare how expensive it is to live in one city versus another. For both Trade Unions and Employers, the cost of living changes are important as they have an impact on how employees are remunerated.

Using Zimstat 2017 Poverty, Income, Consumption and Expenditure Survey Report, it is observed that 26.6% of the adults 18 years and above in Zimbabwe depend on salaries and wages as their main source of income. In urban areas the main source of income are salaries and wages (63.9%). It was also observed that the persons with the highest primary income in Zimbabwe are Managers earning an average annual gross income of US\$14,881, followed by Professionals earning an average annual gross primary income of US\$6,929. Most employed persons (34.1%) earn monthly gross primary income of between US\$451 and US\$600. Given the changes that have taken place on the fiscal and monetary policies, the key question is how much of the 2017 incomes have been eroded by inflation and devaluation of the local currency?

The cost of living in Zimbabwe has significantly increased compared to last year. Inflation is on an upward trend. Employee remuneration has been eroded by a factor of 10 which is the average exchange rate now. It is safe to say at this stage most employees are struggling to make ends meet given the devaluation of their salaries and rising inflation. The subsequent business challenges emanating from the policy changes have brought in new challenges related to how people are remunerated.

The changes in fiscal and monetary policies has impacted on how employers structure their remuneration. While other sectors have the leeway to remunerate in forex, others do not have that luxury. In sectors where they can remunerate in forex, they have a better chance of attracting skills.

To tackle cost of living pressures and achieve maintain sustainability of remuneration it may be necessary to look at the following options.

1. Restructure the wage system and make the remuneration system flexible and competitive in line with the cost of living. The system must be flexible to accommodate both good and bad times without threatening the existence of the business or the job security of the employee.
2. Link wages to productivity as it is the only way to sustain higher wages.
3. Negotiate for once off payments at NEC as an interim measure. This will ensure sustainability as the once off payments do not add to fixed costs. The modalities can be worked out for each NEC. In the same negotiations, make sure the Collective Bargaining Agreements run for a period of no more than three years to accommodate economic cycles.
4. Reconfigure NEC Pay Structures – Let us change from minimum wage to “Going Rate.” Create significant pay progression from one grade to the other. Create and widen pay ranges.

5. Create an affordability matrix based on factors that matter to your industry. Those doing well will pay more and those not doing well will pay less.

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