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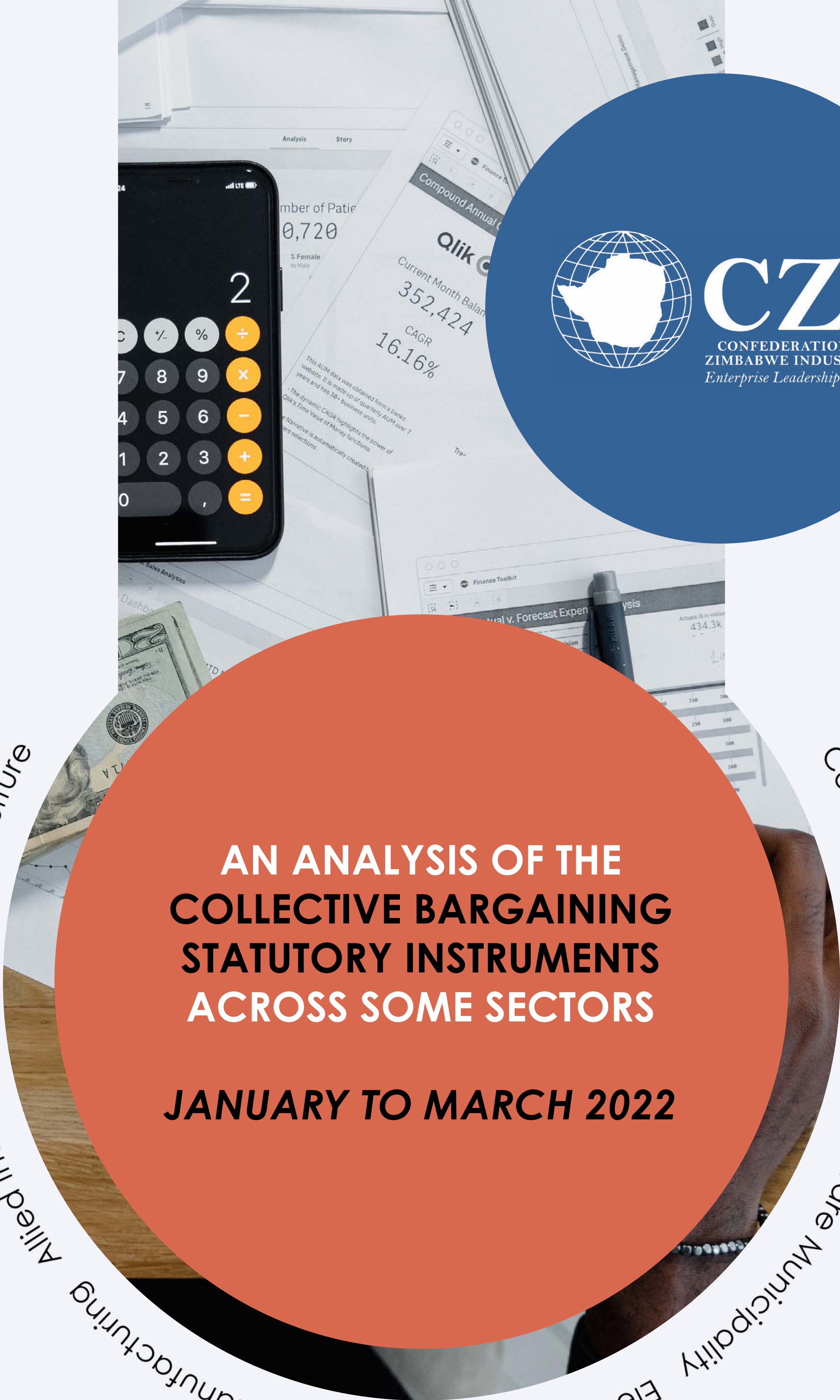

AN ANALYSIS OF THE COLLECTIVE BARGAINING STATUTORY INSTRUMENTS ACROSS SOME SECTORS

JANUARY TO MARCH 2022

General Agriculture
Cotton industry
ZIMWA
Harare Municipality
Electronic, Radio and TV
Manufacturing
Allied industry

20 JUNE 2022

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Who Are We

Enterprise Leadership Service

The Confederation of Zimbabwe Industries (CZI) is Zimbabwe's largest business membership organization with members from the Manufacturing as well as Trade, Transport, IT, Education and Professional Services, making up 36 sub-sectors of the Zimbabwean economy.

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About This Publication:

This is a publication of **CZI** under **Labour Market Briefings for Business.** This briefing is an analysis of selected collective bargaining agreements for the first quarter of 2022, showing some trends and comparisons across sectors and in relation to the obtaining macro-economic environment.

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The CZI Analysis of Collective Bargaining Agreements Across Some Sectors: January to March 2022 is a research and analysis done by CZI Industrial and Economic Research and is a product of the CZI.

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The CZI Industrial and Economic Research

We have a team of competent specialists who drive the research and advisory work that we do. We have the advantage of being at the intersection of business and policy giving us unparalled grasp of the business and policy ecosystem in Zimbabwe including the value chains and sectors.

CZI Industrial and Economic Research offers a wide range of products and services to help our members not only to navigate but also to shape the business environment in which they operate.

Business Regulatory Environment Accompaniment
We help members make the business and economic case for presentation to policy makers on issues affecting their business

Commissioned Business Surveys: We have a track record of conducting surveys and with a competent team, we can conduct commissioned surveys on behalf of business utilising our broad-based reach of Zimbabwean companies which gives us a comprehensive view of the market. We conduct research on economic and industry performance and trends providing analysis and insights that inform business decision making

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Corporate Economic Briefings: Our experts/analysts can deliver briefings to boards and senior management teams in support of ongoing business reviews or strategy sessions. We constantly host regional heads of multi-nationals that are operating in the country to present and discuss into the economic outlook for the economy as a whole and also implications for the sectors they operate in.

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1. Introduction

Even under conditions of stability, it is customary for employers to review wages and salaries of their employees periodically, which can happen every six to twelve months. However, a high inflation environment naturally increases the frequency at which such wage adjustments need to take place. The current economic status of Zimbabwe where there is exchange rate instability and soaring inflation implies that a delay in the salary reviews will lead to hardships as the purchasing power of salaries is eroded at a fast pace. An inflationary environment is not good for the economy as it creates adverse inflation expectations leading to rising inflation because economic agents anticipate it to increase, resulting in them factoring high inflation in their future pricing decisions. For instance, economic players expects prices to go up, businesses will want to raise prices and workers and their unions will also want wages to be raised hence creation of a vicious circle; eventually leading to hyperinflation. However, while this is happening wages will not keep pace with the increases, resulting in purchasing power of workers being eroded, thus causing reduced demand of goods and services, poor living standards and low economic growth.

Tom Perez

"To fulfil the promise of economic opportunity, we must remain true to the principle that collective bargaining is a cornerstone of a free society and indispensable to a strong middle class economy."

In Zimbabwe, Section 74 (2) of the Labour Act (Chapter 28:01) provides for trade unions, employers and employers' organisation to negotiate collective bargaining agreements (CBAs) on any conditions of employment which are of mutual interest to the parties. Collective bargaining in most sectors takes place at the National Employment Council (NEC) level and in a few cases at company level through functional work councils. NECs are a form of bipartite social dialogue platform at the industrial level, established under section 56 of the Labour Act. NECs comprise of equal representatives of employers drawn from a registered employers' organization or federation of employers' on one hand, and representatives of employees drawn from a registered trade union or federation of trade unions. The NECs play a critical role in Zimbabwe's industrial relations and social dialogue. NECs are registered with the Registrar of Labour Relations in the Ministry of Public Service Labour and Social Welfare. Under section 62 of the Labour Act, their functions include assisting their members in the conclusion of collective bargaining agreements, prevent or settle disputes arising between employers or employers' organizations on the one hand and employees, workers committees or trade unions.

This paper undertakes an analysis of the collective bargaining statutory instruments that have been issued in 2022 in terms of their potential impact on employees, business and the economy.

2. Objectives

- To give an analysis of the collective bargaining statutory instruments
- Highlight the effects of the minimum wage to the economy
- To make evidence-based policy recommendations on the setting of the minimum wage.

3. Methodology

This paper is based on an assessment of collective bargaining agreements on wages as issued by the various statutory instruments (SI). The collective bargaining exercises have taken place across a number of sectors, which include general agriculture sector, cotton industry in rural areas and urban areas, Harare Municipal sector, ZIMWA, Electronic, Radio TV, Manufacturing and Allied sectors. The SIs list the minimum wages that were applicable across the various sectors.

In this paper, the period of analysis is January 2022 to March 2022. Over this period, minimum wages covering nine sectors were issued.

4. Minimum Wage analysis by sector

The sector with the lower minimum wage is the general agriculture sector, which is also lower than cotton industry in rural areas (Figure 1). The ZINWA CBA resulted in the highest minimum wages compared to the other assessed CBAs. Although inflation was increasing over the assessment period, it is worrying that general agriculture, Harare Municipal and ZIMWA NECs negotiated a constant wage level over the period of three months, other sectors wages were increasing.

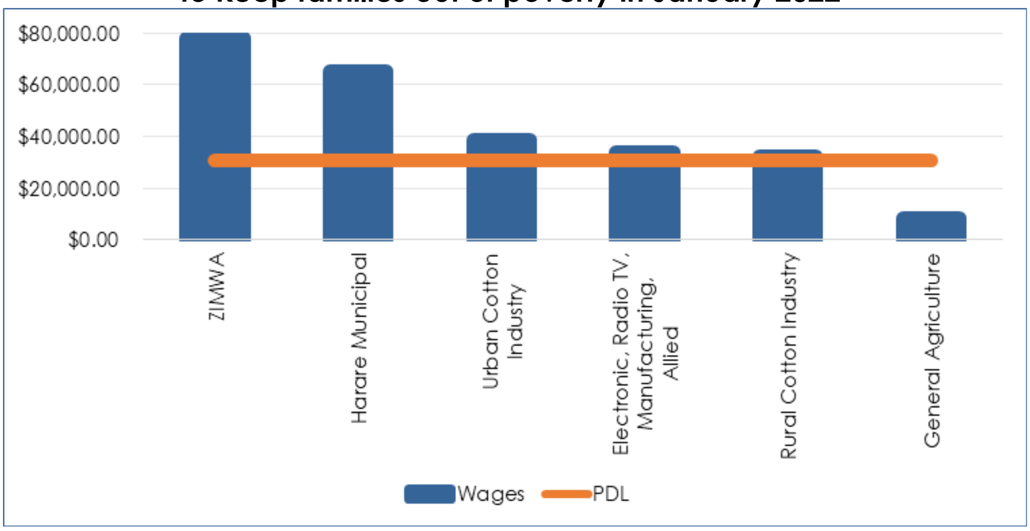
Figure 1: General agriculture has the lowest minimum wage

Source: CZI compilation

The ZIMSTAT Food Poverty Datum Line for January 2022 was ZWL$6,153. This means that an average family of five people would require $30,765 for them to be deemed food secure. In January 2022 a minimum wage of $8,550 per month in the general agriculture sector, was way below the food poverty datum line, which meant workers could not afford basic food requirements for them not to be deemed poor.

However, a look at the minimum wages for the Cotton industry (both rural and urban) and the Electronic, Communication Radio TV, Manufacturing and Allied sectors are above the $30,765 level food poverty benchmark (Figure 2). This is more pronounced for the Harare Municipal and ZIMWA wage agreements, which are way above the food poverty level.

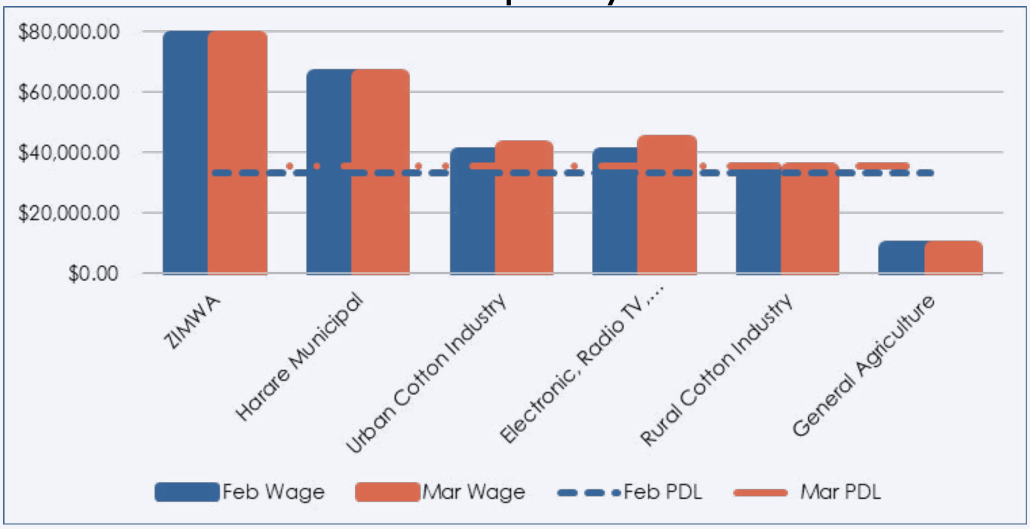
Figure 2: Only one CBA had a wage level large enough to keep families out of poverty in January 2022



Source: CZI compilation

In February and March the poverty datum line was $6600 and $7062 respectively. The lowest possible cost for maintaining a household of five people was $33,000 in February and $35,310 in March. Only the general agriculture minimum wage of $8500 in both February and March was well below the poverty datum line. The cotton industry in rural areas at $32,976 in February and $34,126 in March is fairly close to the poverty datum line. However, the rest of the sectors did not give rise to concerns as far as reaching the poverty datum lines is concerned.

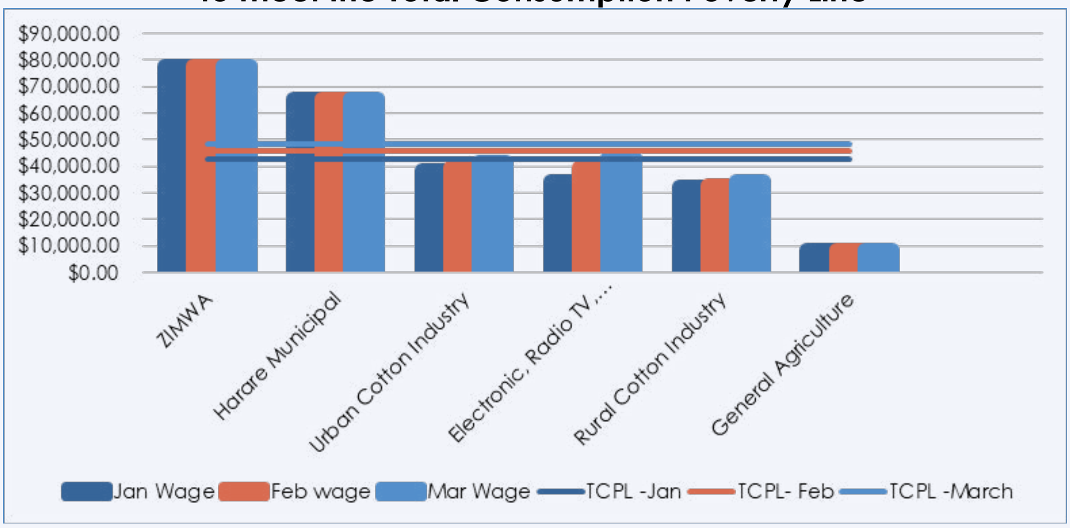
Figure 3: Only two CBAs had minimum wages that did not reach poverty datum lines



Source: CZI compilation

The Total Consumption Poverty Line was $8,496, $9 144 and $9 708 per person in January, February and March 2022 respectively. This implies that an average family of five people should be able to set aside $42,480 in January, $45,720 in February and $48,540 in March to purchase both non-food and food items for themselves so as not to be deemed poor. Only families from the Harare Municipal and ZIMWA sector are above the TCPL; for the other sectors they have to sacrifice their basic food nutrition in order to afford rentals and other non-food essentials (Figure 4).

Figure 4: Only two sectors have minimum wages to meet the Total Consumption Poverty Line



Source CZI compilation

5. The real wage

The month on month inflation rate was 7% in February and 6.3% in March 2022. Only when the nominal wage increases by levels that are higher than inflation will the real wage be positive. A look across the minimum wage increases across the sectors (Table 1) shows that only the Electronic, Radio TV, Manufacturing and Allied sector's wage increase was able to counter the inflation rate, although the real wage fell by 4.3 percentage points in March. However, inflation eroded the purchasing power of the minimum wages across all the other sectors in real terms.

Table 1: One CBA had an increasing real wage but at a decreasing rate

Sector	February nominal wage increase	February Real Wage	March Wage nominal Increase	March Real Wage
Urban Cotton Industry	2.57%	-4.3%	5.82%	-0.48%
Rural Cotton Industry	1.66%	-5.34%	3.49%	-2.81%
Electronic, Radio TV, Manufacturing ,Allied	15%	8%	10%	3.7%
ZIMWA	0%	-7%	0%	-6.3%
Harare Municipal	0%	-7%	0%	-6.3%
General Agriculture	0%	-7%	0%	-6.3%

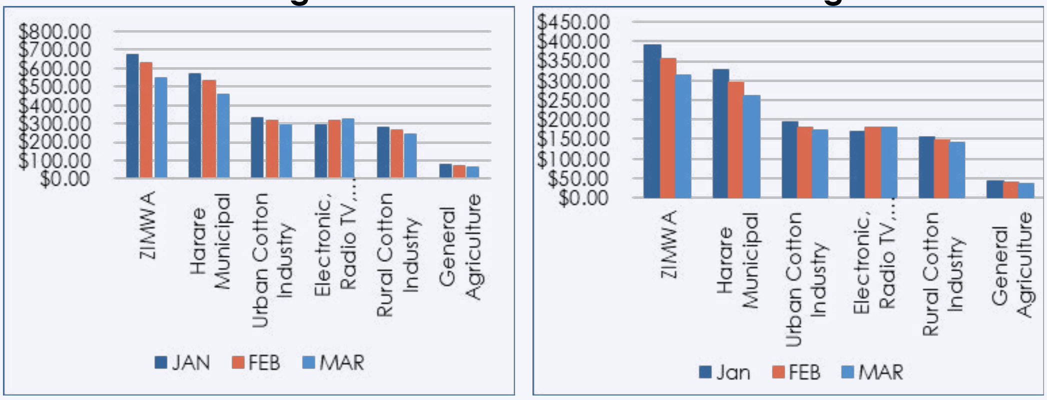
Source: CZI compilation

6. Wages in USD terms

In USD terms, there was a sharp decrease in wages in all the sectors except the Electronic, Radio TV, Manufacturing and Allied sectors where wages were increasing every month in both ZWL and USD. In the urban and rural cotton industry wages were increasing in ZWL terms but falling in USD terms. The fact that the minimum wage is generally decreasing every month in USD terms simply means that the ZWL is failing to keep pace with the exchange rate movements of both the official and parallel market (Figure 5). Exchange rate instability is, therefore, a threat in the CBA processes.

Figure 5: Minimum Wage are being eroded by the depreciating exchange rate

a. Formal exchange rate based **b. Parallel exchange rate based**

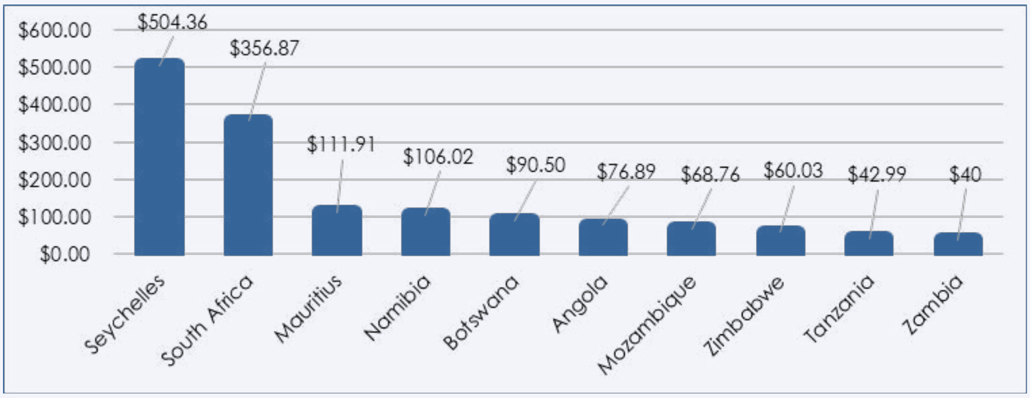


Source: CZI Compilation

7. Agriculture sector Minimum Wage in SADC Countries

Based on the official exchange rate, Zimbabwe's minimum wage in the agriculture sector is higher than Tanzania and Zambia whereas the rest of the select SADC countries have a higher minimum wage compared to Zimbabwe (Figure 6). However, when using the parallel market rate, Zimbabwe becomes the country with the lowest minimum wage of $34 in March 2022. Since prices are indexed to the parallel market rate, an average Zimbabwe consumer is worse off and more vulnerable to poverty compared to counterparts in the other SADC countries.

Figure 6: Zimbabwe agriculture minimum wage is lower than a number of SADC countries



Source: CZI Compilation

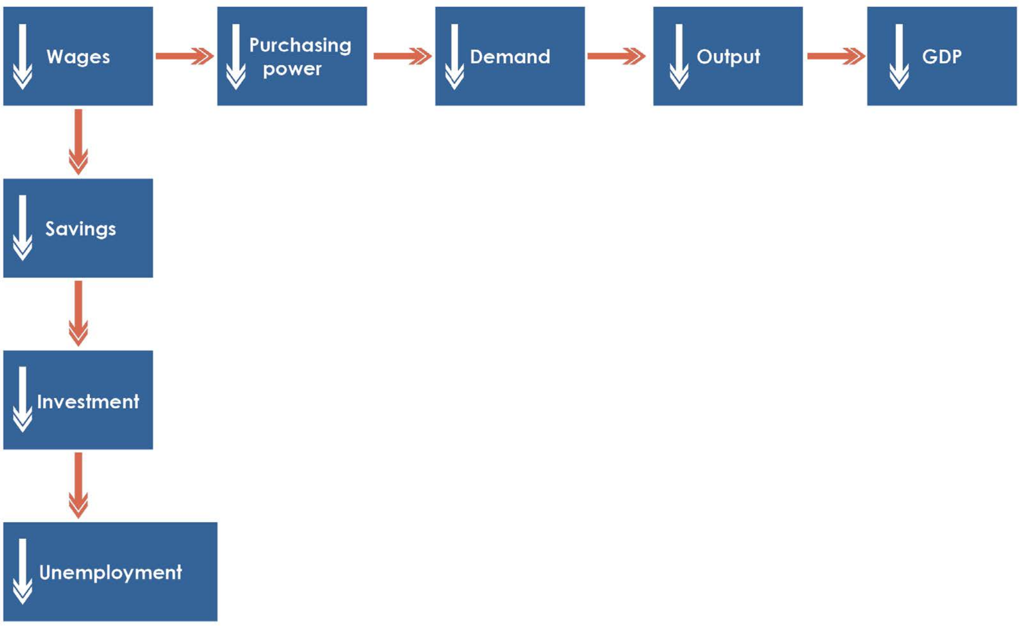
8. Implications

The analysis has generally revealed that over the period of January to March all sectors real wages were generally decreasing as the increase failed to cope with the rising inflation. Given that the main inflation drivers are rentals, bread and cereals, vegetables, meat as well as fuels & lubricants which are basic with inelastic demand, the average worker is vulnerable. House rentals are mainly charged in foreign currency and payable based on the parallel market exchange rate at the time of payment. However, the analysis has revealed that in USD terms, the minimum wages were actually falling.

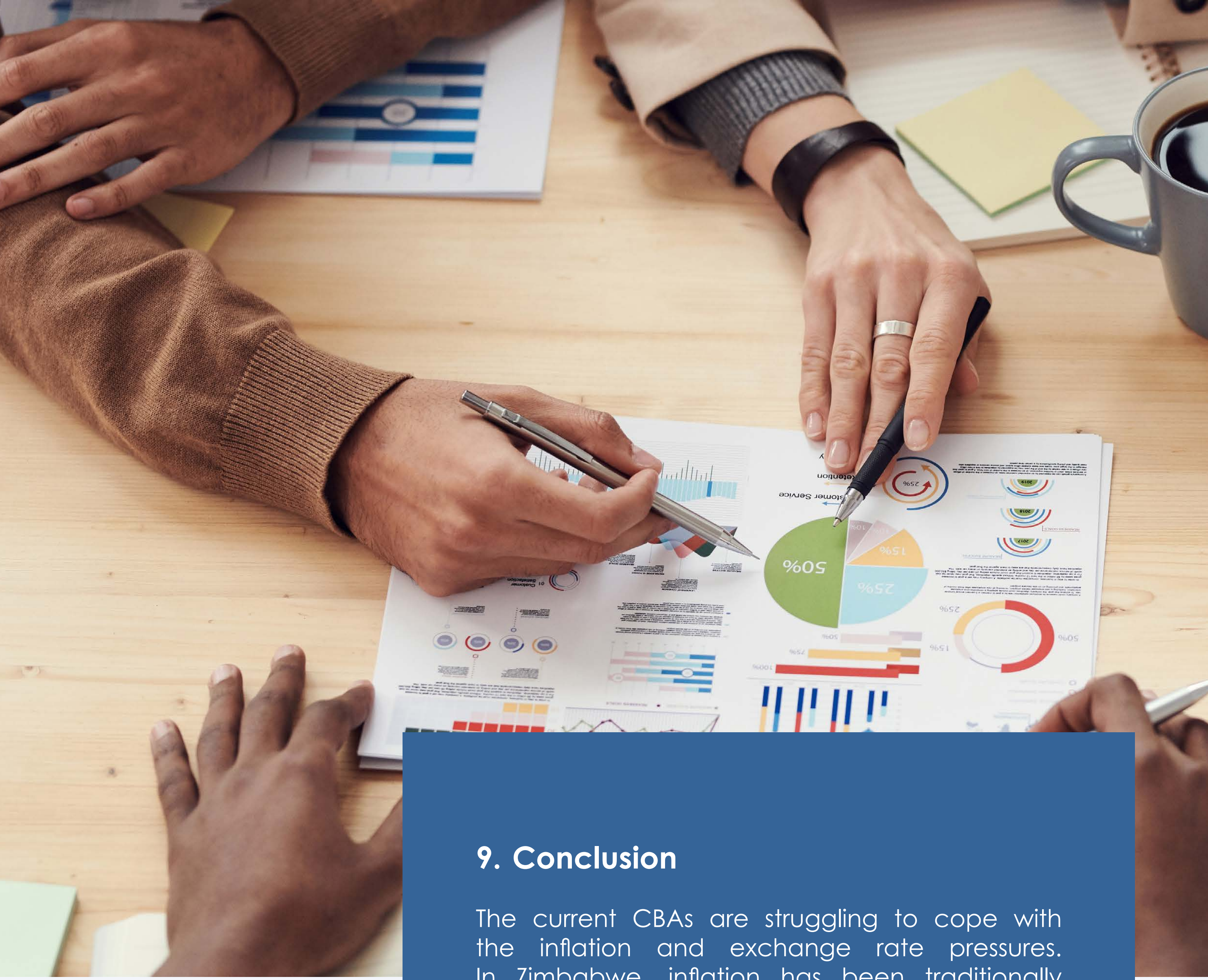
Constant rising inflation and a constant shrinkage in wages result in consumers often adjusting their purchasing behaviour and spending less since the value of their disposal income would have been reduced. This effect of decreased purchasing power can lead to a decrease in overall consumer spending around the country thus reducing aggregate demand. As a result of a fall in aggregate demand, output decreases as well as GDP.

Low wages will force consumers to spend all their income leaving no room for savings. Investment is a function of savings as an increase in savings enable banks to lend more to firms to finance investment projects. Falling saving thus also implies local investment will decrease hence having a negative effect on employment.

Figure 7: Effects of decreasing Wages



Source: CZI compilation



9. Conclusion

The current CBAs are struggling to cope with the inflation and exchange rate pressures. In Zimbabwe, inflation has been traditionally associated with the exchange rate movements, especially the parallel market rate, which is eroding the real wage of workers. This means that business has to be prepared for pressure from labour unions as they try to ensure that the CBAs result in minimum wages that are relevant in this high inflation environment. It also implies that there is an urgent need to address inflation and exchange rate instability, as this is making the CBA exercises complex.