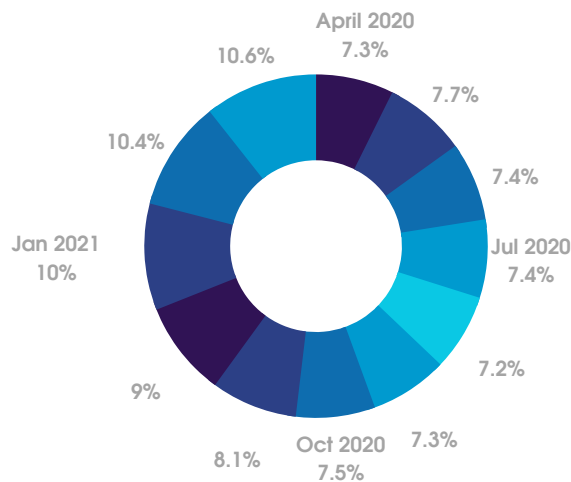

MAY 2021

SALARIES & INFLATION - THE PRI PERSPECTIVE



From PRI Zambia

According to the Zambia Statistics Agency, as of March 2021 Zambia reached its highest rate of inflation since 2016, with the main increase coming from the rising prices of food and non-alcoholic beverages. This is to say that the average cost of goods and services between March 2020 and March 2021 increased by 22.8% (1).



(1) Graph indicating the increase in goods and services between April 2020 and March 2021 in Zambia

The Zambian economy has been struggling for some time and the pandemic has certainly created a mixed sense of direction forming in most sectors. As such, during our recent salary survey and the results we received, as well as a review of the data in our recruitment systems, we are able to offer some observations.

Often, when asked what the “market rate” is for a certain role we can only offer general terms, with a slight purse of the lips and wobble of the head, an idea based on previous roles. However, we are fortunate as PRI, to have some insight into various markets and a focus on their most important asset: Human Capital. From this reference point, we have observed that even in times of economic growth, increased investment in skills and diversification of sectors, the pay gaps between genders, industries, skills and company structures have not stabilized in our dualistic economy. Previous World Bank Reports (2) support this view.

(1) Zambia Statistics office March bulletin 2021 <https://www.zamstats.gov.zm/index.php/publications/category/51-2021?download=408:vol-216-of-2021-the-monthly-march>
 (2) Dino Merotto. 2017. “Zambia Jobs Diagnostic: Volume 1 – Analytics.” World Bank, Washington, DC. License: Creative Commons Attribution CC BY 3.0 IGO.

As such, according to the JCTR Basic Needs Nutrition Basket (BNNB) (3), in March of 2020 the average Zambian household of five requires a minimum net income of K7, 060.80 a month for basic food and amenities. Let's not forget that in April 2019 the Kwacha was around 12ZMW: 1 USD. Currently, we are at ZMW22: 1USD, meaning the real value of salaries has essentially been cut in half.

It is estimated that salary increments in Zambia average at 5% every 28 months and in very particular sectors such as banking with more formal structures the increase averages at 8% annually.(4)

As an illustration, PRI's data from 2017 to date offers insight to this trend based on the average gross salary of an assistant accountant working in a medium size business as below. In real terms, based on this example, if salaries were increased in line with inflation the lines should be much closer together. It can be no surprise then, that the private sector is bearing a significant pressure to reevaluate not only their general business but also the effects on the livelihoods of their staff.

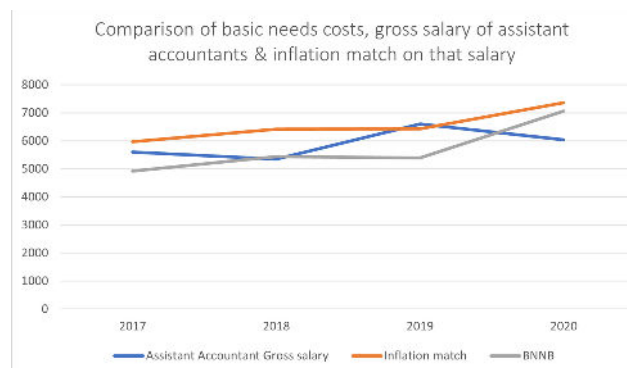
This is by no means an easy feat. We are in a pandemic! "Unprecedented times" seems a lighter way of addressing what is otherwise a global state of battered, bruised and almost beaten. There are essentially two pieces of advice to be offered.

Firstly, there can be no expectation that companies can match inflation in a market like this. That's how you end up with issues of wage push inflation. What is a middle ground, as suggested by PRI's world economically inclined connections, is to analyze the net impact of inflation every 18 to 24 months or contract term, and take into consideration the cost of living. From there, assessing what the company can afford and focusing on your top performers should really give you a good idea of where to go. As with many things in this market, there is no silver bullet.

Secondly, companies may genuinely not be able to afford salary increments right now. However, it comes down to being creative in your approach to HR strategies, so that you may be able to in the future.

3. JCTR Basic needs & nutrition basket report: https://www.jctr.org.zm/uploads/1/1/8/1/118170975/jctr_bnnb_statement_june_2020_07_07_20.pdf
 4. Salary Explorer: <http://www.salaryexplorer.com/salary-survey.php?loc=242&loctype=1>

“
What we can say with comfortable surety is that salaries have not kept up with this trend even at a basic cost level...
 ”



Graph indicating the average gross salary in ZMW for an assistant accountant from the PRI database between 2017-2020 in medium size businesses compared to the JCTR BNNB needs, and what the salary should have been according to the average yearly inflation in the same period





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recruitment, human capital
development, outsourcing
and executive talent on so
many platforms.



As such, when approaching your HR strategy during a recession it's important to take a few things into consideration as Dr Jean Marie Hiltrop, Professor of Human Resource Management at the European School for Management and Technology would suggest (5):

1. INNOVATION & DEVELOPMENT

These are a corner stone of growth and during a recession this area becomes about applying that attention to management such that managers are able to focus on their staff and how best to redirect their skills where possible.

2. FOCUS ON THE BIGGER PICTURE

Don't let the end goals suffer for the sake of the now, as it may be the only source of constancy as things continue to change. Make sure your staffing decisions are still in the interest of the long-term prosperity while still finding the most effective means of cutting down costs.

3. ACHIEVEMENTS STILL MATTERS.

Rewarding productivity is more valuable than ever if you are hoping to maintain or gain talent.

4. LEARNING & DEVELOPMENT

Don't be too quick to cut learning and development expenses. A boss once asked; "Why should I spend money training my people, just to have them leave for a better opportunity. The HR manager replied: "Try not training them and having them stay." The realities of a recession don't change the fact that the cost of investing in your people will always be less than the outcomes if you don't.

5. RECRUITMENT

Freezing all recruitment is by no means a good idea. With economies, what goes down often comes back but they often come back completely different. In which case, you better hope you have the right talent to navigate how your market has changed. In addition, recession presents an opportunity to look over the fence to who your competition is letting go of. Maybe their top and most expensive talent are the first to be let go... see what we are getting at.

In summary, there may not be only one correct way of muddling through Zambia's difficulties and the external factors will remain a challenge. However, we at PRI will continue to see your staff as the start of the economic recovery. Here is hoping you will join us.

5. Dr Jean Marie Hiltrop: <https://app.croneri.co.uk/strategic-briefings/managing-people-through-recession-pitfalls-and-smart-moves>

For more info on Zambia Salary Survey, contact the Zambia Office
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SALARIES IN AFRICA GENDER GAP



By Taise Ferrão

Understanding the Gender Wage Gap

As we welcomed April and with it the end of a month in which the world celebrated women, in Mozambique we continued by celebrating one of our most important women, the warrior Josina Machel. We did so by highlighting the importance of women in the workplace, their value, initiative, uniqueness, and perspectives that they bring to environment. Women face discrimination daily and continuously fight to break different glass ceilings within their professional career journeys. From sports to STEM field careers, women face these challenges and one of the most pressing indicators of this, is the gender wage gap. The gender wage gap compares the average income a woman earns to that of their male counterpart within the same career (1). According to the BBC (2), if the gender wage gap is not addressed at a faster rate we will only see the gap close in 2133. We are forced to think about how women are being impacted around the world. Especially in the global south continents which experience an even wider wage gap.

Here we share a list of some countries around the world in terms of their gender wage gap ranking for comparison:

Iceland ranked 1st / South Africa ranked 17th /Mozambique ranked 27th/ Zimbabwe ranked 57th / Brazil ranked 85th / China ranked 91st / Cambodia 109th / Zambia ranked 116th / Angola ranked 126th / Lebanon ranked 138th

There are some explanations about the gender gap including that traditionally men are seen as providers for their families. Moreover, there is an occupational segregation in fields such as humanitarian, educational and healthcare which have a larger number of women occupying positions. In addition to this, disparities grow further due to women's intersectionality, and an individual's qualifications, profession, and work longevity. Furthermore, COVID19 pandemic affected the employment rate globally, but especially for women who also happen to be of color, working within the IT industries and who work blue collar jobs.

However, there are countries that have established labor laws to tackle gender-based wage gap discrimination. The United States for example, passed "The Equal Pay Act of 1963". These are the initial but significant steppingstones to closing the gap. At the end of the day women are just as capable, resourceful and important as their male counterparts in all private and public working institutions. Having women within leadership positions has been a positive culture change we have been seeing, and could be the boost we need to see permanent change in our work environments.

1) Gender Equality In Ireland, <http://www.genderequality.ie/en/GE/Pages/GenderPayGap>

2) How equal are you?, <https://www.bbc.com/news/world-34808717>

3) The state of the gender Pay Gap in 2021 <https://www.payscale.com/data/gender-pay-gap>

https://www.jctr.org.zm/uploads/1/1/8/1/118170975/jctr_bnnb_statement_june_2020_07_07_20.pdf

4) Diferença salarial entre géneros - Perguntas Frequentes, <https://meusalario.org/mocambique/salario/graficos-sobre-a-desigualdade-salarial/diferenca-salarial-entre-generos-perguntas-frequentes>

5) Global Gender Gap Report 2021, http://www3.weforum.org/docs/WEF_GGGR_2021.pdf

6) Equal Pay Act of 1963, <https://www.nps.gov/articles/equal-pay-act.htm#:~:text=The%20Equal%20Pay%20Act%2C%20signed%20in%20to%20law,for%20similar%20work.%20World%20War%20I%20Employment%20Poster>

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