



Business Regulatory Review Agency

**Regulatory Impact Assessment Report on
the Minimum Wages and Conditions of
Employment (Truck and Bus Drivers)
Order of 2020**

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INTRODUCTION AND BACKGROUND

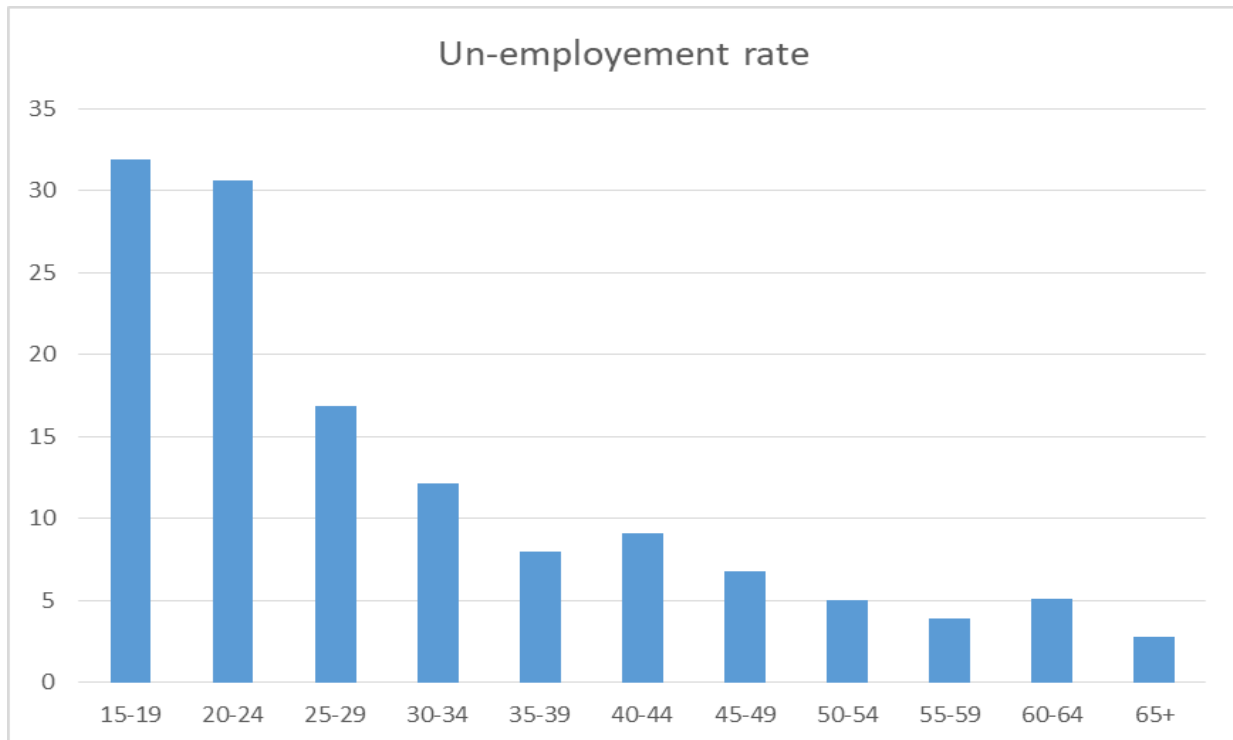
Governments globally have been setting minimum wages in order to protect workers from exploitation and secure a decent living for them. In the UK, minimum wages are meant to ensure fair competition between employers that are already paying above minimum wages and those that are not, according to the Low Pay Commission. Based on available literature, the impact of minimum wages on employment vary depending on the economy and age category of employees. The impact on employers is mostly the direct increase in labour costs.

Labour market regulations have had mixed results on unemployment, long term growth and productivity in different countries and regions of the world. Though there seems to be more evidence from developed countries, a number of cases still exist in developing countries that adequately demonstrate how labour regulations affect labour markets especially in the context of high unemployment and informality. Minimum wages for example tend to make labour more costly and have been found to reduce employment in Brazil, Colombia, Costa Rica, Hungary, Indonesia, Nicaragua, and Trinidad and Tobago. Similar results from Kenya and Indonesia where minimum wage laws resulted in loss of jobs especially for workers in smaller businesses. For other African countries for which data is available minimum wages and labour market restrictions were not major constraints on employment creation, rather the lack of supportive services to business such as infrastructure was according references cited by the Zambia Institute of Policy Analysis and Research.

In Zambia, the Employment Code Act, 2019 provides for setting up of minimum wages in particular sectors of the economy. In 2020, the Minister of Labour and Social Security issued minimum wage regulations for bus and truck drivers. Prior to these regulations the wages in the sector were governed by the general minimum wages regulations that applied generally to other employees. Zambia does not have uniform minimum wages. Minimum wages vary across sectors and subsectors. The minimum wages set by the Minister of Labour and Social Security in SI No. 106 of 2020 are sector specific to transport and cover bus and truck drivers.

THE LABOUR MARKET IN ZAMBIA

As of 2020, the labour force was estimated at 9.9 million people with less than one third (2.9 million) in employment. The unemployment rate stood at 13.6 percent. Unemployment was observed to be higher among the youths. The graph below shows unemployment rate by age group.



Source: Zambia Statistics Agency, 2020

As of 2020, 168,167 persons were employed under transport and storage sectors according to the 2020 labour force survey. Of these 54,994 (32.7%) were categorized as being in formal employment while 113,173 (67.3%) were informally employed. This statistic is key as this regulatory impact assessment is on minimum wage regulations in the transport sector.

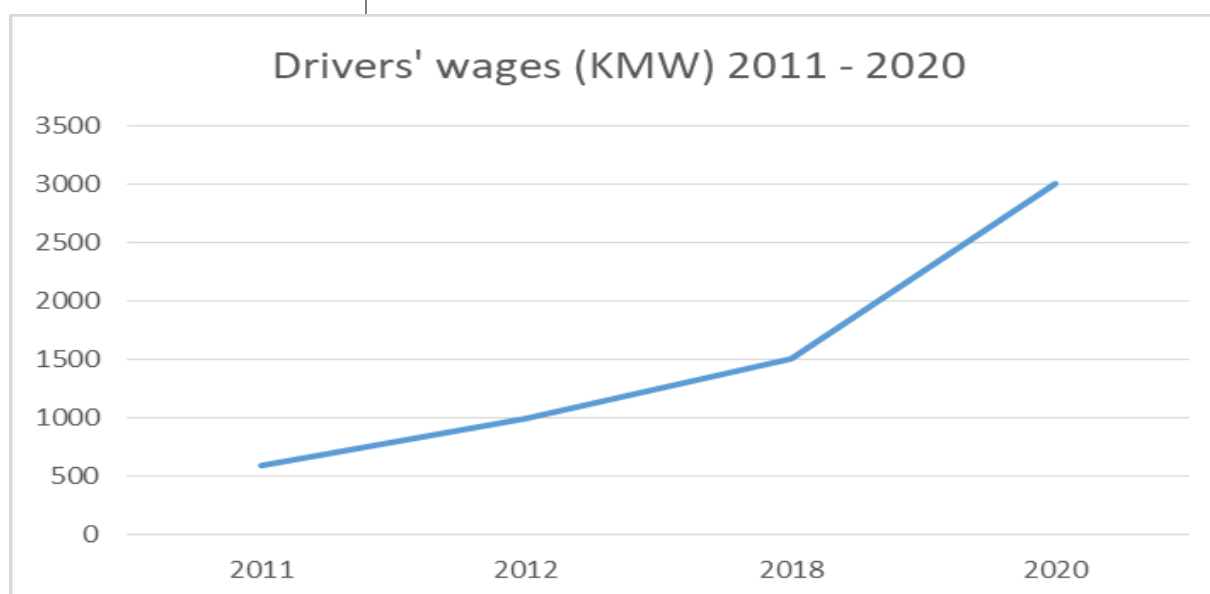
PROBLEM STATEMENT

The Minister of Labour and Social Security issued Minimum Wages and Conditions of Employment (Truck and Bus Drivers) Order, 2020 which has prescribed minimum wages and other conditions of service for bus and truck drivers. The employers in the affected industry have raised concerns to the Ministry of Commerce, Trade and Industry that the prescribed minimum wages have significantly increased the cost of labour.

While minimum wages raise pay for the affected employees, this benefit needs to be traded off against the possible costs of imposing such a wage. The most prominent cost in the policy debates over minimum wages relate to the unintended consequence for the low-wage workers themselves: that employers may cut back on hiring, leading to possibly fewer jobs. For example in the case of domestic workers, the minimum wages have led to casualization.

Prior to the 2020 minimum wages regulations for truck and bus drivers, there had been at least three minimum wage general orders (regulations) that covered the transport industry as well. Below is the evolution of wages for drivers:

YEARS	2011	2012	2014	2018	2020
WAGES (ZMW)	600	1002.39		1503	3000 (truck) 2200 (bus)
% INCREASE		59.8		66.6	100 (truck) 68.3 (bus)
INDUSTRY AVERAGE¹	1455.96		2076.27		
INDUSTRY MEDIAN²	900		1500		



The wages in the industry increased in nominal terms by nearly 60% within a period of one year 2011 – 2012 and by another 66.6% between 2012 and 2018. Between 2018 and 2020, the minimum wages doubled for truck drivers and increased by nearly 70% for bus drivers. The reported wages are the prescribed minimum wages issued by the Minister of Labour and Social Security and may not be reflective of average wages in the industry.

¹ ZIPAR, 2017 Labour Market Regulations and Labour Market Outcomes in Zambia; Firms Perspective

² ZIPAR, 2017 Labour Market Regulations and Labour Market Outcomes in Zambia; Firms Perspective

If the wages data from ZIPAR is close to accurate, it would appear that, average industry wages have been above the set minimum wages for the period 2011 to 2020.

The minimum wage has been a subject of debate in the recent past especially with the latest adjustment in 2012. According to a ZIPAR (2017), the voices from the industry were noted:

- *The major submissions made by the firms on this matter included: - The lack of consensus in the way the minimum wages are determined - The lack of consideration of the variations (size, sector, location etc) in the ability of industries to pay. Some firms including those interviewed also claim that they had to diminish their labour to cope with the wage increase brought by the upward adjustment in the minimum wage. Others are said to have gone to the extent of closing businesses due to the resulting unsustainable wage bill. Nonetheless, these claims are not grounded in empirical findings that show the true effect of the minimum wage on businesses.*

OBJECTIVES

General objective

To reduce the cost of doing business in the transport sector in order to improve the competitiveness of the industry by 2022

Specific objectives

- a) To achieve appropriate wages in the transport sector in order to reduce the cost of labour by 30% by 2022
- b) To protect workers in the transport business in order to reduce vulnerability by 2022

CONSIDERATION OF OPTIONS

The Ministry of Labour and social security has at least three options to consider.

- a) Maintain status quo – adopt the wages prescribed in SI 106
- b) Union bargained wages
- c) Revise the minimum wage for truck and bus drivers

Maintain status quo – adopt the wages prescribed in SI 106

The Ministry will continue to implement the current minimum wage regulations as prescribed in SI No. 106 of 2020 on the affected industry. Under this option, employees will continue to enjoy higher wages while, businesses will continue to incur high costs of labour.

Union bargained wages

The Ministry in this option would abolish minimum wages regulations and let the unions in the industry negotiate wages with the industry employers. In Zambia employee unions exist and are protected by the law. In the case of the transport industry, the truck drivers association will be responsible for bargaining wages on behalf of their members.

This option offers the opportunity for what stakeholders may consider an optimum wage that is acceptable to employers and employees. However, this would only be applicable to the extent that the two groups have equal bargaining power.

Revise the minimum wages downwards

The Ministry could engage the industry and revise the minimum wages to a level that is acceptable to the industry players while securing a safety net for employees. According to ZIPAR (2017) employers were not opposed to minimum wages but were concerned about the level. There seems to be an opportunity therefore, to engage.

This option equally provides an opportunity for optimum industry wages that ensure business competitiveness without punishing employees too much.

COMPARISON OF COSTS AND BENEFITS OF OPTIONS

The options considered during the regulatory impact assessment were subjected to a cost benefit analysis. It became a challenge to identify what the wages would be in the absence of the minimum wages and use that as the baseline or counterfactual case scenario. In this case, the minimum wages of 2018 have been used as baseline for the status quo option. Costs and benefits of each option were analyzed in terms of impacts on Government, employees and employers. The highest cost impacts were found to apply to employers.

Maintain status quo – adopt the wages prescribed in SI 106

	Description	Costs (ZMW)	Benefits (ZMW)
<i>Government</i>	-	-	-
<i>Employees</i>	Monthly wages	-	1,979,784,000.00
<i>Employers</i>	Increase in cost of labour	987,912,216.00	
Net benefits	Benefits – Costs		991,871,784.00

In addition to the monthly salary, the minimum wages regulations introduced other conditions of service in form of allowances that were not previously included in the 2011

and 2012 regulations. The allowances apply mostly to truck drivers. Because these allowances are not standard and only apply where a situation arises, it was difficult to include them in the CBA. However, they are presented below:

Type of benefit	Prescribed rates
<i>Transport allowance</i>	153.60
<i>Lunch allowance</i>	80
<i>Subsistence allowance – local trips</i>	390
<i>Tool allowance</i>	80
<i>Risk allowance for carrying abnormal load and dangerous goods</i>	1.5 per kilometer
<i>Cross border subsistence allowance</i>	25 USD

Union bargained wages

Assuming that employers were paying minimum wages as prescribed in 2012 for the period until 2018, it would mean that the wages had become acceptable to industry and may be taken as optimum wages as though they had been bargained by the labour unions. Based on these assumptions the cost benefit analysis yields the following results

	Description	Costs (ZMW)	Benefits (ZMW)
<i>Government</i>	-	-	-
<i>Employees</i>	monthly wages	-	991,871,784.00
	Loss of wage income	987,912,216.00	
<i>Employers</i>	Increase in cost of labour	-	-
	Reduction in labour costs		987,912,216.00
Net benefits	Benefits – Costs		991,871,784.00

Revise the minimum wage regulations

If minimum wages were to be revised to a level that employers feel they can be absorbed with minimal impacts on the industry, the question will be, to what level. This matter requires consultation. This CBA, therefore will be completed after consultations.

STAKEHOLDER CONSULTATIONS

Consultations with relevant stakeholders will be required on this matter. Interest is likely to be high from employers and employees in the sector. The following stakeholders will be key on this matter.

- Zambia Chamber of Commerce and Industry
- Ndola and District Chamber of Commerce and Industry
- Truckers Association of Zambia
- Petroleum Transporters Association of Zambia
- United Tanker Drivers and Allied Workers Union of Zambia
- Zambia Union of Tanker Drivers and Allied Workers
- Ministry of Labour and Social Security

SELECTION OF PREFERRED OPTION

The comparison of costs and benefits of options has not been completed pending stakeholder consultations. As such the selection of preferred option will be determined after consultations.