



RESEARCH

ON

THE IMPACT OF THE WAGE FREEZE ON BUSINESS/CIVIL SERVICE IN ZAMBIA

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MBA-GENERIC

ABC Research Alert, Vol 4, No 2 (2016)
ISSN 2413-5224

RESEARCH TITLE

The Impact of the wage freeze on Business and Civil Service in Zambia

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ACKNOWLEDGEMENT

Acknowledgements are given to the following persons who were instrumental in this research. My gratitude to Mr Marvin Kabubi his valuable insight into the topic that helped me focus this research for valuable output. Much appreciations goes to the various institutions and companies that took time to answer my questions and gave me the required feedback to meet my objectives. I would like to thank and appreciate my family and friends for their continued encouragement and support towards attaining greater heights in life.

To save the best for the last, I would like to thank God all mighty for the strength and wisdom.

CHAPTER ONE

BACKGROUND OF THE STUDY

1.0 Introduction

The government of Zambia announced both employment and wage freeze during the 2014 wage presentation to parliament by the Minister of Finance and National Planning. Honorable Alexander Chikwanda said in the next two years the Patriotic Front government will concentrate on addressing structural anomalies in the remuneration structure. "In order to provide sufficient fiscal space for the provision of basic social services and investment in public infrastructure, and reduce the proportion of revenues spent on the public service wage bill, I propose a two-year public sector wage freeze," said Hon Alexander Chikwanda.

1.2 Problem statement

The concept of a wage freeze for public sector workers makes for good politics; however, the Economic effects of doing so can be far more damaging. While the current economic situation is in obvious disrepair, we must remember that the current economic situation was caused by factors much more profound than the cost of wages and benefits for public sector workers. The Introduction of the wage freeze by the government has been received with fixed feelings by the people of Zambia. While the wage freeze will result in increased funds to the treasury that can be channeled to the basic social services and investment in public infrastructure, the public and the civil service, the business and the economy will be affected negatively in various ways.

1.3 Purpose of the Study

The research is aimed at determining the effects of the wage freeze which has been imposed on the civil service workers. The study will also explore ways and alternatives of cushioning the impact of the wage freeze. The study will also attempt to propose alternatives as opposed to implementation of the wage freeze.

1.4 Research Objectives

The objectives of the research are as follows;

- Highlight the extent to which the civil service and the economy have been affected by the wage freeze.
- Bring out ways of cushioning the wage freeze.
- Proposal alternative ways of implementing the wage freeze.

1.5 Research Questions and Hypothesis

- Should government lift/remove the wage freeze?
- What impact does the wage freeze has on the economy?
- Why did the government of Zambia introduce the wage freeze?
- Do the public sector workers understand what the wage freeze and its impact s?
- Has the wage freeze brought tremendous suffering on the civil service and business in general?
- Can the impact of the wage freeze be cushioned?
- What are some of the Benefits and misgivings about the wage freeze?

Hypothesis

Hypothetically, the wage freeze has negatively affected the spending power of the civil servants and reduced the profit levels of the business houses, this study will endeavor to establish the extent to which this can be held true, taking into consideration the fact that the government increased the salaries of the civil servants by over 100% in some cases in the preceding year 2013.

1.6 Research Variables

The following were identified as key variables to the research;

1. The spending habits
2. Inflation rate
3. The cost of living
4. The family size
5. The size of business
6. Exchange rate.

1.7 Significance of the study

The importance of this study is to enable government appreciates other alternatives that could be available in the implementation of the wage freeze in future. The study will also enable the civil service and businesses appreciate the importance of introduction of some of these fiscal policies by governments. The report will also highlight the measures that can be implemented to cushion the impact that comes with wage freeze implementation.

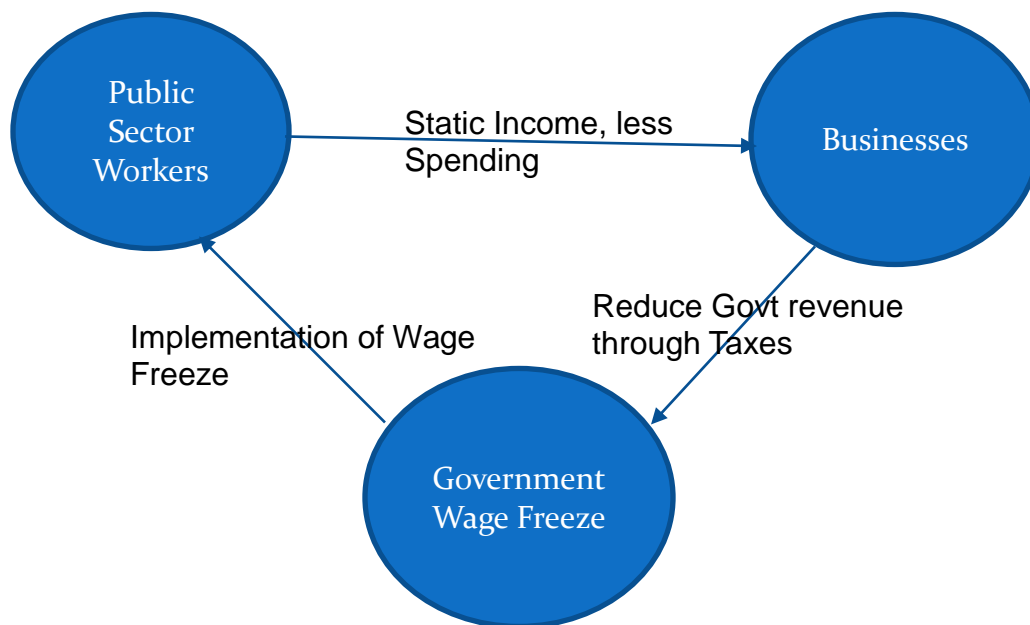
CHAPTER TWO

CONCEPTUAL AND THEORETICAL FRAMEWORK

2.0 Introduction

This chapter provides the interrelationships and linkages between the concepts/constructs of the study. The conceptual framework served as a guide when collecting data and helped identify various factors that have arisen as a result of implementing the wage freeze. This chapter will highlight the main areas of study by addressing the research questions which have been highlighted in Chapter 1.

2.1 Theoretical and Conceptual Framework



The study is based on the issues surrounding the introduction and implementation of wage freeze by the government of Zambia. In approaching this topic, the author found a range of literature on wage freeze around the globe and how it has affected the economies of various countries. A wage freeze is a term used when a wage for an aspect of government or business is fixed- or frozen- at a specific level. One can be applied in a business to increase profits as well as in a government, often to reduce taxes. Wage freeze

become especially notable in difficult economic situations. In these cases, businesses can have problems acquiring funds, necessitating a reduction in spending. During times of economic or financial crisis, the government also loses revenue and faces pressure to lower tax burdens. This means that wagefreeze may be used as a way of reducing money spent. In government spending, wagefreeze cause controversy and political debates. In the United States, Republicans generally support freezing budgets on government-funded programs and on wages for government employees. There are many different reasons for a business or a government to implement a wagefreeze. In the case of a loss of profit or tax revenue, the wagemay need to be cut or frozen so that a company or a government does not spend more than its intake. An excess in spending can also necessitate a wagefreeze. In government, a politician may implement a wagefreeze to lower the amount of money spent on programs or wages, thus allowing a decrease in taxes. Some Democrats argue that while these politicians want credit for reducing- or at least not increasing- taxes, they want nothing to do with the result of these reductions (losses in Welfare, freezes on teachers' wages). When businesses face losses or increases in prices, they can also implement wagefreezes to fix spending and prevent further loss in profits. This is especially true during times of economic difficulty. A reduction in the amount of money spent is the most obvious and intended effect of a wagefreeze. But a wagefreeze can have other- often unintended- consequences. When a government freezes a budget, taxes can be reduced. When a wagefreeze successfully lowers the amount of money that a business or government spends, the act of freezing the wagecan gain positive media for saving money. Some believe that this, rather than the actual reduction in costs, is often the reason behind a wagefreeze. When a wagefreeze is aimed at the amount of money spent on wages, many workers are denied benefits, bonuses, and wage increases. Governments can use wagefreezes on organizations and programs that they fund. While this does decrease the wageand save money, it also takes money away from what some consider beneficial- if not necessary- government funded programs. Wagefreezes and cuts can negatively influence public education. In the United States, School districts have frozen teachers' pay without providing cost of living increases. These types of freezes on

civil servants' wages can cause strikes. Wagefreezes can also increase the amount of money students need to pay for education, possibly decreasing the likelihood of attending college. While civil servants oppose freezes on salaries, school districts claim that the freezes are necessary to continue funding other aspects of the economy and keep civil servants employed rather than firing other employees to provide cost-of-living and seniority raises.

Freezing a budget, whether for government programs, wages, or other things, affects many people. This can be both positive and negative. A wagefreeze can have political implications, especially in the case of the government, but also where businesses are concerned. They can do this by affecting policy or by increasing or decreasing the approval rating for a politician. Republicans tend to approve of wagefreezes for government funded programs and organizations. This is because the money that is saved through the use of these freezes can be put towards reducing taxes. Democrats, on the other hand, tend to prefer an increase in taxes over a decrease in the funds that governments provide for programs such as welfare and wages for government employees. The author will now revert to wage freeze for the rest of the discussion as it particularly applies to the Zambia's context.

2.2 Scope of the Study

The study covers the effects of the wage freeze implemented by government on the civil service and the business in Zambia.

2.3 Limitation of the study

The study is limited to the impact of the wage freeze on civil servants and business, it does not include the other sectors of the economy.

CHAPTER THREE

LITERATURE REVIEW

3.0 Introduction

This chapter aims to review the literature relevant to the research in various segments. The literature reviewed highlights relating to wage freeze and the impact on the civil service and the business. The study looks at the wage freeze from the global and Zambian perspectives with previous studies and comparative studies reviewed.

3.1 Global perspective

There has been a squeeze on pay in the rich world for several years now. Between 2010 and 2013 real (inflation-adjusted) wages were flat across the OECD, according to its annual “Employment Outlook”, published on September 3rd. Real wages have barely grown at all in America over that period and have fallen in the euro area and Japan (see chart). Declines have been particularly sharp in the troubled peripheral economies of the euro zone, such as Portugal and Spain, but real wages have also tumbled in Britain. These sharp adjustments have hurt but were in large part unavoidable. Real wages can grow in the long run only at the pace of productivity. If productivity has deteriorated, as for example in Britain since 2007, real wages must fall. The crisis-hit countries of the euro area, meanwhile, needed to lower labor costs to reverse their loss of competitiveness relative to their northern neighbors (the currency union makes the more common form of adjustment, a devaluation, impossible). In most advanced countries—though not in Britain or Italy—labor productivity is picking up again. Moreover, the downward pressure on wages from high unemployment is easing in some countries, including America and Britain (in the euro area, alas, the jobless rate is still 11.5%). Yet even though unemployment in America has dropped from a peak of 10% in late 2009 to 6.2%, growth in even nominal wages (i.e., not adjusted for inflation) is tame. In the private sector, they had been rising by around 3.5% a year before the crisis, but are currently

increasing by less than 2% a year. In Britain, where unemployment has fallen from a peak of 8.4% to 6.4%, nominal pay is growing by 0.6% a year, far below the pre-crisis average of 4%.

Divergent trends in the supply of labor help to explain why the pay squeeze has been more intense in Britain than in America. The British labor participation rate—the proportion of adults who are either in work or looking for jobs—has returned to its previous peak of almost 64% and looks set to rise further. By contrast, America's participation rate has declined by three percentage points since the financial crisis and is now bumping along at around 63%.

Working out to what extent the low participation rate is structural, meaning that it will persist, rather than cyclical, caused by a weaker-than-usual recovery, will be crucial in determining when the Federal Reserve raises interest rates. The Fed has seen quiescent nominal wages as evidence the labor market has more slack than falling unemployment suggests. But Janet Yellen, its chairman, recently said that the weakness in wages might be deceptive. New research by the San Francisco Fed suggests that many employers froze pay during the recession because workers resist cuts in nominal pay more fiercely than the erosion of their purchasing power by inflation. Employers, unable to reduce wages when times were bad, have not been raising them now that times are better. But once this “pent-up wage deflation” has run its course, pay growth might take off. Such a rebound may occur outside America, too, since there has been a widespread—although by no means universal—reluctance to cut nominal wages across the OECD, according to this week's report. Between 2007 and 2010 there was a big jump in the share of workers whose wages remained flat in nominal terms. In Spain, for instance, the proportion of full-time workers having to accept pay freezes rose from 3% in 2008 to 22% in 2012. Weak Japanese wages are worrying Haruhiko Kuroda, who as governor of the Bank of Japan is in charge of his country's latest attempt to vanquish deflation. A new programme of quantitative easing—creating money to buy bonds—has been more successful than previous, half-hearted attempts to get prices rising again, but wages have remained sluggish. Although cash earnings jumped by 2.6% in the year to July this largely reflected bigger bonuses; regular pay rose by only 0.7%, well below the newly revived level of inflation. Mr Kuroda recently said that a “visible hand” was needed to

co-ordinate higher wages. Such a solution smacks of desperation but it might work in Japan, which retains its currency. It would not make sense for the euro area, the other big economy where deflation remains a risk. Prices rose by just 0.3% in the year to August, but in a currency club it is vital to allow wages to rise and fall freely to provide the internal equivalent of fluctuating exchange rates. If wages in Germany rise, the downward adjustment in less competitive economies in the euro zone need not be so severe. That is why Jens Weidman, the head of Germany's central bank, has been calling for higher pay—a daring step in a country of inflation hawks. The European Central Bank, which cut interest rates this week, could also act more boldly to raise inflation towards its target of almost 2%. That would allow the euro zone's invalids to regain competitiveness through wage freezes rather than outright cuts. Wages, of course, are not just important to central bankers. Weak pay saps revenue from income tax and social-security contributions, making it harder for governments to mend public finances. The lack of growth in real wages hurts household finances, too, keeping consumers tight-fisted. A healthy and sustained recovery in the rich world will remain elusive until the pay squeeze ends.

3.2 Zambian perspective

The government of Zambia's public service wage bill currently stands at 52% of the national budget. This means that over half of the country's resources are being spent on paying emoluments for workers in the public sector. It should also be noted that in the 2013 wage government awarded 100% wage increase with admirable PAYE threshold and minimum wage.

In fact in 2011 the World Bank observed that "Zambia's public sector wage burden was on the rise "both in absolute terms and as a proportion of domestic revenues—and remained a concern over the medium term. On average nominal wages for public employees have been increasing at a faster rate than inflation. In principle public sector wage bill should be between 5% to 20 % of the national wage or slightly up-to 8% of the GDP. This is to ensure that the economy remains stable and competitive. Clearly, the wage freeze is the only temporary measure to free fiscal space for investment in infrastructure, education and health.

Therefore, lifting or suspending the wage freeze will have economic implication for the growth and development of this country. It will limit allocation of resource to critical development programmes such as increase in access to clean and safe drinking water for our people, modernization of hospital infrastructure and upgrade of health facilities including investment in the road sector, electricity, social protection, constitution making process, CDF, local and foreign debt service. This will also contribute to rising income inequality, current Zambia has high and rising income inequality. We can't build a stable and prosperous nation without addressing rising inequalities. There wage freeze plays that role in minimizing income inequality. The big question lacking in this debate is, what does lifting of wage freeze mean for the inflationary pressure on the economy and its subsequent implications for private sector growth? It is the private sector that will create jobs and spur the much needed growth and development.

True to the fact that in the short term we will keep our workers happy but in the long term Zambia's economy will remain sluggish. Therefore, it is important that people see the bigger picture. Clearly, spending 52% on public workers wages is not sustainable in the long term. Government workers deserve a decent wage, but we must cut down on public waste. The alternative are not easy to implement in the medium term i.e. civil service reforms including cutting on jobs in the public sector, decentralization to local levels, fighting corruption and rent seeking and providing information to the general public. These are the areas the government needs to start paying attention to in order to reduce public wage bill.

In view of this Hon. Chikwanda tried to balance the needs of our scarce resources. Of course not everything in that wageis perfect. There are many be grey areas from a macroeconomics and development perspective that is not right in the budget. However, that will not be the preoccupation in this study. The wagehas articulated broad macroeconomic framework for economic growth and development.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.0 Introduction

This chapter dealt with the methodology used in the study. It involved the methods the Researcher used to collect the data for the study. These include research design, data Collection and analysis procedures with the results from the study.

4.1 Research Design

A number of issues such as data sources, research instruments, sample design, and sample size were put under consideration when designing the research. The research design was a case study, according to Cooper and Schindler (2006), cost considerations influence decisions about size and type of sample and the data collection methods. Further, case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations. The merit of using a case study is that it allows an in-depth understanding of the behavior pattern of the concerned unit. Additionally a case study allows a researcher to use one or more of these several research methods depending on the circumstances. The use of a case study for this research enabled the understanding of the wage freeze and its impact on the public sector workers and business. The reason for this choice was based on the knowledge that case studies are the most appropriate for examining the processes by which events unfold, as well as exploring causal relationships and also they provide a holistic understanding of the phenomena. The objective of the study was to determine the impact of the wage freeze on the civil service and the business. The study adopted a case study research design and an interview guide was used to collect the data.

4.2 Research Population

The research population for the purpose of this study was the public service workers and selected companies in Lusaka, Zambia. The rationale for selecting this population was due to time and cost constraints.

4.2.1 Sampling Design and Sample Size

Cooper and Schindler (2006) explain that the basic idea of sampling is that by selecting some elements in a population, we may draw conclusions about the entire population. Therefore the following were selected for the purpose of this study;

- Northmead Basic School
- Professional Life Assurance (z) Limited
- Lusaka girls School
- Zamnet Communications systems
- Kabwata Clinic

Other Individuals whom questionnaires were administered were chosen randomly without prior arrangements. However, individuals from companies were identified as those in charge of the core business.

4.2.2 Data Collection

Both primary and secondary data were obtained in order to meet the objectives of the research.

4.2.2.1 Primary Data

Questionnaire were administered to obtain data related to the following;

- The effect of the wage freeze on the economy.
- The understanding of the wage freeze
- Impact of the wage freeze
- What should be done about the wage freeze

The questionnaires made use of the Linkert-Scale, closed questions which required yes or no answers, as well as open questions in order to get summaries of the respondents' views. For the corporate entities interviews were used to collect data.

4.2.2.2 Secondary Data

Desk and internet research was used to familiarize the researcher with previous studies. Secondary data was collected from both published and unpublished data sources. Data was gathered from the internet, magazines, books, journals and reports.

4.3 Data Analysis

The data collected was analysed in relation to the research objectives. The data collected was analysed using theMicrosoft excel.

Transcribed responses were summarized to give the general response on the particular research objectives under discussion. Where appropriate, data was presented in graphs to aid understanding.

CHAPTER FIVE

DATA ANALYSIS AND RESEARCH FINDINGS

5.0 Introduction

This chapter describes how data collected was analyzed. Graphical tools such as graphs and tables have been used to aid data presentation where possible. This chapter also presents the interpretation of the research findings from the data analysis.

5.1 Summary Findings

The following are the findings gathered from the 50 responds of the questionnaires that were distributed.

- a) The wage freeze will reduce the ability of affected workers to spend, hence this will further slowing down the growth of the economy. With less money in circulation, demand for goods will be reduced, and this may lead to retrenchments and unemployment.
- b) The research findings indicate that the affected workers will fall behind due to the increase in inflation. In 2015, the average monthly CPI is projected to be at 558.94. That means on average, for the 2015 calendar year, the price of goods and services will be increased by 558.94 from the previous year 2014. Hence with the wage freeze for the next two years the public service workers will find themselves with 558.94 less spending power than the year previous. That lost income could be the difference between making a large purchase or not.
- c) A wage freeze is lost income forever, never to be recovered, since it will not be bargained later. It is more about political optics than economic theory. It is politically

easy to proclaim that public sector workers must freeze their salaries. This fact is proven in recent public opinion polls that show that the public is in favor of wage freezes. In reality, the savings obtained by forcing a wage freeze is a drop in the bucket compared to debt levels. If the government were serious about reducing the deficit, it would consider a modest change in the tax regime. The best economic policy to reduce debt is to build an economy to generate tax revenue and jobs.

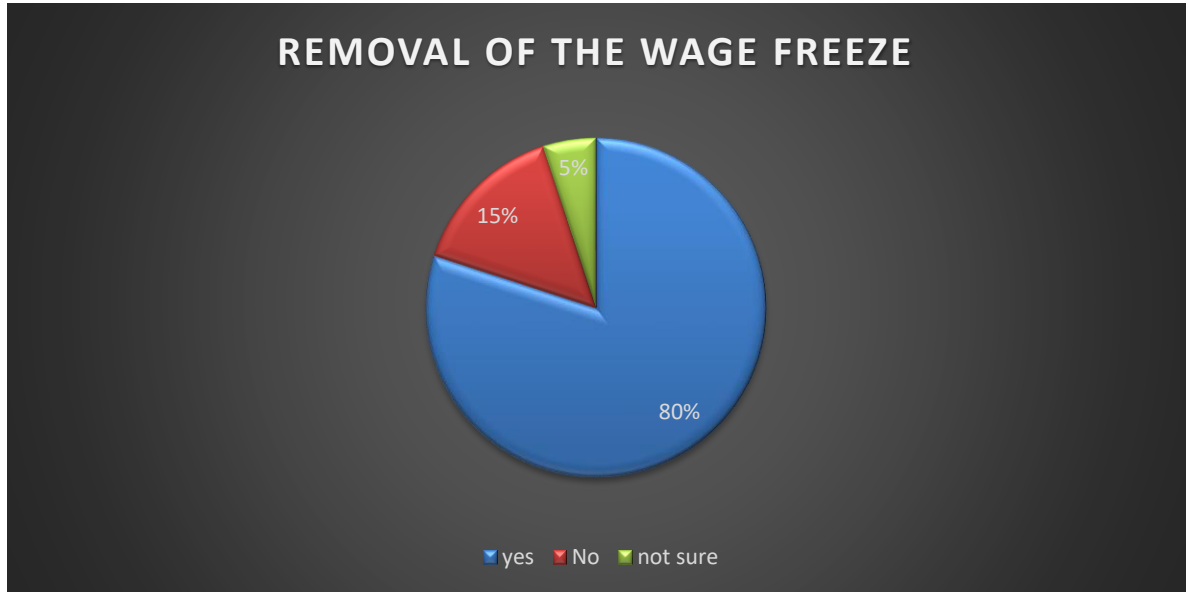
- d) The population of Zambia is about 14,000,000 people. If half of the population were tax payers, that would double the income for the government treasury to be invested in basic social services and public infrastructure.
- e) The wage freeze has the potential to trigger labor unrests and the trade unions among them ZCTU have indicated their intentions to trigger country wide demonstrations and strikes.
- f) Since the workers will have stagnated income to spend, the business activities will be reduced which may result in layoffs and retrenchments.

5.2 Data Analysis and Interpretation

Whether the government should remove the wage freeze or not.

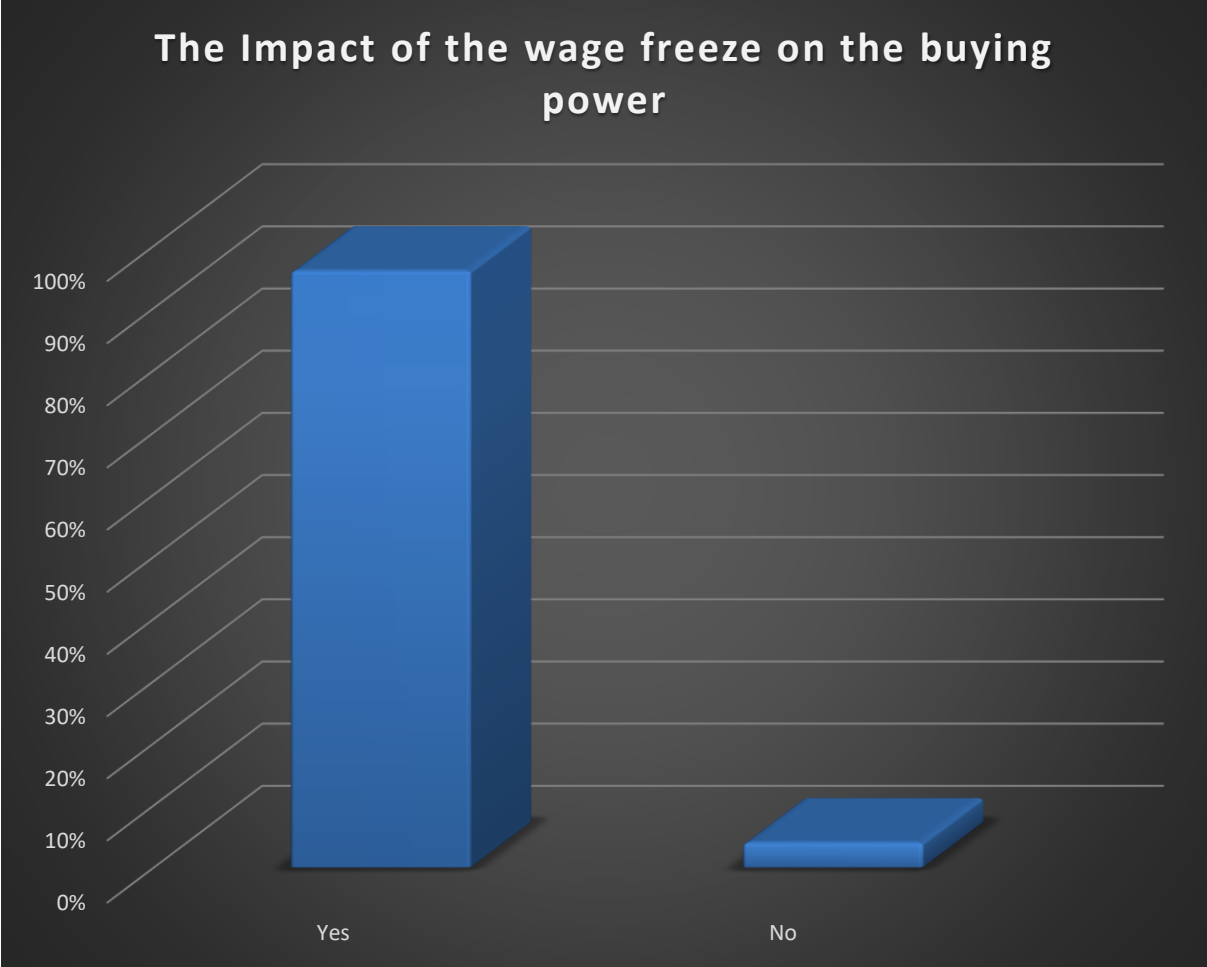
- 80% of the respondents indicated that the wage freeze should be removed.
- 15% of the respondents were against the removal of the wage freeze.

- 5% of the respondents were not sure whether the wage freeze should be removed or not.



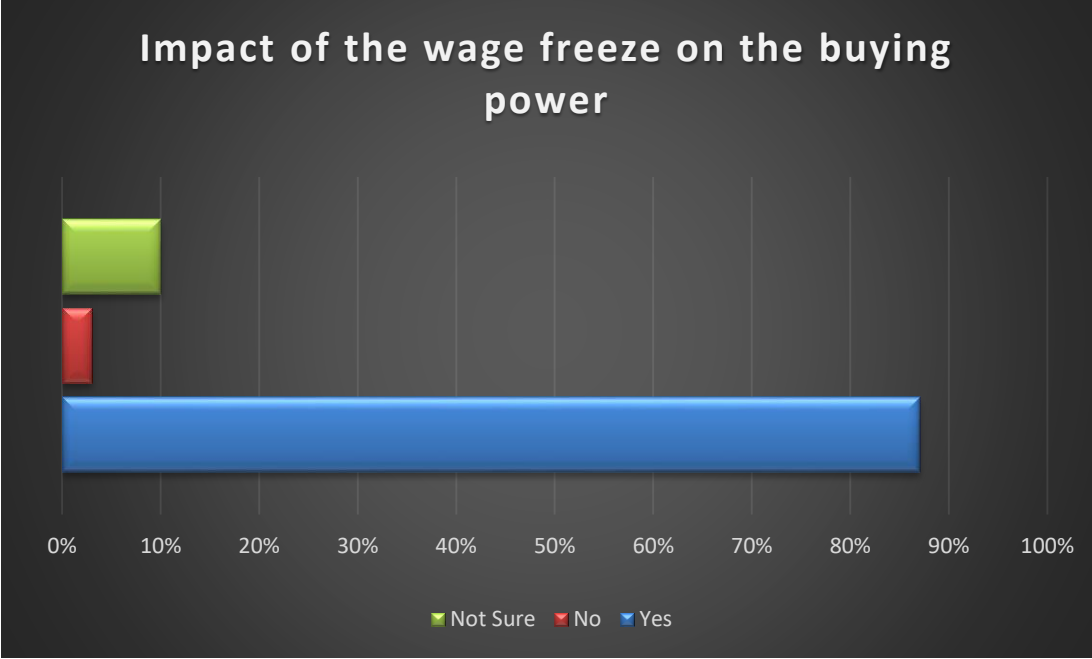
Whether the respondents understood the meaning of the wage freeze.

- 96% of the respondents understood the meaning of the wage freeze imposed on the civil service and the public sector.
- 4% of the respondents did not understand the meaning of the wage freeze.



Impact of the Wage freeze on the buying power.

- 87% of the respondents understood the impact of the wage freeze.
- 10% of the respondents are not sure of the impact of the wage freeze.
- 3% of the respondents do not know the impact of the wage freeze.

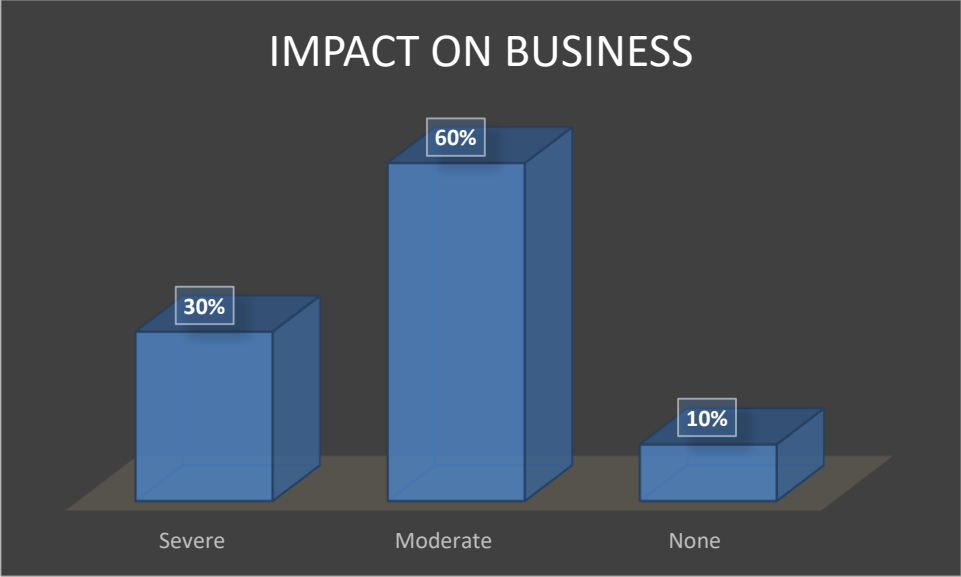


Objective 4: The Impact of the Wage Freeze on the Business.

30% respondents felt that there will be severe impact on business resulting in retrenchments and industrial unrests.

60% respondents felt that the impact will be moderate resulting in reduced profits.

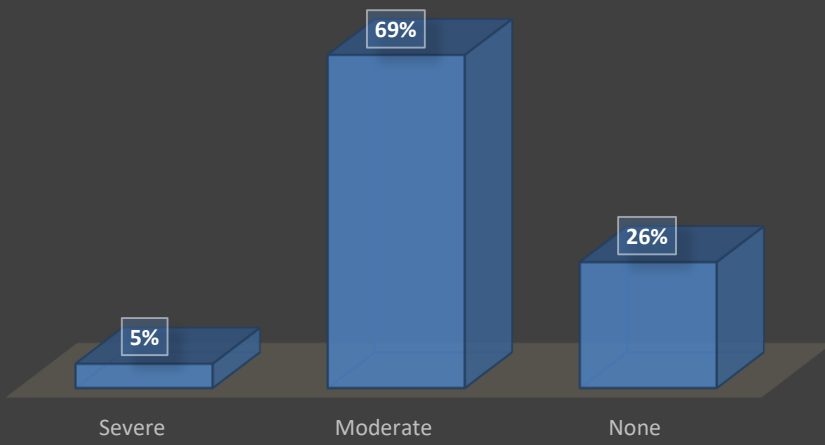
10% respondents felt that there will be no impact.



Objective 4: The Impact of the Wage Freeze on the Economy.

- 5% of the respondents felt that the impact of the wage freeze will be severe.
- 69% of the respondents felt that the impact of the wage freeze will be moderate.
- 26% of the respondents felt that there will be no impact.

IMPACT ON THE ECONOMY



CHAPTER SIX

CONCLUSION AND RECOMMENDATION

6.0 Introduction

This chapter deals with the overall conclusion of the study as a whole. It concludes the research and highlights all ideas from the findings. This research focused on wage freeze in Zambia imposed by government.

6.1 Conclusion

The Government of Zambia should consider lifting the wage freeze on the public service workers as the imposition has the potential to negatively affect not only the public service workers but the entire economy as whole, this is evident from the 80% of the respondents who have indicated that the government should lift the wage freeze. The government is the largest employer, hence imposition of the wage freeze will result in reduced disposable income for the workers while inflation is sky rocketing. This is an indirect way of impossible poverty and suffering on the public service. On the other hand, “if the government has to sustain the wage freeze, there should be a clearly defined benefit to the workers that would cushion the effects of the wage freeze” as said by one of the respondents. Further, the government through the ministry of finance and Bank of Zambia should implement fiscal policies and measures to curb inflation unlike imposing the wage freeze.

6.2 Recommendations

The imposition of the wage freeze was done with less consultation and consensus with stakeholders, hence it has been contentious with the possibility of leading to labor unrest which could negatively affect the delivery of public services. Therefore, it is recommended that the government should engage all stakeholders before such policies are implemented. Further, the government should explore other measures of sustaining the economy unlike defaulting to wage freeze. In addition, the government should have conducted public awareness to educate the public on the need to impose the wage freeze

and other fiscal policies. On other hand the civil service and the business houses must also appreciate the positive side of wage freeze for the sustenance of the economy.

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- www.economist.com
- www.boz.zm

APPENDICES

APPENDIX I: INTRODUCTION LETTER

Information Communication University,
Secretariat Box 30226
Cairo Road, Lusaka, Zambia

November 2014

Dear Respondents,

I am a student in the school of Business at Information Communication University working on as study “Impact of wage freeze on the civil service and the business.

You have been selected to participate in the study. I would be grateful if you would take some time and plan for a meeting to enable me interview you at your convenience. The information you give will be beneficial to assist giving innovative knowledge of the situation of wage freeze in Zambia. The information you provide will be considered confidential and your response will not be exposed since the research is for purely academic purposes.

Thank you for your time.

Sincerely, Ornam Mulenga.

APPENDIX II: SAMPLE QUESTIONNAIRE

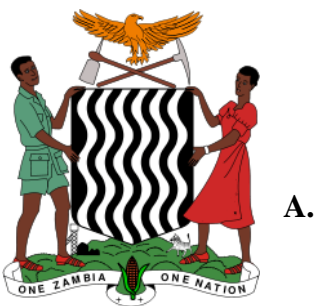


INVESTIGATING THE EFFECT/IMPACT OF WAGE FREEZE ON BUSINESS/CIVIL SERVICE IN ZAMBIA

CASE OF LUSAKA PROVINCE

Research Questionnaire

“The information collected in this questionnaire is confidential and purely for academic purposes”



A.



GEOGRAPHI



CHARACTERISTICS

- 1. Residential Address
- 2. District:
- 3. Province:
- 6. Telephone No. (Mobile) of the Respondent:
- 7. Email Address of the respondent:

B. UNDERSTANDING THE WAGE FREEZE (Tick)

- 1. Do you understand the term Wage Freeze? No Yes
- 2. If **YES** to question 1.

Kindly give more
Details.....
.....

- 3. When was the wage freeze effected in Zambia? (tick)
 - 2014
 - 2015
 - 2013
- 4. Who is affected by the Wage Freeze
 - Civil Servants/Public Service Workers
 - All workers in Zambia
 - Others Please Specify.....

C. IMPACT OF THE WAGE FREEZE

- 1.0 Have you been affected by the wage freeze as an Individual?
No Yes

2.0 If *YES* to question 1.

Indicate 5 ways in which the wage freeze has affected you.

- a).....
- b).....
- c).....
- d).....
- e).....

3.0 How has the wage freeze affected your Company/ Organization /Business?

Indicate at least 5 ways;

- a).....
- b).....
- c).....
- d).....
- e).....

4.0 Should the wage freeze be lifted? Yes No

Give reasons for your answer

.....
.....

5.0 What would you recommend should be done about the Wage Freeze?

.....
.....

Name of respondent:

Signature:

Date:

Name of Interviewer:

Signature:
Date:

APPENDIX III: 2014 WageSpeech by Hon Alexander Bwalya Chikwanda

An extract from the 2014 wagespeech as presented by Hon Alexander Chikwanda

“Government has proposed a wage freeze on Public Service salaries for a period of two years.

The Wagespeech theme is “Moving Forward To Consolidate Growth and Social Justice, in Peace and Unity” represents 30.7 percent of Gross Domestic Product (GDP).

The Finance Minister who presented the Wagespeech to Parliament Friday October 11, 2013, said the 2014 wagespeech will be financed through domestic revenues of K29.54 billion as well as grants of K2.63 billion from cooperating partners.

Chikwanda said that the balance of K10.5 billion will be met through foreign and domestic borrowing.

The Minister has also proposed a two year wage freeze on public service salaries and deferred new recruitments to 2015. He said the freeze was meant to create fiscal space for the provision of basic social services and reduce money spent on the public service wage bill.

Chikwanda said in the next two years the PF government will concentrate on addressing structural anomalies in the remuneration structure.

“In order to provide sufficient fiscal space for the provision of basic social services and investment in public infrastructure, and reduce the proportion of revenues spent on the public service wage bill, I propose a two-year public sector wage freeze,” said Chikwanda.

The public service wage bill was projected to be at 52.5 percent in 2014. Mr Chikwanda said in order to stop distortions in the public sector payment system, Government had adopted a 10-year integrated competitive total remuneration strategy aimed at harmonising pay for similar positions across the three arms of government.

The said the strategy also entailed a review of public pensions, enhancement to the Public Service Performance Management System and creation of a public service credit union.

Chikwanda said there would be changes to the Public Service Pension Fund (PSPF) in which the retirement age and the basis for calculating pensionable emoluments would be revised.

The Minister also said the government had embarked on a programme to strengthen cash management by addressing the challenges associated with large unutilised balances because keeping funds idle denied resources from programmes that required funding.

And Chikwanda has said that as a demonstration of government's commitment of putting more money in people's pockets, he has proposed to increase the current exempt threshold of Pay As You Earn by more than 36% from K2,200 to K3,000 per month.

He said that the measure is expected to result in revenue loss of K956.6 million. The Finance Minister has also proposed to increase exercise duty on airtime from 10 percent to 15 percent.

Chikwanda further proposed to revoke the statutory instrument that suspended excise duty on clear beer so that the substantive duty rate of 60% is once again effective. He said the revenue gain from the measures is K514.8 million.

The also proposed to increase the property transfer tax rate from the current 5 percent to 10 percent, a measure expected to generate an additional K100 million.

Chikwanda has also proposed to spend 9.9 percent of the Budget, or K4.23 billion on Health services in 2014. He said that K245.7 million is provided for the construction and rehabilitation of hospitals, health centres, training schools and the upgrading of tertiary health care".

The also increased by 24.3 percent the wagetowards the purchase of essential drugs and medical supplies to K738.7 million from K594.1 million in 2013 and allocated a further K66.6 million towards medical equipment including specialized equipment.

Chikwanda has also proposed to spend K8.61 billion or 20.2 percent of the wageon education. He says of the total amount allocated to the education sector is K1.28 billion which will go towards the construction of education infrastructure.

The Minister said this will include building of 53 new Secondary Schools and the upgrading of 220 basic schools into secondary schools.