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Assessing Effects of The Minimum Wage Policy on Domestic Workers in Zambia: A Case Study of The City of Chipata

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Abstract— *The aim of the study was to assess the effects of the minimum wage policy on domestic workers in Zambia focusing on the City of Chipata as a case study. The study adopted a descriptive research design and the target population comprised of all residents of Kapata, Bombay and Moth residential areas and their domestic workers whose number was unknown at the time of the study. The study used purposive sampling to select 30 domestic workers and their 30 respective employers from the three townships as not all households had domestic workers. The primary data collection procedure was by way of interview guide and questionnaire for domestic workers and their employers respectively. Secondary data were collected from journals, textbooks and other online publications from the Web. The open-ended responses were analysed thematically while the close ended answers were analysed by the use of Statistical Package for Social Sciences to generate descriptive statistics. The study findings show a positive impact of the legislation on real wages in the short-run, albeit of very small magnitude. However, the legislation seems to have no impact on real wages in the long-run. Further, the legislation did not seem to have had any impact on the extensive margin in terms of employment opportunities or the probability of being employed as a domestic worker in both the short and long run. The study findings imply that there should be sufficient flexibility in the supply of labour in order for the structure of employment to be altered to casual employment, leaving the domestic worker with more opportunity to sell his/her service at an increased wage. The findings of this study thus support the conclusions that the government still has a big challenge in terms of striking a balance between the improvement of the lives of domestic workers and the limitation of job losses in the market for domestic work in Zambia. Results further show that minimum wage legislation for domestic workers has had adverse effects on employment levels and it cannot improve the living standards of workers unless accompanied by strong enforcement mechanisms. The study recommends that introduction of a minimum wage should be based on the need for it by domestic workers and not on the need as perceived by politicians and labour unions. In this respect, the objectives of job creation and the improvement of the livelihoods of domestic workers should receive priority in the determination of a given level minimum wage. A national minimum wage might not be desirable as current wage levels for domestic workers differ widely from one geographical area to the next, especially between urban and rural locations in Zambia. This is indicative of both the ability of employers to pay a certain wage and of the wage required by domestic workers in that geographic location. It is, therefore, recommended that careful consideration be given to a geographically different minimum wage in this sector. It is, therefore, further recommended that a minimum wage should be calculated on an hourly basis instead of having a set monthly minimum wage.*

Keywords—*Wage, domestics Worker, Policy, Minimum wage*

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CHAPTER ONE
INTRODUCTION

1.1 Overview

This chapter presents the background to the study, statement of the problem and research objectives. Also contained in this chapter is the theoretical framework, significance of the study and operational terms. The study aimed at assessing the effects of the minimum wage policy on domestic workers.

1.2 Background to the Study

Domestic work is among the oldest occupations in the world and there has been a rapid increase in terms of numbers (ILO, 2010:6). It was only recently that some countries began to include domestic workers (DWs) in national laws that protect employees. Since domestic workers work in the informal sector, they tend to be subjected to exploitation, discrimination, an undervaluation of their skills and harassment due to the privacy of the occupation; this includes not being granted the right to association, nor the right to create or be part of trade unions, as well as lacking adequate regulation from the government (Koyi, 2012). This leads to unequal relationships between domestic workers' employers (DWEs) and their workers since their bargaining power may not be equal as domestic workers face more desperation, having inadequate awareness of minimum wage (MW) legislation, and not knowing who represents them.

Additionally, the geographic, economic, social and ideological separation of a public work sphere from the home which developed with socialised commodity production under capitalism has led to a decline in the status of domestic labour, for both the housewife and servant. One of the causes of this decline is its invisibility. What makes it invisible physically is the service nature of the works, the products of which are intangible or consumed very quickly. Here, the domestic workers are at a disadvantage compared with the factory worker (Arat-Koc, 1989:37). Defining the occupation, ILO Convention 189 states that a domestic worker or a maid/houseboy is an employee with an employment relationship that is performed in the household or households. Domestic work encompasses tasks such as taking care of children, cooking, cleaning the house, washing and ironing clothes, guarding the house and its assets and looking after pets. This worker may either be a live-in (residing in the employer's house) or a live-out (a commuter). "Even though a substantial number of men work in the sector often as gardeners, drivers or butlers it remains a highly feminised sector: more than 80 per cent of all domestic workers are women. Globally, one in every 13 female wage workers is a domestic worker" (ILO, 2013).

Accordingly, it is important to know some statistics related to domestic work. In 2010 it was estimated that there were 53 million DWs worldwide (this figure excludes the 7.4 million workers under the age of 15), which could be compared with the workforce of countries such as Nigeria, Mexico or Vietnam. However, due to the nature of their job most DWs are not covered in labour force surveys (Budlender, 2011: v). According to the global labour organisation, domestic work is conducted in private and rarely has clearly stipulated terms of employment; it is often omitted from national labour laws with 83% DWs being women globally (ILO, 2011). This shows how gendered the occupation is. Male DWs tend to have better jobs and pay as security guards, gardeners and drivers, while females are involved in cleaning and care services with low pay (WIEGO, 2013). For Zambia, Rao (2009:4) reports that there are 50 000 plus DWs in Lusaka, although there are not many recent labour surveys. ILO's main objective with the minimum wage is to protect employees from being exploited by their employers, to help low-paid workers have an acceptable standard of living and encourage fair wages, thereby alleviating poverty especially among the poor (WIEGO, 2013). Furthermore, 90% of countries in the world have a minimum wage policy.

1.3 Statement of the Problem

Zambia has been experiencing several challenges in the administration of minimum wage policy. Some are caused by political ideologies, others by economic considerations while some are due to labour market characteristics. The Domestic Work sector remains a key sector in the Zambian economy that is not properly regulated. It plays a key role in economic growth and development and is a major source of employment in the urban and peri-urban areas of the country. Although domestic workers perform essential services for the wellbeing of families and the smooth functioning of the national economy, they have long been ignored in labour legislation and social policy in the past. Domestic work, mainly done by women, takes place behind closed doors, privatised and almost invisible to the outside world. These workers are susceptible to long working hours, poor pay, physical and sexual abuse. Majority of DWs work without clear terms of employment, unregistered in any records and excluded from the scope of labour legislation. This in essence means that they do not belong to any union to represent their labour interests leaving them exposed to exploitation and abuse. Establishing a minimum wage for domestic workers is a key means to ensure their right to decent work and a decent life. Despite having minimum wage law, however, Zambia still faces numerous challenges in the employment protection mechanism of DWs in that implementation, enforcement and compliance still remain a challenge, thus exposing vulnerable workers to labour market insecurity and exploitation.

1.4 Objectives of the Study

1.4.1 Main Objective

The main objective of the study was to assess the effects of the minimum wage policy on domestic workers in Chipata District.

1.4.2 Specific Objectives

Arising from the main objective above, the specific objectives were:

1. To determine the awareness levels of the Minimum Wage Policy by domestic workers and their employers;
2. To investigate the effects of the Minimum Wage Policy on domestic workers;
3. To establish measures that could improve domestic workers' conditions of service.

1.5 Research Questions

The study was guided by the following main research question: What are the effects of the Minimum Wage Policy on domestic workers in Zambia? The specific research questions included:

1. What are the levels of awareness of the Minimum Wage Policy by domestic workers and their employers?
2. What are the effects of the Minimum Wage Policy on domestic workers?
3. What measures could be recommended to improve domestic workers' conditions of service?

1.6 Theoretical Framework

The research starts with the mainstream approach on minimum wages (the Neoclassical Paradigm), and then turn to the Keynesian approach for the analysis. According to Stewart (2000), the distribution of income is the outcome of complex economic processes and that the question of the impact of minimum wages on income distribution and poverty is a controversial one. For instance, the neo-classical theory suggests a rise in the minimum wage should reduce employment, and this could offset the impact of any rise on poverty, whereas the Keynesian demand management holds a contrary view that a rise in income distribution may have a positive effect on job creation and increased market demand and consumption.

There is also no dearth in theoretical literature trying to predict the general impact of a minimum wage law. Most theories predict a uniform negative effect of minimum wages on employment in competitive labour markets and an inverted U-shaped relationship in monopsonistic and oligopsonist models (Soundararajan, 2013). Basu et al. (2010) develop an incentive compatible equilibrium model which predicts the response of employment to a minimum wage rise as positive, negative or subdued given the level of minimum wage and enforcement. Hence summarising the general literature (both theoretical and empirical) it is observed that in perfect labour markets (a) there is generally a positive impact of minimum wage law on wages without accounting for enforcement, (b) a negative impact on employment without enforcement and (c) ambiguous impact on employment when enforcement is accounted for. However, the literature shows that in case of imperfect markets especially in the informal sector, there is generally a non-linear impact of minimum wage law on employment and wages (Soundararajan, 2013).

According to Bazen and Martin (1991) and Neumark and Wascher (1992), in terms of minimum wages in the neoclassical paradigm, it can be said that originally, minimum wages did not play a positive role in the neoclassical model. Under the assumption of homogenous labour, minimum wages are either harmful for employment if they are set above the market equilibrium wage or are ineffective and useless if they fall below the market determined equilibrium wage (Neumark and Wascher, 1992). However, in terms of heterogeneous labour, Bazen and Martin (1991) contend that the overall conclusion does not change significantly. For instance, if there is a unified minimum wage in one economy, this may create a negative impact on employment in the low-wage sector as soon as the minimum wage is higher than the market clearance wage for this particular skill group. Unemployment in the low-wage/low-skill sector will increase and, due to substitution effects, employment of skilled workers will increase, although overall employment in the economy will fall.

The role of statutory minimum wages in the Keynesian paradigm has been an alternative to neoclassical approach. The Keynesian paradigm stresses that output and employment are determined by goods market demand and not by supply factors such as levels of real wages as in the case of mainstream economics. Whereas neoclassical economists believe that minimum wage increase leads to unemployment, however, Keynesian approach gives a clear explanation as to why minimum wage increases do not lead to higher unemployment at a macroeconomic level. Under Keynesian economics, the argument has been that higher minimum wages may lead to a positive employment effect, as households which receive minimum wages tend to have a higher propensity to consume compared to rich households, thus the level of consumption is also expected to be enhanced which will have a positive impact on aggregate demand, output and employment (Neumark and Wascher, 1992).

1.7 Significance of the Study

The study is important because domestic service in Zambia is one of the least studied occupations and there has been very little public discussion on the average wage that domestic workers should earn.

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Labour researchers mostly confine studies to critical labour issues and tend to focus on labour absorption into the public and private sectors. Government is also considering research methodology to analyse the impact of the new labour legislation on the market and specifically to determine what effect the introduction of a MW would have on employment. The rationale of the study was to assess how MW valorisation could help boost incomes for the lowly paid poorest workers who were deemed vulnerable in the labour market. This research work looked at the nature of MW and efforts towards implementing and enforcing MW levels to meet the expectations of domestic workers in Zambia. It examines challenges relating to government policy on MW and its impact on the economic and social wellbeing of the domestic workers. It discusses and examines factors to consider in fixing MW and analyses the challenges surrounding implementation as well as the enforcement of MW. It also offers solutions to the challenges identified therein while contributing literature to future studies.

1.8 Scope of the Study

This study is broadly concerned with the effects of MW law on the minimum working conditions for non-represented and vulnerable workers in the world of domestic work. It, therefore, provides an analytical account of how minimum wages and conditions of employment have developed and their consequences on the vulnerable domestic workers from a broader perspective. The study, therefore, focused on the effects of MW administration surrounding domestic workers in Zambia. It used this as a prism within which to analyse the broader debates about the limitations of statutory minimum wage law to regulate non-standard working arrangements. In order to provide a concrete framework within which to analyse the regulation of MW practice, this study focused on the Zambian policy framework. The key research question in this study was whether and to what extent Zambian statutory MW law recognises and regulates the practice of implementing and enforcing minimum wages on domestic workers in order to guarantee compliance and worker protection.

Operation terms

Domestic Worker: A domestic worker, domestic helper, domestic servant, manservant or menial, is a person who works within the employer's household Description

Wage: A fixed regular payment, typically paid on a daily or weekly basis, made by an employer to an employee, especially to a manual or unskilled worker

Labour: Chiefly British Variant of labor. labour or labor (Industrial Relations & HR Terms) productive work, especially physical toil done for wages

House hold: Those who dwell under the same roof and compose a family; also, a social unit composed of those living together in the same dwelling.

CHAPTER TWO
LITERATURE REVIEW

2.1 Overview

This chapter focuses on review of relevant literature and starts by considering existing theories in relation to minimum wage, and discusses approaches that have been used in exploring systems and nature of minimum wage at global and local perspective. It further discusses existing legal instruments and policies that the Zambian government has put in place in order to assist informal sector workers like domestic servants. Lastly, this chapter reviews case studies from other countries, in order to draw lessons on how best to deal with the minimum wage.

Key Concepts and History

A minimum wage is the lowest remuneration that employers can legally pay their workers—the price floor below which workers may not sell their labour. Most countries had introduced minimum wage legislation by the end of the 20th century. Supply and demand models suggest that there may be welfare and employment losses from minimum wages. However, if the labour market is in a state of monopsony (with only one employer available who is hiring), minimum wages can increase the efficiency of the market. There is debate about the full effects of minimum wages.

The movement for minimum wages was first motivated as a way to stop the exploitation of workers in sweatshops, by employers who were thought to have unfair bargaining power over them. Over time, minimum wages came to be seen as a way to help lower-income families. Modern national laws enforcing compulsory union membership which prescribed minimum wages for their members were first passed in New Zealand and Australia in the 1890s.

Although minimum wage laws are in effect in many jurisdictions, differences of opinion exist about the benefits and drawbacks of a minimum wage. Supporters of the minimum wage say it increases the standard of living of workers, reduces poverty, reduces inequality, and boosts morale. In contrast, opponents of the minimum wage say it increases poverty, increases unemployment (particularly among unskilled or inexperienced workers) and is damaging to businesses, because excessively high minimum wages require businesses to raise the prices of their product or service to accommodate the extra expense of paying a higher wage and some low-wage workers "will be unable to find work...[and] will be pushed into the ranks of the unemployed."

"It is a serious national evil that any class of his Majesty's subjects should receive less than a living wage in return for their utmost exertions. It was formerly supposed that the working of the laws of supply and demand would naturally regulate or eliminate that evil and ultimately produce a fair price. Where... you have a powerful organisation on both sides... there you have a healthy bargaining.... But where you have what we call sweated trades, you have no organisation, no parity of bargaining, the good employer is undercut by the bad, and the bad employer is undercut by the worst... where those conditions prevail you have not a condition of progress, but a condition of progressive degeneration."
Winston Churchill MP, Trade Boards Bill, Hansard House of Commons (28 April 1909) vol 4, col 388
Modern minimum wage laws trace their origin to the Ordinance of Labourers (1349), which was a decree by King Edward III that set a *maximum wage* for laborers in medieval England. King Edward III, who was a wealthy landowner, was dependent, like his lords, on serfs to work the land. In the autumn of 1348, the Black Plague reached England and decimated the population. The severe shortage of labour caused wages to soar and encouraged King Edward III to set a wage ceiling. Subsequent amendments to the ordinance, such as the Statute of Labourers (1351), increased the penalties for paying a wage above the set rates.

While the laws governing wages initially set a ceiling on compensation, they were eventually used to set a living wage. An amendment to the Statute of Labourers in 1389 effectively fixed wages to the price of food. As time passed, the Justice of the Peace, who was charged with setting the maximum wage, also began to set formal minimum wages. The practice was eventually formalized with the passage of the Act Fixing a Minimum

By the early 19th century, the Statutes of Labourers was repealed as increasingly capitalistic England embraced *laissez-faire* policies which disfavoured regulations of wages (whether upper or lower limits). The subsequent 19th century saw

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significant labour unrest affect many industrial nations. As trade unions were decriminalized during the century, attempts to control wages through collective agreement were made. However, this meant that a uniform minimum wage was not possible. In *Principles of Political Economy* in 1848, John Stuart Mill argued that because of the collective action problems that workers faced in organisation, it was a justified departure from *laissez-faire* policies (or freedom of contract) to regulate people's wages and hours by the law.

It was not until the 1890s that the first modern legislative attempts to regulate minimum wages were seen in New Zealand and Australia.[13] The movement for a minimum wage was initially focused on stopping sweatshop labour and controlling the proliferation of sweatshops in manufacturing industries.[14] The sweatshops employed large numbers of women and young workers, paying them what were considered to be substandard wages. The sweatshop owners were thought to have unfair bargaining power over their employees, and a minimum wage was proposed as a means to make them pay fairly. Over time, the focus changed to helping people, especially families, become more self-sufficient.
Hourly minimum wages in select developed economies in 2013. For a complete list of global wages see: List of minimum wages by country. Wages are given in US$ exchange rates. The first modern national minimum wages were enacted by the government recognition of unions which in turn established minimum wage policy among their members, as in New Zealand in 1894, followed by Australia in 1896 and the United Kingdom in 1909. In the United States, statutory minimum wages were first introduced nationally in 1938, and they were reintroduced and expanded in the United Kingdom in 1998. There is now legislation or binding collective bargaining regarding minimum wage in more than 90 percent of all countries.[19][1]

In the European Union, 22 member states out of 28 currently have national minimum wages.[20] Other countries, such as Sweden, Finland, Denmark, Switzerland, Austria, and Italy, have no minimum wage laws, but rely on employer groups and trade unions to set minimum earnings through collective bargaining.

Minimum wage rates vary greatly across many different jurisdictions, not only in setting a particular amount of money—for example $7.25 per hour ($14,500 per year) under certain US state laws (or $2.13 for employees who receive tips, which is known as the tipped minimum wage), $11.00 in the US state of Washington, or £7.83 (for those aged 25+) in the United Kingdom but also in terms of which pay period (for example Russia and China set monthly minimum wages) or the scope of coverage. Currently the United States federal minimum wage is $7.25 per hour. However, some states do not recognize the minimum wage law, such as Louisiana and Tennessee. Other states operate below the federal minimum wage such as Georgia and Wyoming. Some jurisdictions allow employers to count tips given to their workers as credit towards the minimum wage levels. India was one of the first developing countries to introduce minimum wage policy in its law in 1948. However, it is rarely implemented, even by contractors of government agencies. In Mumbai, as of 2017, the minimum wage was Rs. 348/day. India also has one of the most complicated systems with more than 1,200 minimum wage rates depending on the geographical region.

Customs and extra-legal pressures from governments or labour unions can produce a *de facto* minimum wage. So can international public opinion, by pressuring multinational companies to pay Third World workers' wages usually found in more industrialized countries. The latter situation in Southeast Asia and Latin America was publicized in the 2000s, but it existed with companies in West Africa in the middle of the 20th century.

Among the indicators that might be used to establish an initial minimum wage rate are ones that minimize the loss of jobs while preserving international competitiveness.[29] Among these are general economic conditions as measured by real and nominal gross domestic product; inflation; labour supply and demand; wage levels, distribution and differentials; employment terms; productivity growth; labour costs; business operating costs; the number and trend of bankruptcies; economic freedom rankings; standards of living and the prevailing average wage rate.

In the business sector, concerns include the expected increased cost of doing business, threats to profitability, rising levels of unemployment (and subsequent higher government expenditure on welfare benefits raising tax rates), and the possible knock-on effects to the wages of more experienced workers who might already be earning the new statutory minimum wage, or slightly more. Among workers and their representatives, political considerations weigh in as labour leaders seek to win support by demanding the highest possible rate. Other concerns include purchasing power, inflation indexing and standardized working hours.

In the United States, the minimum wage have been set under the Fair Labour Standards Act of 1938. According to the Economic Policy Institute, the minimum wage in the United States would have been $18.28 in 2013 if the minimum wage had kept pace with labour productivity. To adjust for increased rates of worker productivity in the United States, raising the minimum wage to $22 (or more) an hour has been presented.
According to the supply and demand model of the labour market shown in many economics textbooks, increasing the minimum wage decreases the employment of minimum-wage workers.

If a higher minimum wage increases the wage rates of unskilled workers above the level that would be established by market forces, the quantity of unskilled workers employed will fall. The minimum wage will price the services of the least productive (and therefore lowest-wage) workers out of the market, the direct results of minimum wage legislation are clearly mixed. Some workers, most likely those whose previous wages were closest to the minimum, will enjoy higher wages. Others, particularly those with the lowest pre-legislation wage rates, will be unable to find work. They will be pushed into the ranks of the unemployed.
A firm's cost is an increasing function of the wage rate. The higher the wage rate, the fewer hours an employer will demand of employees. This is because, as the wage rate rises, it becomes more expensive for firms to hire workers and so firms hire fewer workers (or hire them for fewer hours). The demand of labour curve is therefore shown as a line moving down and to the right. Since higher wages increase the quantity supplied, the supply of labour curve is upward sloping, and is shown as a line moving up and to the right. If no minimum wage is in place, wages will adjust until quantity of labour demanded is equal to quantity supplied, reaching equilibrium, where the supply and demand curves intersect. Minimum wage behaves as a classical price floor on labour. Standard theory says that, if set above the equilibrium price, more labour will be willing to be provided by workers than will be demanded by employers, creating a surplus of labour, i.e. unemployment.

The economic model of markets predicts the same of other commodities (like milk and wheat, for example): Artificially raising the price of the commodity tends to cause an increase in quantity supplied and a decrease in quantity demanded. The result is a surplus of the commodity. When there is a wheat surplus, the government buys it. Since the government does not hire surplus labour, the labour surplus takes the form of unemployment, which tends to be higher with minimum wage laws than without them.[28]

The supply and demand model implies that by mandating a price floor above the equilibrium wage, minimum wage laws will cause unemployment. This is because a greater number of people are willing to work at the higher wage while a smaller number of jobs will be available at the higher wage. Companies can be more selective in those whom they employ thus the least skilled and least experienced will typically be excluded. An imposition or increase of a minimum wage will generally only affect employment in the low-skill labour market, as the equilibrium wage is already at or below the minimum wage, whereas in higher skill labour markets the equilibrium wage is too high for a change in minimum wage to affect employment.

Modern economics suggests that a moderate minimum wage may increase employment as labour markets are monopsonistic and workers lack bargaining power.

The supply and demand model predicts that raising the minimum wage helps workers whose wages are raised, and hurts people who are not hired (or lose their jobs) when companies cut back on employment. But proponents of the minimum wage hold that the situation is much more complicated than the model can account for. One complicating factor is possible monopsony in the labour market, whereby the individual employer has some market power in determining wages paid. Thus, it is at least theoretically possible that the minimum wage may boost employment. Though single employer market power is unlikely to exist in most labour markets in the sense of the traditional 'company town,' asymmetric information, imperfect mobility, and the personal element of the labour transaction give some degree of wage-setting power to most firms.

Modern economic theory predicts that although an excessive minimum wage may raise unemployment as it fixes a price above most demand for labour, a minimum wage at a more reasonable level can increase employment, and enhance growth and efficiency. This is because labour markets are monopsonistic and workers persistently lack bargaining power. When poorer workers have more to spend it stimulates effective aggregate demand for goods and services. Minimum wage levels in OECD countries as a share of average full-time wage, 2013. Gary Fields, Professor of Labour Economics and Economics at Cornell University, argues that the standard textbook model for the minimum wage is ambiguous, and that the standard theoretical arguments incorrectly measure only a one-sector market. Fields says a two-sector market, where "the self-employed, service workers, and farm workers are typically excluded from minimum-wage coverage... [and with] one sector with minimum-wage coverage and the other without it [and possible mobility between the two]," is the basis for better analysis. Through this model, Fields shows the typical theoretical argument to be ambiguous and says "the predictions derived from the textbook model definitely do not carry over to the two-sector case. Therefore, since a non-covered sector exists nearly everywhere, the predictions of the textbook model simply cannot be relied on."

An alternate view of the labour market has low-wage labour markets characterized as monopsonistic competition wherein buyers (employers) have significantly more market power than do sellers (workers). This monopsony could be a result of intentional collusion between employers, or naturalistic factors such as segmented markets, search costs, information costs, imperfect mobility and the personal element of labour markets. In such a case a simple supply and demand graph would not yield the quantity of labour clearing and the wage rate. This is because while the upward sloping aggregate labour supply would remain unchanged, instead of using the upward labour supply curve shown in a supply and demand diagram, monopsonistic employers would use a steeper upward sloping curve corresponding to marginal expenditures to yield the intersection with the supply curve resulting in a wage rate lower than would be the case under competition. Also, the amount of labour sold would also be lower than the competitive optimal allocation.

Such a case is a type of market failure and results in workers being paid less than their marginal value. Under the monopsonistic assumption, an appropriately set minimum wage could increase both wages and employment, with the optimal level being equal to the marginal product of labour. This view emphasizes the role of minimum wages as a market regulation policy akin to antitrust policies, as opposed to an illusory "free lunch" for low-wage workers.

Another reason minimum wage may not affect employment in certain industries is that the demand for the product the employees produce is highly inelastic. For example, if management is forced to increase wages, management can pass on the increase in wage to consumers in the form of higher prices. Since demand for the product is highly inelastic, consumers continue to buy the product at the higher price and so the manager is not forced to lay off workers. Economist Paul Krugman argues this explanation neglects to explain why the firm was not charging this higher price absent the minimum wage.
Three other possible reasons minimum wages do not affect employment were suggested by Alan Blinder: higher wages may reduce turnover, and hence training costs; raising the minimum wage may "render moot" the potential problem of recruiting workers at a higher wage than current workers; and minimum wage workers might represent such a small proportion of a business's cost that the increase is too small to matter. He admits that he does not know if these are correct, but argues that "the list demonstrates that one can accept the new empirical findings and still be a card-carrying economist."[

Minimum Wage Principles

The perfect competency model in conventional economic theory holds that setting the minimum wage above the marginal productivity value of workers will lead to unemployment. The size of the reduction in employment will depend on the elasticity of the demand for labor. In other market models, however, it is also possible for a rise in the minimum wage to increase the demand for labor. For example, in a monopsonistic labor market employers are able to pay less than that the wages in a competitive market. The introduction of a minimum wage would force these employers to pay more than the monopsonistic wage. Thus, if the minimum wage is set higher than the monopsonistic wage but lower than the perfect competence wage, it is possible to increase the level of employment. Efficiency wage theory also supports the concept that minimum wage increases can result in higher employment. This theory maintains that higher wages can increase worker productivity, thereby reducing the cost of employee oversight. Thus, while introducing or increasing the minimum wage would increase the average cost per worker, at the same time it would reduce marginal labor costs (the cost of layoffs is greater because there are more levels of employment). In this scenario, businesses would then have more resources and more incentives to hire new workers (Rebitzer and Taylor, 1995).

Empirical evidence on the relationship between the minimum wage and employment is inconsistent. Much of the literature identifies aggregate effects such as reductions in formal employment and number of hours worked, increased unemployment, and more informal labor, especially when the minimum wage is very high. However, moderate minimum wage increases do not necessarily generate significant job losses, though they have less of an impact on poverty levels and wages overall (Rutkowski, 2003). In labor markets characterized by imperfect competence, moderate minimum wage increases can send a signal in situations where information is asymmetric and/or there is need to correct distortions in monopsonistic markets where employers have excessive control over the labor market supply and keep wages low relative to local conditions. One of the side effects of formal employee layoffs and increased informal employment is reduced or sluggish productivity because businesses have lost productive workers and have little incentive to invest in training the workers they have hired on an informal basis. Businesses resort to various strategies to absorb and adapt to the increased cost of labor. While the mainstream literature does not provide enough evidence to clearly identify these strategies, we have been able to discern five adjustment mechanisms, or channels, based on research on the companies' strategies, coupled with studies in the areas of business and economics. The first mechanism is to reduce corporate profits. The second one is to either raise the prices of goods or services or reduce non-wage and production costs so that the firm's profits or earnings are not affected. A reduction in production costs would clearly have an impact on the quality of the products. The third mechanism is to reorganize the internal human resource structure of the business. The fourth is to drop out of the formal labor market, either entirely or partially, and operate informally. Finally, with the fifth, and last, mechanism businesses can also choose to increase their investments in physical capital such as machinery and technology, update their processes, and automate them in some cases. Here investments are also sometimes made in human capital through training programs.

Impact of the minimum wage on unemployment and productivity

Most of the studies that have been done on the minimum wage analyze the impact of increases in terms of their effect on unemployment. For businesses, the loss of human resources can have strong implications for productivity, since some of them have had to lay off productive workers in order to absorb the increase in the cost of manpower, resulting in a serious loss of resources and a disincentive to invest in training the workforce. The correlation between the minimum wage and unemployment has been studied extensively in the more advanced countries since the end of the 1940s. Recently, more studies have been published on developing countries. As noted, earlier, despite extensive research on this subject, the findings on the effect of this policy on levels of employment and unemployment remain inconclusive in both industrialized and developing countries. Notwithstanding the lack of consensus on the effect of the minimum wage on unemployment and other variables, studies that have been done on the minimum wage and labor costs show us some lessons that may be relevant to emerging economies. One finding is that the effect of a minimum wage increase on unemployment depends on the size of the change. The impact on There is still no theoretical consensus on the optimum correlation between the minimum wage and employment in a competitive versus a less competitive market. Empirically, the main challenges have to do with measuring the impact using existing information, how it should be measured (identification methods), and whether the results are comparable and applicable to different contexts. To begin with, it is difficult to measure competition in the labor market with precision. In addition to the degree of competition, other factors need to be taken into account, making it difficult to predict the precise effect on employment (underemployment, informal employment) and other variables. Examples of these other important factors include: the difference between the minimum wage and the market wage, the structure of the minimum wage (if it varies by sector or has multiple levels), degree of compliance (both current and before the increases), the percentage of workers whose skills are above or below the level to which the minimum wage applies, the size of the informal sector, and the flow between the formal and informal sectors (based on estimated elasticity). Unemployment increases in proportion to the amount of the raise. It also depends on the number of people affected by the minimum wage: the larger the numbers of workers who are earning close to the minimum wage, the greater the impact on unemployment. Impact of the Minimum Wage on Employment and Unemployment Much of the empirical literature on developing countries shows that minimum wage increases have negative effects on employment. However, there are also several studies that have questioned these findings and demonstrated that the policy's effects on employment can be nil and even positive in cases where businesses have some monopsonistic power over the labor market (for example, Katz and Krueger, 1992; Card and Krueger, 1994, 2000; Dube et al., 2007). The effect of the minimum wage on an economy will depend on the degree of compliance with the law and on the specific characteristics of the labor market in each country. In the case of industrialized countries, the literature indicates that there is usually an adverse effect on the demand for less qualified workers (Neumark, 2006), but the debate around the methodologies used in these studies and the conclusions derived from them continues.

In developing countries, which are typically characterized by high levels of informal employment, the implications of minimum wage policy differ substantially from what can be expected in developing economies, especially because the minimum wage in developing economies is more binding,4 tends to be higher (defined as 20 to 60 percent above the average wage), and affects a larger number of workers (Maloney and Núñez Méndez, 2004). As with the developed countries, the findings in the less developed countries in terms of the effects on unemployment and demand are inconclusive. One of the first studies on Latin America was conducted by Bell (1997) based on panel data from manufacturing firms in Mexico and Colombia. The results of this study indicated that during the period 1981-1987 the firms responded to increases in wage costs by reducing the number of their employees. In Colombia, increases in the minimum wage triggered significant industrial job losses in the country. In interpreting most of the results cited in this review, it is important to keep the definition of elasticity in mind. In this document, employment elasticity as it refers to the minimum wage is the percentage change in the level of employment following a 10 percent increase in the minimum wage.

4 Vinculante in Spanish [literally 'binding'], as it is used here, means that the distribution of earned wages tends to be close to the minimum wage estimated at between 2 and 12 percent of all jobs in the sector. In terms of elasticity, increases of 10 percent in the minimum wage reduced jobs for low-skilled workers by 1.5 percent to 3.3 percent and for more qualified workers by 0.3 percent to 2.4 percent.

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In Mexico, the findings of the Bell study (1997) were inconclusive. It showed that when the real minimum wage fell by 45 percent there was no effect on employment in the manufacturing sector. This result reflected the minimal effectiveness of the minimum wage, which is set at quite low levels relative to the overall median wage. Furthermore, the businesses sampled were large companies that were offering high wages, typically higher than the minimum wage. In Chile, increases over the period 1996-2005 did result in greater unemployment, although actual job losses were less than 0.32 percent a year (Grau and Landerretche, 2011). During the Asian crisis, minimum wage increases that had been scheduled earlier, based on positive economic growth projections, continued to be implemented. However, when the crisis hit the Chilean economy, the increases were out of step with the reality that the country was facing (Marinakis and Veloso,2006).More recently, Cunningham and Siga (2013) found that minimum wage increases in Brazil during 1996-2001 resulted in lost jobs, especially for workers on the lowest rungs of the pay ladder, whereas in Mexico there was no negative impact on total unemployment in 1988-1998. These conclusions were corroborated in a more recent study by Campos et al. (2015) and also in a report of the Government of the Federal District of Mexico (2014) which evaluated the effect of the 2012 minimum wage reform. Up until 2012 there had been three minimum wage zones, A, B, and C. Zone A had the highest minimum wage and Zone C, the lowest. In 2012, the Zone B minimum wage was increased to match Zone A. That increase translated into a 3.1 percent real minimum wage increase for Zone B. Therefore, the authors of the study looked at the impact of the 2012 move to a single minimum wage for Zones A and B. The outcome, derived using the Difference- in-Differences estimator, suggested that there was no negative effect on employment in Zone B, while the former Zone B workers received an immediate real increase in their wages of 2.9 percent. The study by Maloney and Núñez Méndez (2004) also corroborated a negative correlation between employment and the minimum wage in Colombia. Based on panel data from household surveys, this study estimated that a 10 percent increase in the minimum wage during 1997-1999 reduced employment by 1.5 percent. Studies on Brazil suggest that minimum wage increases have had a modest negative effect on employment (Fajnzylber, 2001; Neumark et al., 2006; Lemos, 2004a). For example, in terms of elasticity, Neumark et al. (2006) found an effect of about –0.07 percent at the end of the 1990s, while Fajnzylber (2001) estimated an effect of between –0.08 and –0.05 percent in the 1980s and 1990s for workers who were earning close to the minimum wage. Lemos (2004a), in turn, found only –0.1 percent elasticity for the economy as a whole and for certain vulnerable groups. One explanation for the minimal effects on employment is that businesses were able to adjust their prices in response to the increase in labor costs (Lemos, 2004b). It was easier for them to raise prices during periods of inflation like the years used for this study (1982-2000). Although in developing countries like Brazil the minimum wage policy applies to both the public and the private sector, there is evidence that the government does not respond to minimum wage increases to the same extent as the private sector. A study by Lemos (2007) based on monthly data from household surveys covering the period 1982-2000 shows that in the short term the minimum wage in Brazil did not have an adverse effect on employment overall or on the public or the private sector considered separately. However, jobs were lost in the private sector and gained in the public sector over the long term, suggesting an inelastic demand for labor. The increase in the public sector would largely offset the contraction in the private sector, with a net result that the minimum wage had very little effect on the overall economy. The empirical literature on the developing countries has also looked at the adjustments that businesses have made depending on their size and cost structure. For example, Gindling and Terrell (2009) examined the effect of changes in the minimum wage on employment in Honduras based on panel data for the years 1990-2004. These authors estimated -0.46 percent elasticity for large companies, while with small companies the minimum wage had a positive impact on employment, clearly reflecting the movement of workers who lost their jobs in the large companies to the smaller ones. As in Costa Rica, variations in the minimum wage had a greater effect on employees with less education who were working in smaller companies. An earlier study by El-Hamidi and Terrell (2001), based on employment information in Costa Rica for 1980- 1992, showed that the minimum wage policy actually helped to create jobs in the country, mainly because of an increase in qualified employment. According to these authors, the industries that hired a highly qualified workforce were either facing a monopsonistic labor market or paying an efficiency wage that enabled them to increase their employment levels.

A more recent study by Alaniz et al. (2011) focused on the situation in Nicaragua, a country that has typically had high wages relative to the national average (a ratio of 0.53 for the mean minimum wage to the mean wage for 1998 and 2006 and a high median wage (a ratio of 0.81). Like several other Central American countries, Nicaragua has a system of multiple minimum wages for different sectors (14 sectors in all). The Alaniz study looked at variations in the minimum wage by state and by year to analyze the effects on employment. The authors used panel household data from 1998 through 2006 to show that increases in the sectoral minimum wage reduced the probability of being employed in the private sector. A 10 percent increase in the minimum wage reduced the probability of workers remaining employed in the private sector by 3.1 percentage points. However, this finding was only seen in large companies where there is greater compliance with minimum wage laws. The contraction in employment was the result of not only mass layoffs in the private sector, but also a reduction in the generation of new jobs in the private sector. In Peru, Céspedes (2005) also found evidence of adverse effects on employment for the period 1993-2003, with an elasticity of -0.13 for the formal sector, which 10 means that a 10 percent increase in the minimum wage triggers a job loss of 1.3 percentage points. In Asia, Indonesia is one of the main developing countries to be the subject of several studies on the implications of the minimum wage for the labor market. The minimum wage was introduced in Indonesia in the 1970s. Since then, the country has set multiple minimum wages, corresponding to each of the provinces (27 levels). In terms of the minimum wage relative to the average wage, Indonesia has one of the highest ratios of all the countries in Southeast Asia, at nearly 0.6 (Del Carpio, Pabon, 2014). The differences in the minimum wage level by province and the sharp rise in the minimum wage during the 1990s made it possible to analyze the potential effects of the minimum wage on the economy. The results of these analyses are mixed. Based on panel data from the provinces, Rama (2001) found a negative effect for smaller businesses (with elasticities ranging from -0.77 to -1.30) and a positive effect in medium and large enterprises. The existence of monopsonistic power in the medium and large companies actually favored an increase in the demand for workers. Alatas and Cameron (2008) studied the effect of a minimum wage increase in the area of Botabek between 1990 and 1996 (before the crisis) on the employment of workers engaged in the manufacture of textiles and footwear. The results showed a reduction in the employment of workers in small companies, with elasticities ranging from -0.31 to -0.55, whereas in the large companies the effect was not even statistically significant. Some of the estimates actually showed increases in employment in the large enterprises, which would suggest that employment in the small companies was shifting to the large ones. Furthermore, the large companies appeared to be paying above the minimum wage, so that increases in the minimum wage would not affect employment levels. On the other hand, Harrison and Scorse (2010) found much more modest effects of the minimum wage increase on the textile industry in Indonesia during the 1990s. According to their estimates, a 10 percent increase in the minimum wage for workers in foreign enterprises and export firms in Indonesia would trigger a 1.2 to 1.8 percent reduction in employment, whereas in small companies the effect was insignificant, mainly because of low compliance with the law. A more recent study on the situation in Indonesia with data from firms for the period 1996-2003 found moderate effects on employment, with job losses of less than 1 percent following a 10 percent increase in the minimum wage. Minimum wage hikes led to layoffs of less qualified workers, especially those in areas other than production and those in small companies (Del Carpio et al., 2013). This means that, prior to the minimum wage increases, the small companies, which usually engaged in labor-intensive activities and had little power over the market, were forced to lay off less-qualified workers to avoid bankruptcy. In Vietnam, it was found that during 2006-2010 the minimum wage had a negative effect on employment in domestic companies but none in the larger enterprises (Del Carpio, Nguyen, Nguyen and Wang, 2013). In Thailand, a minimum wage was introduced in 1972 for Bangkok and the metropolitan area. Currently, the minimum wage in Thailand differs by province and by economic sector. The level of the minimum wage relative to the overall average wage is high, at a ratio of approximately 0.5 (Del Carpio and Pabon, 2014). Del Carpio et al. (2014) reported that changes in the regional minimum wage between 1998 and 2010 had negative repercussions on employment (with an elasticity of -0.05) and the effect was disproportionally higher for workers who were the least productive (older workers between 50 and 60 years of age and workers with lower levels of education). In terms of hours worked, an increase was observed for male workers, suggesting that less productive workers more apt to lose their job were being replaced by working-age male workers.

For African countries, the literature on the effect of the minimum wage is relatively recent. Most of the analyses are based on the experience of South Africa, which has been gradually instituting a minimum wage policy since 1999 in specific sectors of the economy. For example, Bhorat et al. (2013) studied the effect of introducing the minimum wage in five low-skilled job sectors: retail trade, domestic work, forestry, security, and transportation (taxi service), based on panel data from household surveys for the period 2000-2007. This analysis found that the minimum wage had no significant negative effect on employment in four of the sectors. The exception was public transportation, which included unionized taxi drivers. In fact, the retail trade, domestic work, and security sectors saw increases in employment following introduction of the minimum wage. However, these sectors also saw a reduction in the number of hours worked, which suggests that employers adapted by cutting back on their workers' schedules. An adverse effect on employment has been seen in the agricultural sector (Bhorat, Kanbur and Stanwix, 2011). According to estimates by Bhorat et al. (2011), the probability of finding a job in agriculture fell by 13 percentage

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points following the introduction of minimum wage legislation for this sector. On the other hand, there were no changes in the number of hours worked, suggesting that the only adjustment channel was laying off personnel and the schedule of those who remained employed was unaffected. A more recent study by Garbers (2015), also on South Africa, supports the findings just mentioned for workers in agriculture. Based on panel data for 1997-2007, this study found job losses among the less qualified workers in the commercial agricultural sector. Landowners made various adjustments in response to higher labor costs resulting from introduction of the minimum wage and subsequent increases. While on the one hand there was an uptick in the demand for more qualified workers and those with more years of experience, on the other hand the owners of larger farms decided to intensify agricultural production by buying tractors and adopting other new technologies. Dinkelman and Ranchhod (2012) studied the impact of introducing a minimum wage for domestic workers in South Africa in 2002. Using the Difference-in-Differences estimator, this study presented evidence that the minimum wage had no short-term effect5 on the probability of employment in this sector, on the number of hours worked, or on the proportion of full-time workers. In most cases, the wages of domestic workers were partially adjusted, but they remained below the legal minimum wage. Therefore, given the little effort made to inspect and oversee compliance with the law, it is possible that employers only made partial adjustments in the wages without affecting the demand for labor. Impacts of the Minimum Wage on Vulnerable Groups Empirical evidence shows that the introduction of a minimum wage policy leads to a variety of outcomes not only depending on the context, but also for different groups of workers. As it was mentioned earlier, minimum wage policies are often used to protect the wages of the most vulnerable workers—for example, young and poorly qualified workers (usually the least productive), who earn close to the legal minimum wage. In less developed economies, women may also form part of this population group that is potentially vulnerable to increases in the cost of labor. The present section looks at some of the evidence on the impact of the minimum wage on vulnerable groups. Based on the authors' review, we can conclude that minimum wage policy does in fact have disproportionate effects on the most vulnerable groups of workers, and these effects are observable in both developed and developing economies. Studies that analyze the effect of the minimum wage by gender arrive at various conclusions, but most of them find that the minimum wage disproportionally affects the employment of women. For example, in Brazil, Fajnzylber (2001) observed that the minimum wage had a moderate but negative effect on employment overall, but effect was even greater for women. In Thailand, Del Carpio et al. (2014) found a stronger negative impact on the employment of women and low-skilled workers. Similarly, a study on Mexico by Feliciano (1998), based on data from the states for the period 1970-1990, found negative effects only on the employment of women and less qualified workers. The study showed that, although the minimum wage did not have an adverse effect on jobs for men, women saw reductions in employment of 5.2 percent to 11.1 percent following a 10 percent increase in the minimum wage. In addition, the study found evidence that less qualified workers were being replaced by ones who were more highly qualified. Thus, rises in the minimum wage led to increases in the employment of workers between the ages of 55 and 64, but the employment of younger workers was not affected. In Colombia, Arango and Pachón (2004) also saw negative effects on the employment of women. In Chile, on the other hand, Montenegro and agés (2004) found that the minimum wage led to an improvement in the employment of women

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between 1960 and 1998. Their findings would suggest that in some contexts it is possible that the minimum wage may encourage the participation of women in the workforce and improve their negotiating capacity. Sixteen months after introduction of the minimum wage. The Cunningham and Siga (2013) study on Mexico and Brazil mentioned earlier found that the minimum wage increases in Mexico mainly affected the employment of women and workers at the lowest wage levels. With a 1 percent increase in the minimum wage, women earning less than the minimum wage had a 0.08 percent greater probability of losing their jobs. Although women in Mexico did receive wage increases, they were lower than the increases for men, especially for women earning the same or less than the minimum wage. In Brazil, the minimum wage increase, also had a negative effect on the employment of women and young workers. The greatest job losses were seen in the vulnerable groups that were earning the least.

Similarly, Di Nardo et al. (1996), in their studies of the United States, were able to show that the minimum wage disproportionally affected women at the bottom of the pay scale. Their study found that the minimum wage law is applied more strictly for women and less for men. This uneven application of the minimum wage could account for the gender difference in the impact on employment. Addison et al. (2010), in their analysis of the effect of the minimum wage on employment and the participation of women in the workforce in 16 OECD member countries, found that the variations in the minimum wage level did in fact reduce the employment and participation of women. They also found that this impact is greater in countries where the minimum wage is higher relative to the average wage. The literature on the effect of the minimum wage on wages for young workers is less consistent. Kristensen and Cunningham (2006), in their study of 19 countries in Latin America, found that in the countries where the wages of young workers, along with women and low-skilled workers, are most affected by minimum wage policies, the minimum wage is low relative to the average wage, perhaps because the minimum wage is closer to the wages received by vulnerable workers, thus, affecting this group much more. Some businesses may pay the minimum wage to workers who have more skills and deserve the minimum wage, but if the minimum wage is high for the skills that the workers have to offer, the employers may choose to pay less than the minimum wage. In Mexico, Cunningham and Siga (2013) showed that older workers benefited more from a minimum wage increase than the youngest workers. This finding was valid for any wage bracket. In other words, young workers earned less following an increase in the minimum wage than older low-skilled workers. In Brazil, older workers benefit more than young workers in some wage brackets, but not all. Within the group of low wage earners, when the minimum wage is increased 10 perfect, young workers earn more (a 0.87 percent increase) than older workers (a 0.48 percent wage increase). Within the group of low-skilled workers, there is the special case of young workers whose lack of experience and, in some cases, lack of skills as well, limits them to low-skilled occupations. A review of the literature by Brown (1999) noted that in the 1970s and 1980s young workers were losing jobs because of increases in the minimum wage, whereas more recent studies have shown mixed results regarding the effect of the minimum wage on the employment of young workers. In Poland, the period 2005-2010 saw a relatively rapid rise in the minimum wage in parallel with a significant decline in the employment of 15 to 24-year-olds. The increase was so high that the ratio between the minimum wage and the average wage went from 0.34 to 0.41 in less than five years. Since the increase was uniform throughout the country, it was estimated that people in the poorest regions were most adversely affected (Majchrowska and Zołkiewski (2012). The negative impact on young workers was strongest in the less advanced regions and where the ratio between the minimum wage and the average wage was relatively high (Broniatowska et al., 2015). For the United States between 1954 and 1979, Brown et al. (1982) noted that a 10 percent increase in the minimum wage generated a 1 to 3 percent reduction in the employment of young workers. Similarly, a more recent study by Neumark (2014) observed an overall reduction in employment following an increase in the minimum wage and young workers were affected the most. Studies on Brazil by Fajnzylber (2001) and Lemos (2004) also found greater job losses among young workers than for the workforce in general. The evidence from some countries indicates that when faced with minimum wage increases, businesses tend to replace marginally productive low-skilled workers whose performance is below minimum wage level with more skilled workers. In Portugal, for example, Pereira (2003) analyzed the impact of a minimum wage equalization policy for young workers compared with the minimum wage level for workers over 19 years old. Based on panel data from a number of businesses, this study found that 10 percent increases in the minimum wage reduced employment for workers 18 and 19 years old by 2 and 4 percent, respectively, whereas they actually increased employment for workers 20 to 25 years old. This study also found a significant reduction in hours worked or cutbacks from full to half-time work. Faced with an imminent increase in labor costs, businesses replaced less skilled workers (18 and 19-year-olds) with workers who were more skilled (20 to 25-year-olds). In Chile, Montenegro and Pagés (2004) found that the minimum wage had a negative effect on the employment of young low-skilled workers over the period 1960-1998. Recent studies on Costa Rica and Honduras by Gindling and Terrell (2005, 2009) found that the minimum wage had similar adverse effects for less skilled workers. Based on information from household surveys over the period 1988-2000, Gindling and Terrell (2005) found that a 10 percent increase in the minimum wage generated a 1.09 percent contraction in employment and 0.6 percent reduction in the number of hours worked. The study also examined the effects at different points in the range of skills, finding that the minimum wage disproportionally affected workers in the middle and lower range (from the second to the fifth decile). Overall, the evidence for Costa Rica suggests that businesses adapt to increases in the minimum wage by replacing less skilled workers with those who are more skilled.

Impacts of the minimum wage on informal employment and productivity

In developing economies characterized by a high proportion of informality in the labor market, the minimum wage plays an important role for this segment of workers as well as in the dynamics between the formal and informal sectors. Theoretically, in a context of duality in which one sector is regulated by law and the other is not, increases in the minimum wage are expected to lead to more employment in the informal sector. Therefore, when faced with labor cost increases in excess of the value of labor productivity, businesses in the formal sector have to downsize their workforce, especially their less productive workers. When this happens, the workers who lose their jobs in formal businesses are forced to find employment in the informal sector of the economy—unless they choose to remain unemployed or inactive while waiting for better opportunities. Businesses may also stop paying social benefits for workers. As a result of these measures, a large percentage of their employees can end up working without paid social benefits. One of the consequences of resorting to informal contractual arrangements is that employers have less incentive to invest in training, since there is no guarantee that the workers will stay

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and the cost could be wasted. This situation can jeopardize productivity in both individual companies and the sector in general. Some of the empirical evidence on the relationship between the minimum wage and informal employment belies the predictions of the dual model, as we will see below. In the end, the conclusion derived from this analysis is that in countries where this phenomenon has been extensively studied the evidence is controversial.

In Brazil, Fajnzylber (2001) has suggested that minimum wage increases have a much more severe effect on employment in the informal sector than in the formal sector. A 10 percent increase in the minimum wage shrinks employment in the formal sector by 1 percent, but the contraction ranges between 2.5 and 3.5 percent in the informal sector. Thus, it can be assumed that during 1982-1997 the minimum wage policy reduced the number of informal workers, either because they found a better-paid job in the formal sector or because they dropped out of the labor market entirely. It is also possible that workers who decided to leave the market may have done so because other household members obtained jobs that paid better. Based on household survey data for 1982-2000, Lemos (2004) found that the minimum wage had a long-term adverse effect on employment in both sectors and that the contraction in employment was consistent with wage increases for both formal and informal workers. Although the impact was greater in the informal sector, in both cases the elasticities were lower than 1 percent. On the other hand, Carneiro (2001) found that minimum wage increases during 1982- 1999 reduced formal employment, with elasticities ranging between -0.001 and -0.024, and increased informal employment, which is more consistent with the predictions of the dual model. A study by Terrell (2009) covering a more recent period (2002-2008) in Costa Rica looked at the effect of increases in the minimum wage and greater compliance with legislation on the employment of men in the formal sector. The results of this study again support the hypothesis that a higher minimum wage contributes to the growth of informal employment. Thus, minimum wage increases make it more probable that a formal worker will end up working in the informal sector or being self-employed. It was also found that the minimum wage, while reducing the chances of unemployment and inactivity, also discouraged the hiring of new employees. In Indonesia, Bird and Manning (2002) 6 estimated the impact of the minimum wage on the formal and informal employment of workers in the urban sector over the period 1990-2000. Based on panel data from the provinces, this analysis concluded that the informal sector grew during the period, mainly due to the displacement of workers from the modern sector of the economy and the contraction of formal employment following increases in the minimum wage.

These results for Indonesia were corroborated by Comola and de Mello (2011) in a recent study of individual workers covering the period 1996-2004, but these authors also found that the increases in informal employment more than offset the losses in formal employment, resulting in a net positive effect. These findings notwithstanding, a recent study on Indonesia by Magruder (2013) indicated that in economies with high labor productivity where the minimum wage is set on the basis of local conditions, introduction of this policy can stimulate an economy's development—an outcome known in the economic literature as the big push effect. Based on panel data for the 1990s,

Magruder (2013) showed that increases in the minimum wage at the district (Kabupaten) level generated greater local demand (measured in terms of expenditure), which led in turn to a greater demand for labor. Such results would be consistent with the expansion of formal employment and

contraction of informal employment. However, these trends are only observed in non-tradable sectors of the economy.
Recent evidence in Nicaragua corroborates the predictions of the dual labor market model (Alaniz et al., 2011). During the period 1998-2006, increases in the minimum wage were followed by reduced employment in the private sector. At the same time, there was an increased probability that workers in the private sector who were affected by the minimum wage would drop out of the labor market and find jobs in the public sector or spend more time on unpaid family activities.
In the case of Honduras, Gindling, and Terrell (2009) found indications that smaller businesses, which tend to be less strict about compliance with minimum wage laws, absorbed many of the workers who were previously employed by large and medium-sized firms and lost their jobs because of the new labor costs triggered by increases in the minimum wage. A 10 percent increase in the minimum wage corresponded to a 3.9 percent rise in employment in the latter sector. Although the study did not provide disaggregated information by groups, it is assumed that the workers who lost their jobs were either less productive (young workers, women, low-skilled workers) or working in less productive industries. 6 See Comolla et al. (2011).
In Costa Rica, the results also differed from the predictions of a competitive dual model. El-Hamidi and Terrell (2001) claimed that between 1980 and 1992, the minimum wage in Costa Rica helped to generate formal employment, which is consistent with the presence of a monopsonistic power in that market, but did not lead to any significant change in informal employment. Also, a Terrell (2009) study on Costa Rica concluded that the minimum wage had a negative effect on informal employment. Part of this difference might be due to the fact that two different time periods were being analyzed. In Mexico, the report prepared for the Government of the Federal District (2014) showed that in the short term the minimum wage increase that brought the wage in Zone B up to the level of Zone A reduced the probability of transitioning from the formal to the informal sector by 2.8 percent, compared with zones A and C. The use of Zone A as a control group ensured that no effects from any other type of initiative might be influencing the increase in informal employment. According to the authors, for workers who entered the labor market following the increase in Zone B (in other words, unemployed people who found jobs after the reform), the probability of entering the informal sector was reduced by 5.1 percent, while that of entering the formal sector rose by 3.8 percent. Campos et al. (2015) looked at the same reform7 and calculated that the impact was even greater. These authors indicated that the probability of moving from the informal to the formal sector increased by 5.3 percentage points. They also found a substantial reduction in informal employment (9 percentage points).

In South Africa, Garbers (2015) examined the effect of a minimum wage for the agriculture sector on workers engaged in subsistence farming. Generally speaking, the net effect of the introduction of a minimum wage on the formal sector of commercial agriculture was negative and mainly affected low-skilled workers. The study suggested that some of the workers laid off in the commercial agricultural sector were absorbed by subsistence farming and other informal industries in the economy

2.2 Awareness of Minimum Wage Policy by DWs and their Employers

Another key factor that has derailed the enforcement or compliance with minimum wage law in Zambia is a general lack of awareness and education on the part of the various relevant players in the labour market including mostly employers and employees. The minimum wage laws in Zambia are indeed relatively complex in that they include

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various variations variant on occupation and location. Similarly, minimum wages are updated at least annually or biennially, thus becoming subject to regular change. Sectoral wages are also periodically published and gazetted by the respective SWCs. Consequently, these categories indeed prove to be too many for employers to master and Bhorat et al. (2012) indeed observe this as a factor inhibiting compliance and enforcement. In a similar vein in Kenya, the stakeholders relied on KUDHEIHA study points to a low level of awareness on the part of the players in the labour market as regards minimum wage law and other conditions of labour (Neetha, 2013). The KIPPRA Report equally points to a general lack of awareness on the part of the workers as regard their right to remuneration at or above the prescribed minimum wages (Eluri and Singh, 2013). Even in instances where employers have been good willed and informed and in fact paid employees at the prescribed minimum wage requirements, complaints as regards subjecting workers to extended hours of work without due overtime payments have been reported especially in Zambia's hospitality industry (Koyi, 2012).

In Kenya, labour force presents low figures as regards unionisation. Only 11% of Kenyan labourers are members of trade unions. Moreover, only 6.5% of Kenyan labourers are covered under a CBA (Almeida and Carneiro, 2011). A positive correlation between unionization and better wages, at or above the minimum wage, has been established by a multitude of studies. Almeida and Carneiro observe that labour inspection, in low and lower-middle income countries such as Kenya, is more likely to take place in firms with unionized workers as opposed to those without. They attribute this to the fact that in such countries, inspection agencies have lower technical capacity to detect violations and hence rely more on complaints which are more likely to be made by workers who are aware of their rights, such as unionised and more educated workers. Unionization is, therefore, key in ensuring or at least positively influencing the degree of enforcement of labour regulations and thus the fact that only 11% of the Kenyan workforce is unionized points to a general lack of collective struggle as one of the causes of the poor degree of compliance or enforcement with minimum wage laws.

Authors such as Omolo (2010) observe that negotiated wages enumerated in CBAs arising from trade union membership are mostly if not always at an amount that is above the prescribed minimum wages for the respective employers. Omolo remarkably observes that the prescribed minimum wages at a given time act as benchmarks as to which the various parties in the negotiations of CBAs use to more or less guide the amounts in wages that are consequently agreed upon (Belser and Rani, 2015). He terms this as the 'ripple effect' of minimum wages, where prescribed minimum wages act as a guide to negotiated wages and thus consequently, it more likely results in higher agreed upon (negotiated) wages. Owidhi (2016) equally observes that negotiated wages tend to be set way higher than the prevailing prescribed minimum wages. The above reliance on both Omolo's and Owidhi's work is so as to bring out the significance unionisation has on wages and yet the opportunity of unionisation is one that a majority of Kenyan labourers seem not to be keen on relying on, thus contributing as a factor causing a general low compliance and enforcement rate of labour regulations let alone minimum wage laws.

Indeed, the low level of unionisation could be attributed to a lack of awareness and civic education on the part of the workers and employers too, (KUDHEIHA, 2011) thus bringing this part to context. In the KUDHEIHA study, 89.3% of domestic workers indeed identified trade union membership as a prospective avenue through which they could improve their working conditions though such workers would consequently be illegally constrained by their employers from proceeding to join such trade unions. This is despite the fact that every worker is constitutionally empowered and protected to freely associate for the purpose of championing for his or her rights. Thus, the general lack of awareness in the labour market amongst the different players becomes a major hindrance for the compliance with and enforcement of minimum wage legislation among other conditions of labour. A general lack of complete knowledge as to the respective legal rights and obligations arising for both employers and employees is indeed a major factor causing the sorry state of enforcement and compliance (Bhorat et al., 2012).

Accordingly, what is looked at above are some of the major factors that are behind the poor extent of the enforcement of minimum wage legislation in Kenya. They range from Institutional factors; the legal setting of minimum wages; the informal nature of the majority of Kenya's labour force; and a general lack of awareness amongst some of the key players in the labour market. The continued exploitation of domestic workers is majorly driven by many employers who do not subscribe to Kenya's labour laws. Surveys conducted on employers reveal that most of them do not understand the bare minimums that should be accorded to a domestic worker. DWs also have little or no awareness of their rights, suffer the tilted power relations that hinder negotiations when it comes to their work conditions and operate in an available pool of domestic workers willing to take any amount offered to them (Cunniah, 2012).

2.3 Effects of Minimum Wages Globally

Unlike many other countries, minimum wages have historically not had a very important role to play in the U.K. labour market. This is certainly true at the national level where there has never been an economy-wide minimum wage floor. But minimum wages used to be a factor in some low wage sectors. There used to be an industry-based system of minimum wage floors, the Wage Councils, which operated from 1909 to their abolition in 1993. These Wage Councils covered around 12 percent of the workforce at the time of their abolition. Some earlier work studied the impact of the Wage Councils, concluding that their activities did little to harm employment, but that they compressed the wage structures of the sectors in which they operated (Fapohunda et al., 2015). Following its election in 1997, Tony Blair's Labour Government was committed to introducing a National Minimum Wage (as the Labour Party had been in earlier elections that they lost). It set up a Low Pay Commission consisting of academics and representatives of employers and workers to report on a suitable form and level (Alun, 2012). Eventually, a minimum wage of £3.60 per hour was introduced in April 1999 for those ages 22 or older, with a lower youth rate of £3 per hour for those ages 18–21 inclusive (those ages less than 18 were not covered).

The Low Pay Commission expected that around nine percent of workers would be directly affected and those workers would, on average, receive a 30 percent boost to their pay (Cunniah, 2012). These numbers have subsequently been revised down, with it seeming more likely that about six percent of workers' wages were raised up to the minimum (Belser and Rani, 2015). This, of course, still amounts to a potentially large impact on the labour market. Moreover, it is also clear that there is systematic variation as to who benefited from minimum wage introduction. Soundararajan (2013) also notes the increased importance of the minimum wage for part-time female workers. Nevertheless, the general assumption is that unions are for workers with skills. Alternatively put, unions may not find it easy to represent "unskilled" workers

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(Alun, 2012). As Dinkelman and Ranchhod (2012:4) reveal, in South Africa unions do not find it easy to organise DWEs due to their scale. Perhaps then it is not easy to improve DW wages through bargaining due to low bargaining power. To emphasise the importance of representation and it being able to improve worker situations, Belser and Sobeck (2012) give an example of how France's *"comit'es d' entreprises"* representation led to over 50% of industries with collective agreement cover having the required minimum wage.

In April 1999 a national minimum wage (NMW) was introduced to the U.K. labour market. This was the first time that the U.K. has had an economy-wide minimum wage. Furthermore, because the old industry-based Wages Council system that used to regulate pay in some sectors was abolished in 1993, the NMW was introduced into a labour market with no minimum wage legislation in operation. Given these circumstances one can think of the introduction of the U.K. NMW as providing a very good testing ground for evaluating the economic effects of minimum wages. In fact, one can plausibly argue that it provides a better testing ground than much of the 'before and after' U.S. work on minimum wage effects (Neetha, 2013) as they were all based upon minimum wage increases where a minimum wage floor was already in place. In this study, the focus is drawn to what happened when the U.K. minimum wage was introduced in a low-wage sector one can view as being particularly vulnerable to minimum wages, the U.K. residential care home industry. The analysis is based upon a large-scale survey that was carried out before and after the introduction of the NMW. The survey focused upon the whole population of residential care homes in Britain, collecting information on all workers in the homes, and on an array of home characteristics (Cunniah, 2012).

According to Fapohunda et al. (2015), the MW issue has been the subject of several serious discourses and was first conceived as a way to control the proliferation of sweat shops in manufacturing industries. The sweat shops employed large numbers of women and young workers, paying them what was considered to be substandard wages. The sweatshop owners were thought to have unfair bargaining power over their workers, and a MW was proposed as a means to make them pay fairly. Minimum wage is an important policy tool in addressing fair remuneration and the right to human dignity at places of work. It is instructive to note, however, that although the practice of national MW is not new the duration, details and nature vary from country to country. Commenting on the origin of the practice of MW, the Microsoft Encarta observes that the first minimum wage law was enacted by government of New Zealand in 1894. Later on, a subsequent law was enacted by Victoria State, Australia in 1896 with established wage boards on which workers and employers were represented in equal numbers with the power to fix minimum wages enforceable on the employer (Almeida and Carneiro, 2011). This innovative law served as the model for the British Trade Boards Act of 1909. In the United States, Massachusetts enacted the earliest MW law in 1922, and eight other states followed suit. Alun (2012) observes that the United States and France are among the countries with the longest practice in applying a single NMW. In contrast, in the United Kingdom, an NMW was only introduced in April 1999.

2.4 Effects of Minimum Wages Regionally and Locally

2.4.1 Evidence from Namibia, Brazil and South Africa

Developing countries too have regularly increased their minimum wages to provide social protection to vulnerable and non-organised categories of workers. Countries like South Africa have been among the main drivers of this upward trend by introducing regulations to curb wage inequality in 2002. Where minimum wages are under discussion, the impact on employment levels is always a key issue (Budlender, 2011). In spite of this, academic literature on the topic is fairly limited (Department of Labour, 2006:65). Research which summarises the current state of knowledge in this field includes studies by D'Souza (2010) and Davidson and Grossett (1995). In a micro-study conducted in Bloemfontein before the implementation of the minimum wages, Bothma and Jordaan predicted that a MW of more than R600.00 per month would lead to a decrease in the demand for full-time domestic workers and that further increases in MWs could aggravate the situation. They cautioned that the effect of the legislation would possibly only become clear in the long run (Bothma and Jordaan, 1998:496).

Hertz (2004) suggests that the real wages of domestic workers increased and the non-wage terms of employment improved as a result of the implemented regulations. Furthermore, Hertz found that, on a macro-level, regulations did appear to have raised the wages of domestic workers in South Africa, but the decrease in employment of domestic workers could not significantly be linked to these regulations. Average nominal hourly wages in September 2003 were 23 per cent higher than those of September 2002. The nominal wage increase for workers in other occupations with similar demographics was less than five per cent. This finding was supported by econometric evidence that the wage increases for domestic workers were the result of the regulations, because the largest wage increases were seen in places where the greatest number of workers initially earned less than the minimum wage (Hertz, 2004:1). The minimum hourly wage for Bloemfontein at the time of Hertz's study was R5.11 for domestic workers working more than 27 hours per week and R6.04 for those working less than that. This wage was the same as for other urban areas in South Africa (Department of Labour, 2006:1).

The regulations also seemed to affect some of the non-wage conditions of employment, such as having a written service contract and being registered for unemployment insurance fund (UIF). These are legal requirements as per the, "Sectoral Determination 7: Domestic Worker Sector" (Dickens and Manning, 2002). According to Hertz (2004), the proportion of domestic workers who reported having a written contract of employment rose from a mere seven per cent in February 2002 to 25 per cent in September 2003. The number of domestic workers who reported UIF deductions rose from three to 25 per cent over the same period. Domestic worker employment levels also appeared to have fallen by about three per cent, but this decrease was not statistically significant. Hertz (2004:1) did not find econometric support for the proposition that it was causally connected to the wage changes. He further reported a statistically significant reduction in the hours of work among the employed, which fell by about four per cent for domestic workers. For workers in other occupations the figure remained constant.

Bothma and Jordaan (1998) and Bothma and Campher (2003) conducted successive micro-studies in the same suburb (Langenhoven Park) in Bloemfontein. In their 1997 study, Bothma and Jordaan (1998:493) postulated that an increase in the number of part-time domestic workers would be a distinct possibility should a minimum wage for domestic workers of R600.00 per month be put in place. The findings showed that, as many as 23.2 percent of the respondents indicated that they would dismiss their full-time domestic worker if the minimum wage increase was implemented. Bothma and Jordaan (1998:495−496) recommended that minimum wages for domestic workers should be regressive, with higher wages instituted for part-time workers, rather than for those who are employed full-time. Van den Berg (2001), as well as Bothma and Campher (2003), found that the demand for domestic workers was decreasing and that minimum wages could further suppress the demand. Importantly, Bothma and Campher's micro-study of Langenhoven Park indicated that the wages of domestic workers varied not only between areas, but also within areas. Domestic workers who worked in houses earned more than those who worked in townhouses. This may be attributed partly to the scope of the tasks performed and partly to the income differentials of employers.

The fact that the workload in houses seems to be higher than in townhouses and that houses generally have more occupants than townhouses, cause a reciprocal influence. As a result, domestic workers work longer average hours in the former (Bothma and Campher, 2003:204). Bothma and Campher state that should job losses occur, rural and full-time domestic workers will be those most affected. Their finding seems to give merit to COSATU's 2001 proposal that minimum wages should be set not according to geographical differentials, but according to work performed (COSATU, 2001:4). Overall, the literature in the South African case shows that both the nominal and the real wages of domestic workers increased after the implementation of minimum wage legislation in 2002. The micro and macro studies show that there was also an improvement in some of the non-wage conditions of employment in this labour market. The various studies all conclude that there was a decrease in the employment levels of domestic workers; however, no consensus has been reached on the reasons for this. Hertz (2004) did not find evidence on a macro-level that the minimum wage legislation was the main contributing factor.

Bothma and Jordaan (1998), as well as Bothma and Campher (2003), indicated that minimum wages could aggravate the situation. These two studies provided important groundwork for a third quantitative micro study in the same suburb. Many domestic workers around the world are excluded from minimum wage coverage. Low remuneration is also due to the frequent exclusion of domestic workers from labour law generally, and from minimum wage coverage specifically. In fact, 22.4 million domestic workers (42.6 per cent of the total worldwide) do not have any protection against unduly low wages and no minimum wage is applicable to them (ILO, 2013).

To a small extent, the lack of protection against unduly low wages is due to the fact that the affected domestic workers live in countries that do not have minimum wage legislation (0.8 million workers thus affected). However, far more domestic workers – 21.5 million – live in countries with minimum wage regulations that protect other workers but not them. In addition, many more domestic workers are not effectively covered by minimum wage provisions because of the high levels of informality in the sector (Almeida and Carneiro, 2011). Just over half of domestic workers have the right to the same or higher statutory minimum wage as other workers under their national legislations. Around 3.1 million domestic workers (5.9 per cent of the total) are entitled to a minimum wage fixed below the statutory minimum wage for other workers. Moreover, when there are several minimum wages, for example, at sectoral level, the minimum wage for domestic workers tends to be the lowest of these.

Even where minimum wages are in place, ensuring that employers comply with the rate poses challenges. Employers often are not aware of their responsibilities, labour inspectorates are frequently under-resourced, and often require permission from the householder or judiciary authorisation to enter

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the home (Neumark and Wascher, 2008). However, numerous labour ministries and inspectorates have developed innovative practices to raise awareness among employers about the minimum wage when it is introduced, and to ensure that employers are in compliance (Neumark and Wascher, 2003). Domestic workers deserve minimum wage protection equivalent to that enjoyed by workers generally. Minimum wage provisions are important instruments to protect the most vulnerable and lowest-paid workers – such as domestic workers – from unduly low wages. A minimum wage recognises the basic contribution of these workers to homes and societies, and is a key means of ensuring the principle of equal pay for work of equal value. In fact, Convention No. 189 explicitly states that "Each Member shall take measures to ensure that domestic workers enjoy minimum wage coverage, where such coverage exists, and that remuneration is established without discrimination based on sex" (Article 11). In line with this provision, several countries have taken measures to extend minimum wage coverage to domestic workers, such as Namibia, Brazil, South Africa and some Indian States (ILO, 2012).

2.4.2 Effects of Minimum Wage Policy in Zambia

For Zambia, the minimum wage for DWs already exists but the unions face practical challenges in bargaining because a recognised agreement between them and DWEs does not exist. Bonner and Spooner (2011:89-91) argue that it is difficult to bargain for informal workers since they are often outside the country's legal framework. They cite DWs as being in disguised employment relationships, rarely having the power to challenge DWEs. Bonner and Spooner (2011:90) further argue that DWEs are fond of ignoring the law and are easily discharged "with little or no recourse to legal remedies." Additionally, DW's working hours and isolation make recruitment difficult. Most are poor, so time spent on organisation could mean a significant loss of income. In Zambia there is much debate about this legislation, especially among DWEs unprepared to accept change. Generally, DWEs want their salaries to increase before they comply with the minimum wage. This seems to have affected tripartite consultative meetings on the amendment of the minimum wage since the Zambia Federation of Employers proposed a small increment and tried to defend it. DWs also seem to wonder the purpose of this legislation if there are few complying with it, as argued by Bonner and Spooner.

According to Zambia's employers guide (Ministry of Labour and Social Security), labour laws are necessary for both employees and employers to have a foundation in their relationship; this creates harmony, less intimidation, exploitation, discrimination when responding to undesirable outcomes of market mechanisms (imperfect market) and also creates adherence to international labour laws. This relationship should be steered by labour laws, union agreements, company regulations and ILO. The Employment Act, Chapter 268, Section 2, states that a Labour Officer has the power to carry out the inspection of any conveyance or workplace where he/she may suspect people are being recruited, provided that they are not private dwellings (ILO, 2012:9-10). This explains why the government finds it difficult to enforce minimum wage legislation for DWs. In the Employment Act, Chapter 276, Section 3 the Minister of Labour has the power to announce or amend the minimum wages or conditions of employment for any category of worker on the condition that this group is not represented by a trade union, otherwise the Minister has to consult with them before passing an order (ILO, 2012:2).

Employers that fail to comply with the minimum wage and conditions of employment order are deemed to have committed an offence. Upon conviction they can be given a jail sentence that does not exceed six months. This order is relevant for all employers and employees, excluding those engaged in domestic service or employed as civil servants (GRZ, 2012). This omission could be among the reasons for non-compliance. The law is discriminatory even when it comes to maternity leave for DWs (which can only be granted after a continuous service of more than two years) because they are not entitled to a maternity allowance (Wage Indicator, 2013) especially given that 7.5% of employed women are DWs (Simonovsky and Luebker, 2011:8). Wage Indicator also states that the living wage for Zambia is estimated at K2 928.50 per month and that 60% of its approximately 13 million population fall below the poverty line. When the living wage is compared to the minimum wage for DWs (K522.40), the latter is about five times smaller (K2 228.50 difference), and this DW wage is only about 18% of the living wage. This highlights the magnitude of the problem.

Zambia has statutory minimum wage law called "Minimum Wages and Conditions of Employment Act, Chapter 276 of the Laws of Zambia". Minimum wage setting is a global issue, and also applicable to the Zambian legal order (ILO (2012). The MW practice has been on the world calendar way before even Zambia got its independence in 1964. Unlike Brazil, Zambia does not have a law or constitutional provision that emphasises the right to adequate food in the context of State obligations to its citizens. However, Zambia adheres to the Universal Declaration of Human rights and is a State party to the International Convention on Economic, Social and Cultural Rights (ICESCR) of 1966 (Cunniah, 2012). Zambia has not made any express provision in the current Constitution to give effect to economic, social and culture rights. Therefore, the right to the "cost of basic needs" such as food is not legislated in the Bill of Rights of the Constitution of Zambia. The hope for the low paid wage earners seems to lie in the current draft Constitution which is undergoing process of enactment into law because it contains express provision dealing with the right to fair remuneration and food.

The appeal for a Constitution that will stand a test of time in Zambia appears to be a fundamental demand by every citizen in the quest to shape the political, economic and ethical minds (JCTR, 2005). This is rightly so because the significance of a good Constitution is key to democracy, good governance, the rule of law and ultimately development of the any country. One of the challenges the labour market in Zambia is facing is that it is highly segmented. According to the latest 2012 Labour Market Survey conducted by the CSO reveals that the labour market in Zambia is segmented into 90% informal jobs and 10% formal jobs (CSO-LFS, 2012). The Challenges of MW policy are several and are not necessarily linked to MW per se. Due to labour market segmentation; the Ministry of Labour has had difficulties in implementing and enforcing minimum wages in Zambia. According to CSO-Labour Force Survey, the distribution of working population shows that informal sector employment constituted about 11.3% (610 714) for formal employment whereas the informal employment constituted 88.7% (5 386 118).

In the formal sector, the central government was the largest employer followed by parastatal companies and local government, while private business or a farm was among the lowest employers representing 10.2% (305 200 jobs). In the informal sector, however, the biggest employer was private business or farm followed by private household (ILO, 2012). Policy-makers, economists and other labour experts have now agreed to the notion that there is a connection between minimum wage setting and poverty reduction through increased income approach theory. According to Zambia Decent Work Country Programme (WIEGO, 2013) report, the Government of the Republic of Zambia launched its Fifth National Development Plan for the period 2006-2010 (FNDP) following the completion of its first Poverty Reduction Strategy Paper (PRSP) under the Transitional National Development Plan of 2002-2005, and HIPC acceptance. The FNDP was guided by the National Vision 2030 (NV, 2030), which had as its goal to transform Zambia into "a prosperous middle-income country by the year 2030". It was organised around the theme of "broad-based wealth and job creation" and it focused on "economic infrastructure, technological advancement, citizenry empowerment through poverty reduction, and human resource development."

The FNDP built upon the achievements of the previous Poverty Reduction Strategy Programme, emphasising and providing scope for additional poverty- reducing spending and narrowing of income inequalities. One of the macroeconomic policy tools forming part of the FNDP and PRSP frameworks is the minimum wage policy development targeting the low paid workers (ILO, 2012). This is aimed at pulling low-paid workers from shackles of poverty datum line by paying them a minimum living wage as espoused in ILO Living Wage policy framework at provincial level, poverty levels range from 24 percent in Lusaka to as high as 83.3 percent in Western Province. The PF Government stance is to link minimum wage policy to poverty reduction, although fighting poverty involves more than just that. Poverty eradication is a difficult issue and requires a well-functioning and productive economy to support social protection policies which are aimed at reducing poverty. Therefore, for a minimum wage policy to have real impact on poverty and the wellbeing of low-wage income group, Zambia needs a very strong competitive economy supported by high GDP growth rate of more than 10 percent and higher GDP per capita more of than the current US$ 1700 (Koyi, 2012).

Currently, minimum wage seems to be a major issue in the world of economics and politics. However, what is really encouraging is that the new PF Government has in its political party manifesto a broad-based development agenda emphasising on the need for government to promote pro-poor growth for the vulnerable in society in order to address poverty and other socioeconomic inequalities. This is to be achieved by increasingly making resources in the hands of the State available through fair distribution of resources in the economy in order to uplift disadvantaged Zambians (Alun, 2012). Whether this is a realisable dream under the PF Government is yet to be seen. Integrating poverty reduction objectives into policymaking and socio-economic development strategies is one of the most important strategic policy tools that any progressive government needs to put at its political, social and economic agenda. Zambia needs economic policies that focus on growth, job creation and poverty reduction. The PF Government recognises that many Zambians have been excluded from the mainstream economic activities of the country. It, therefore, believes that the creation of jobs is the most fundamental aspect that will reduce poverty and improve inequality levels. In this regard, the PF Government will ensure that it designs developmental programmes that are labour absorbing in order to create the much-needed jobs. This, according to PF Manifesto can help reduce poverty by putting "more money in people's pockets" through increased earnings (GRZ, 2012; ILO, 2012).

Minimum wages can be used as a poverty reducing strategy among wage earners both for rural and urban population in Zambia. In fact, almost all the

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countries in the world have developed complex legal mechanisms and institutions intended to protect the interest of working population and to help guarantee minimum standard of living by keeping the poor out of poverty trap. The reason why governments intervene in the labour market is based on the notion that free markets are imperfect. The imperfect markets give rise to the creation of rents in the employment relationship (Botero et al., 2004). As a result of labour market imbalances, this gives rise to labour exploitation and other fraudulent labour practices. Most of employers like to manipulate the working class as they extract these rents on them, thus leading to unfairness and inefficiencies. It has been estimated that in 70 percent of the countries, inequality between top and bottom wage earners has so far increased since 1995 (ILO, 2012).

According to the ILO Social Protection Floor Recommendations (Rec. 202/2012), 'social protection' refers to the protection of social and human welfare against contingencies and risks. Issues of social protection and social security are fundamentally important because they are nationally, regionally and internationally recognised as human rights. Writers such as Sabates-Wheeler and Devereux (2007:26) have contended that dimensions of social protection include minimum wage legislations and labour market regulation. In Zambia, about 90 percent of the working population is trapped in the informal sector (Koyi, 2012). The informal sector lacks both legal recognition and legal protection of social protection, thus characterised by social protection deficit and poor working conditions. It can, therefore, be said that exclusion of informal workers from the fruits of social security and protection is a blatant violation of human rights. Informal economy contributes to growth, but why should informal workers not benefit from the fruits of economic growth? There is no substantial justice without social protection and, therefore, no social democracy without justice and social protection for the vulnerable low workers found in the informal economy.

From the Keynesian principle of demand management, it has been argued that in many countries, including Zambia, statutory minimum wages have indirect effect as wage developments in the informal sector since they give an orientation of how wages develop (Koyi, 2012). According to qualitative analysis based on Keynesian approach, it has been argued that what kind of minimum wage policy is followed and what kind of wages exists at the bottom of the wage structure depend on the power and strategy of the trade unions and the government alike (Alun, 2012). This entails that, apart from the role that the business plays in economic development, the roles of the trade unions and that of the government are very critical for sustainable economic growth and the improvement in the welfare of the workers to guarantee stability in the labour market which gives rise to stable "Social Structure of Accumulation" (SSA), as contended by Belser and Sobeck (2012).

2.5 Measures to Improve Domestic Workers' Conditions of Service

In an attempt to analyse approaches that would improve the enforcement of minimum wage legislation, Bhorat and Stanwix (2013) offer certain avenues. They propose that the law should play the role of a deterrent to potential offenders through the setting of higher penalties for non-compliance and better inspection of such compliance. The higher costs, in penalties, the employer may face from non-compliance may push such an employer to prefer adhering to minimum wage legislation. The risk of this however becomes that such a punitive approach risks driving firms into the informal sector and has general dis-employment effects. This dissertation will look to dwell deeper into such mechanisms by seeing how best a balance can be established to avoid such dire consequences while still being effective.

A study by Benassi (2011) on the implementation of minimum wage and creative solutions on the same provides for certain workable remedies that can be applicable in Kenya. These solutions are broadly divided into five categories which are, persuasion strategies; capacity building measures; establishment of monitoring systems that allow the detection of non-compliance; empowerment of labourers to enforce their wage rights, not only individually but through collective action; and sanctions structured in a way that they constitute an actual deterrent to non-compliance as is similarly advocated for by Bhorat and Stanwix (2013). The first mentioned solution, persuasion strategies, involves the building up of public support for minimum wage laws and civic education encouraging compliance and the importance of such compliance. The second, capacity building measures, involves training and enhancing the awareness of employers and labourers on minimum wage laws and how to go about implementing them. The study indeed encourages the participation and cooperation of all relevant stakeholders in the implementation of such techniques, thereby discouraging a government-only approach especially in techniques such as those of empowerment of the labourers and collective struggle as well as of civic education of the public that other non-state actors such as Unions and Non-Governmental Organisations (NGOs) could similarly facilitate (Neetha, 2013).
A KUDHEIHA (2011) study in a similar vein also advocates for civic education to the public by creating awareness on the part of workers and lobbying employers to support the implementation of minimum wage laws for the role it plays in national progression. The KUDHEIHA study, seeing that it is specifically concerned with domestic workers, also pushes for the establishment of a specialized SWC for domestic workers as well as the formalization of the sector, which is currently considered informal, so as to better attract the significance and the formalisation that is requisite to ensure the better protection of the workers in the sector by the government.

Indeed, the KUDHEIHA report paves way for a reflection as regards the possibility of the formalization of more sectors in the country currently considered informal as a means to better improve the protection of rights of workers therein by the government, including the right to be paid in accordance with the respective minimum wages. It is important to note that the KUDHEIHA study also encourages multi-stakeholder participation and cooperation in a bid to better implement minimum wage laws as does Benassi (2011). The above works certainly shed light on the status of minimum wage enforcement in Kenya as well as on the main issues affecting the same together with some of the avenues that can be considered in a bid to improve the state of affairs. This dissertation thus seeks to build on the same by looking to get an even clearly picture on the degree and status of enforcement and thereafter dwelling on acquiring a deeper understanding on the cause of poor enforcement, if it indeed so. Subsequently, this dissertation looks to capture avenues in which the state of enforcement can be improved by suggesting novel and synthesized solutions as well as conceptualising them in a way that makes them practical for contemporary Kenya (Belser and Rani, 2015).

Belser and Rani (2015) state that the minimum wage can be used to redistribute wealth in society and also improve purchasing power of lowly paid workers. This is in tune with Chard and Krueger's understanding of minimum wage's objective. They argue that minimum wage helps to reduce poverty in a society (Card and Krueger 1995). Card and

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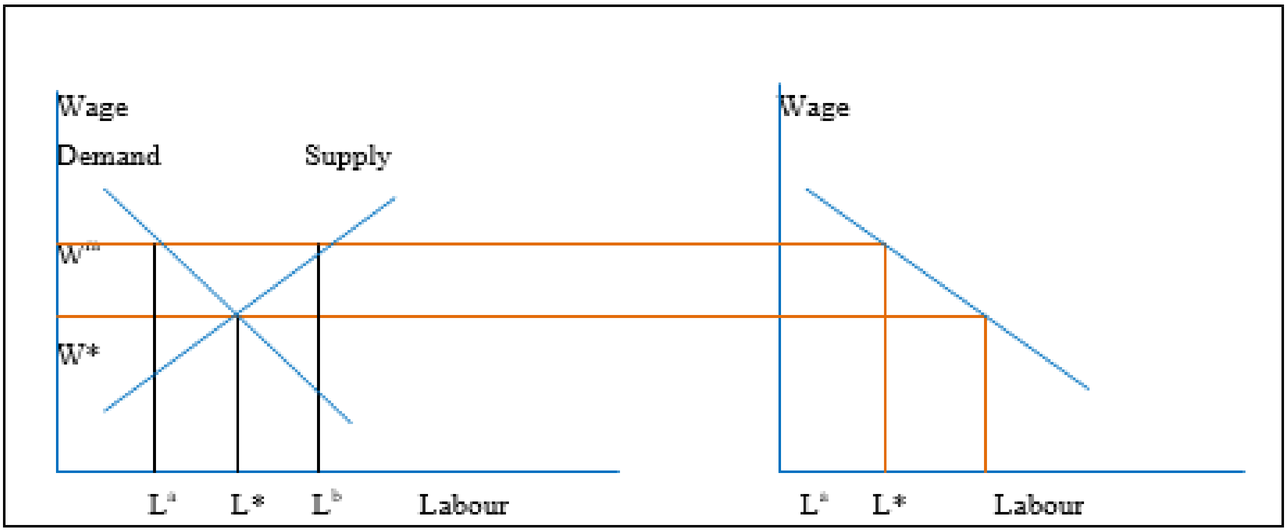
Krueger (1995) studied the effect of minimum wages and employment in USA between 1989 and 1991. More importantly, they also studied the effect of minimum wages increase to poverty reduction. They find that 'poverty rates, particularly for working adults, fell more quickly between 1989 and 1991 in states in which the increase in the minimum wage had the largest impact on wages' (Card and Krueger 1995). Card and Krueger study shows that the distributional effect of minimum wages is limited. They argue that in their study the minimum wages increase generated 10 to 15 percent increase in less than 10 percent 'lowest paid worker' (Card and Krueger, 1995). They also find that the effect of minimum wage is limited because two-thirds of poor adults are unemployed.

Freeman (1996) argues that minimum wage is a policy that intended to redistribute income to 'low-paid workers. He states that, the intended goal can be achieved under three conditions. The first one is the labour market condition. The second condition is the level of minimum wage. The last condition is the enforcement of the policy. In his study, Freeman (1996) finds that a minimum wage policy can be a redistributive tool in the United Kingdom and the United States as long as it is correctly decided and connected with other forms of redistributive policies.

In South Africa, Pauw and Leibbrandt (2012) studied minimum wages effect on households' poverty. In order to do that, they created a 'general equilibrium micro-simulation model.' Their findings show that the minimum wage policy only slightly decreases the level of poverty and inequality in general stating that this is because the minimum wages policy will create unemployment and inflation in the South African economy. However, the effectiveness of these objectives is debatable. Saget's (2001) argument that an increase in minimum wages could alleviate poverty relies upon the 'employment effect' and 'impact on average earnings'. Theoretically, there are two different ways of understanding the effect of the minimum wage, based on the condition of the labour market. The first one is the context of competitive labour market. The second is the monopsonistic labour market (Islam and Nazara, 2000).

Figure 2.1: Competitive Labour Market

Figure 2.1: Competitive Labour Market



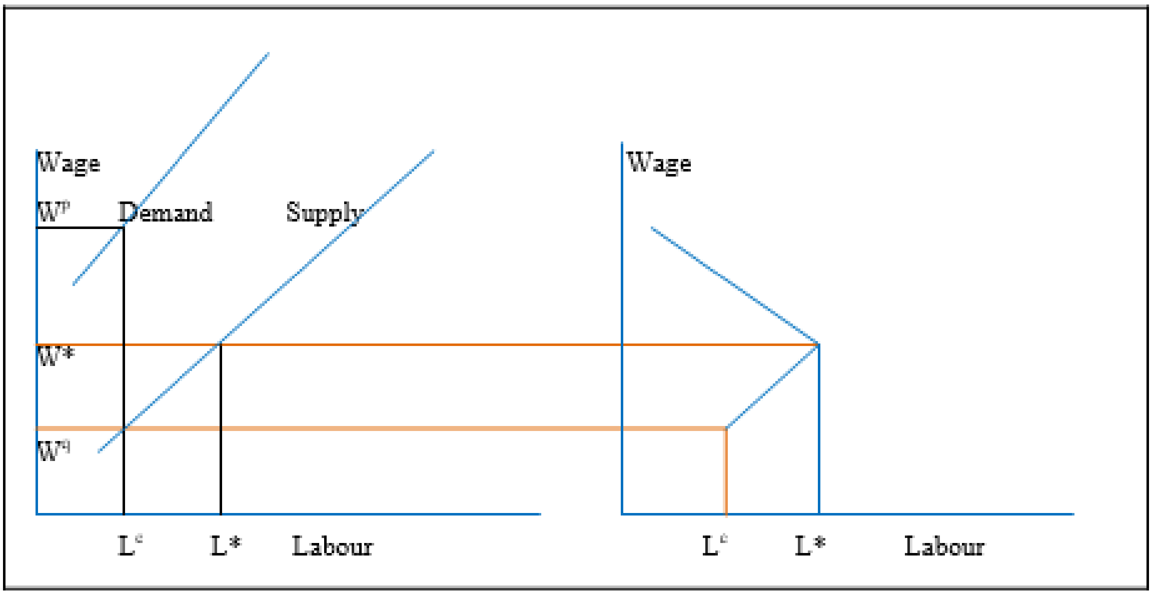
Source: Islam and Nazara (2000)

Figure 2.1 above shows that in a competitive labour market, the decision to implement a minimum wage will create a job rationing condition and hence unemployment. This viewpoint argues that implementation of minimum wage (W^m) above the equilibrium point (W*) will create an increase in supply and decrease in demand of labour. Thus, in the right side of the figure, the number of labour employed will decrease from the equilibrium level (L*) to the level where unemployment occurs (L^a) (Islam and Nazara, 2000).

In a monopsonistic labour market, an 'employer power' exists in the labour market. Figure 2.3 below shows the illustration of a monopsonistic labour market. This viewpoint argues that the existence of 'employer power' shifts the equilibrium that presence in a competitive labour market. A profit maximising orientation of employer will create a much lower wage than the market-determined wage. The profit maximisation orientation is shown by the wage level (W^q). In this level of wage, employer can achieve profit maximisation. However, this level of wage cannot create equilibrium (L*) in labour demand and supply. In order to reduce employment, the minimum wages should be implemented. The minimum wages (W*) will create equilibrium, thus, increasing the employment of labour.

Figure 2.2: Monopsonitic Labour Market

Figure 2.2: Monopsonistic Labour Market



Source: Islam and Nazara (2000)

Thus, in a world of imperfect market where employer has its advantage toward employee, there are positive employment effects of minimum wage (Islam and Nazara, 2000; Chard and Krueger, 1995). Furthermore, even though there are also possibilities of unemployment or bankruptcy of an employer, it is important to apprehend minimum wage effect in its whole macroeconomic effect rather than its micro effect (Belser and Rani, 2015).

When setting the level of the minimum wage, policy makers should take into account economic factors. In setting and adjusting minimum wages, policy makers thus frequently make reference to labour productivity. Labour productivity provides contextual information on the market value of what is produced by an average worker in a country, given existing levels of capital and technology.

Taking into account labour productivity in regular adjustments can also ensure that workers receive a fair share of the fruits of economic progress. Average labour productivity in a country is usually measured as GDP per worker, or GDP per hour worked. Data on sector-level productivity are also useful when minimum wages are set at different levels in different industries (ILO, 2001). However, in some sectors, measuring labour productivity is problematic. For example, quantifying the value added in the education sector or in domestic work is a particular challenge. In practice, in their periodic adjustments, many countries use some proxy indicators, like GDP growth or GDP per capita growth. In Brazil, for example, price inflation and GDP growth are used for minimum wage adjustment. Other countries, such as Costa Rica, increase the minimum wage by inflation plus a share of past economic growth. Possible impact on labour costs and employment. Another statistical indicator to consider is the proportion of employees likely to be affected by the introduction of a minimum wage or an uprating of an existing minimum wage. This indicator captures the probable impact of the minimum wage on the overall wage structure and the total wage bill.

The proportion of workers affected can be calculated at the national, regional or industry level. It can also be calculated for certain groups of workers (based on sex, ethnicity, and so on). A richer understanding of the wage distributions unique to each part or group of workers in the economy. They also allow a better understanding of the individuals, regions or industries that will be most likely or disproportionately impacted by the minimum wage. If the minimum wage is set too high or increased too much, this may have unexpectedly large impacts on the labour costs that employers must pay. This, in turn, could trigger price inflation, hurt exports and reduce the level of employment. Monitoring employment effects of minimum wages is therefore essential. Employment effects have long been at the centre of minimum wage research, with much debate over whether and how minimum wages affect jobs, employee numbers and hours worked. As highlighted by Belman and Wolfson, "support for the minimum wage is premised on it improving the lives of those most vulnerable in the labour market. If a minimum wage Ratio of minimum wage to median wages and productivity in selected. The ratio of minimum to median wages. Finally, one useful and widely used statistical indicator is the ratio of the minimum wage to either the mean or the median wage. As mean wages are affected by extreme values, median13 wages provide a better point of reference, especially in countries that have high wage inequality. Figure 1 illustrates the fact that in high-income economies, the minimum wage ranges typically between 40 and 60 per cent of the median wage. In developing countries, the ratio of minimum to median wages is frequently higher. This could be due to the fact that in developing countries, the median wage earner is often relatively low-paid. Thus, considerations related to the needs of workers and their families sometimes lead to higher minimum wage ratios than in developed economies. More likely to be covered or actually benefit from a minimum wage and the (lower) overall average wage of all employees, including informal employees. It should thus be noted that these ratios can be misleading when they are interpreted too literally. Hence, while such indicators can be useful in evaluating minimum wage levels, they should be complemented by more refined country-specific analysis. Country-level ratios should also be calculated at a disaggregated level by sector, sex, and region in order to identify the groups or regions most likely to be affected by the minimum wage. The objective of statistical indicators is not, of course, to replace social dialogue or bargaining, but rather to allow well-informed social dialogue. First the indicators could be ranked from lowest to highest. For example, there will probably be several potential minimum wage values based on the needs of workers and their families that could be ranked. Each of the values for the other indicators falling under economic factors could also be ranked, thereby creating a range of minimum wage values for each indicator. Once the ranges for all of the indicators are overlaid (combined together), the result is a general range of figures within which governments and social partners may want to negotiate. However, the indicators could also be examined individually, and parties to the negotiation process could decide how much weight to attribute to each indicator. For example, some countries may give more weight to the needs required to support a worker and his/her family, while others may give more weight to trends in productivity. If mathematical formulas are used to periodically adjust minimum wage rates, these should be discussed with social partners and not be used as a substitute for social dialogue. In periodic adjustments there is a tendency to concentrate on short- and medium-term indicators. A typical minimum wage adjustment will normally give much weight to a limited set of factors, such as price inflation or economic growth. While this approach is natural, minimum wage fixing authorities should also bear in mind the longer-term perspective. They should therefore commission from time to time detailed reports on the state of the minimum wages in the country. Some long-term objectives may be to reach a minimum wage level that is sufficient to cover the basic needs of a worker and his/her family; to ensure the minimum wage is effectively applied, with non-compliance reduced to a minimum; and to provide a comprehensive coverage of wage employees. It is also useful to contextualize a minimum wage policy within a broader perspective in which economic factors and wages are affected by structural changes. Many countries have discovered that a gap exists between the legitimate needs of workers and their families and the need to ensure that enterprises remain sustainable.14 It will not be possible to eliminate this gap in a single minimum wage adjustment, at least not without adverse economic or employment effects. This suggests that there should be a medium- to long-term target for this policy – in other words, closing this gap in successive, gradual adjustments.

Monitoring the effects of minimum wages Monitoring the effects of minimum wages is a key element of an evidence-based system. Findings from rigorous impact assessment studies should find their way back to governments and social partners, and inform subsequent rounds of adjustment or changes to the system. Governments and social partners should have access to studies on the effects of minimum wages on variables such as wages, employment, informality, hours of work, gender pay gaps, income inequality or poverty. Studies should also monitor effects on prices and on the different elements of aggregate demand, including household consumption, investment or the competitiveness of exports. Different and credible methodologies should be used to ensure that conclusions are not driven by biases in the choice of methodologies. It is necessary to have data which are as representative of the economy as possible. In many countries, a labour force survey will broadly meet these requirements. In some cases, in cooperation with national statistical offices, the labour force survey can be modified to include questions on wages or to oversample a specific population, such as domestic or migrant workers, as was done recently in Namibia, for example.

Admittedly, there are criticisms of household and labour force surveys, since they are prone to measurement error, particularly with regard to self-reporting of income, wages and hours. Other surveys, such as establishment surveys, can

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complement analyses drawn from the labour force survey. However, it is important to note the groups that are often excluded from establishment surveys – workers in the informal economy, the self-employed and small or medium-sized enterprises.

Excluding these groups from surveys also excludes them from subsequent data analyses that are used to set and adjust the minimum wage. Wages and employment effects. Monitoring should seek to detect both positive and negative effects of minimum wages. If they are effective, minimum wages should raise the wages of some groups of workers. When women are over-represented among low-paid workers, the minimum wage should also reduce the gender pay gap. But the overall wage effect depends on the level and legal coverage of the minimum, the degree of compliance, and the "spill over" effects on the wages of workers who are paid above the minimum. Spill over effects arise when, as a result of a higher minimum wage, workers with more seniority or skills also demand higher wages, either through collective or individual bargaining. Spill overs can also occur because changes in the minimum wage can have far-reaching effects on pay in the public sector. More, controversial is the debate on the employment effects, which have been found to vary across countries and studies. A recent World Bank overview concluded that "although the range of estimates from the literature varies considerably, the emerging trend in the literature is that the effects of minimum wages on employment are usually small or insignificant (and in some cases positive)".16But differences in findings across countries and studies point towards the importance of country-specific programmes for monitoring the employment effects of minimum wages, particularly on vulnerable workers. In recent years, the ILO has worked with a number of member States to assess the impact of minimum wages, including in Mexico or in Cabo Verde, which introduced a national minimum wage for the first.

High rates of non-compliance, where they exist, have negative consequences not only for workers and their families, whose rights are violated, but also for compliant employers, as it gives non-compliant enterprises an illegitimate cost advantage. Within countries, there are usually significant differences in non-compliance rates across different population groups. Non-compliance is often more widespread in rural than in urban areas, and in the informal than in the formal economy. Women are also usually more likely to be underpaid than men, as are disadvantaged ethnic or social groups. There are also differences in non-compliance across different industries, and non-compliance tends to be higher in smaller than in large enterprises. In order to design, put in place and pursue sound strategies and measures for compliance and enforcement, it is important to analyse the extent and patterns of non-compliance as thoroughly as the available data permit. Implementation measures. Compliance can be improved through a number of implementation measures, including the following: Information and awareness-raising campaigns: For example, in the United Republic of Tanzania it was found that workers who knew their rights and legal entitlements were also more likely to be paid accordingly. In Costa Rica, a National Minimum Wage Campaign was undertaken in 2010, which combined awareness raising and information on complaint procedures. A central feature of the campaign was a new telephone hotline allowing workers to report wage violations in a simple and anonymous manner. Awareness-raising activities and information dissemination strategies undertaken by governments and social partners can rely on a range of different channels including the Internet, television and radio broadcasts.

A summary wage to be set at a level agreed by workers' and employers' representatives–tends to give the minimum rate more legitimacy with social partners, thereby also facilitating compliance. Besides involvement in designing rates, workers' and employers' organizations can disseminate information on minimum wages to their members and provide related advice and support. Training activities for employers' and workers' representatives can help to ensure that non-compliance is not due to lack of awareness or misunderstanding. Empowering workers to claim their rights through individual complaints as well as collective action: In the Philippines, legislation provides that union representatives or workers representing workers' interests should always accompany labour inspectors during inspections. In other countries, workers' organizations can bring claims for unpaid wages to court on behalf of the worker concerned. Measures to formalize the informal economy: According to the recently adopted ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204), countries should progressively extend minimum wage protections, in law and in practice, to workers in the informal economy through the process of formalization. Disseminating information can potentially improve compliance even in the informal economy, where a widely known wage standard can play a guiding role for wage fixing and alter workers' and employers' expectations and behaviour – the so-called "lighthouse" effect. Targeted labour inspections: The enforcement of minimum wages usually falls within the scope and responsibilities of labour inspectorates. In the context of wages, there is a tendency for inspections to be triggered by complaints rather than proactive identification of inspection targets in the context of labour inspection programmes and strategies. To avoid an entirely reactive complaints-based strategy, proactive strategies could be based on an analysis of the levels and patterns of compliance from labour statistics. Sanctions that function as a deterrent to non-compliance: Compliance is encouraged when employers perceive a likely probability of being inspected and exposed to penalties. In order to be dissuasive, a sanction regime needs to include penalties that are sufficiently high to act as a deterrent. The length of the proceedings required to impose sanctions also influences the extent to which penalties act as a deterrent. Immediate sanctions are a greater deterrent than longer proceedings, particularly if their outcome is uncertain. Employers for minimum wage violations through fast-track administrative proceedings. Recovery of wages due and protection against victimization: Enabling workers to exercise their rights to back wages and wages due to underpayment is part and parcel of minimum wage enforcement. In a large number of countries, workers can exercise this right in the courts or through administrative authorities. However, requiring workers to take legal action to recover unpaid amounts is often burdensome and can involve lengthy and costly proceedings. This is why a number of countries provide for simpler administrative procedures. Some countries have empowered labour inspectors to directly order the payment of wage arrears. Monitoring and responsible purchasing practices within global supply chains: While wages and working conditions for the numerous workers engaged in global supply chains are sometimes better than those in enterprises which supply the domestic market (particularly in the informal economy), the existence of low wages and long hours remain a source of concern. Compliance with minimum wages is thus also facilitated by responsible purchasing practices. Public employment programmes: A positive effect of public employment programmes which pay statutory minimum wages is to promote compliance also in the private sector. This happens because private employers who pay less than the minimum wage risk losing their employees, who will prefer to work in public works programmes or employment guarantee schemes. This improves workers' wage negotiation capacity. In addition, public employment programmes can create awareness among workers about their basic entitlements. By acting as the "employer of last resort", the government can thus encourage compliance in the private sector

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Overview

This chapter presents the research methodology, research design, population, study site and sample of the study, data collection and data analysis techniques used to achieve study objectives in assessing the effects of minimum wage policy on domestic workers in Zambia focusing on the City of Chipata as a case study.

3.2 Research Design

Research design refers to how data collection and analysis are structured in order to meet the research objectives through empirical evidence economically (Kombo and Tromp, 2006:111). A descriptive design using a case study was employed in this research. The design was chosen because it provided a means to assess the effects of the minimum wage on domestic workers via a survey. According to Holliday, a descriptive study describes the existing conditions and attitudes through observation and interpretation techniques. The research method was both qualitative and quantitative with closed and a few open-ended questions.

3.3 Target Population

A population refers to an entire group of individuals, events or objects having a common observable characteristic (Cooper and Schindler, 2011). This study was conducted in Moth and Bombay suburbs and Kapata township of Chipata City whose residents are mostly the working class and businessmen and women. Most of the employers of the domestic workers are in active employment and businesses, and reside in the selected study sites. These areas of study are the low-density suburbs which house the middle class of the city, hence the motivation of the research being concentrated around these research sites. However, the number of domestic workers in the three study sites is not known.

3.4 Sample Size

The selection of a fractional part of the whole relevant group or target population is to ideally focus research attention on this finite group called a sample and apply the findings of the study to the whole population of interest (Cooper and Schindler, 2011:179). For practical and cost implications, it is not possible to collect information on the entire population of all the domestic workers in the study areas. In this study a sample population of 30 domestic workers and their 30 respective employers, to augment the findings, were selected to form the sample size. On sample size, Mugenda and Mugenda (2003) state that, for statistical analysis, a minimum number of thirty (30) provides a useful rule of thumb.

3.5 Sampling Technique

▪

he basic idea of sampling is to select some of the elements in a population that the researcher can draw conclusions about an entire population (Cooper and Schindler, 2011). The study used purposive sampling technique to select the 30 domestic workers and their respective employers residing in the three study areas. The identification of the study subjects was personally done by the researcher who moved from street to street and house to house to meet the respondents, and in some cases to arrange appointments for the interviews.

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The researcher managed to locate 11 DWs from Moth, 12 from Bombay and seven from Kapata township. For statistical analysis, a minimum number of 30 respondents provide a useful rule of thumb, as asserted by Mugenda and Mugenda (2003). Therefore, based on this assertion, the sample framework was considered adequate and suitable for the study.

3.6 Data Collection

Two types of data were collected for the study, the primary and secondary data. The primary data were obtained through an interview for domestic workers and semi-structured questionnaire their respective employers. Secondary data were obtained through desk review of documents such as textbooks, journals, other publications and online materials from the websites. In this study, the researcher used close-ended and open-ended questionnaires. This enabled the researcher to obtain both qualitative and quantitative data.

3.7 Data Analysis

The analysis process involved organising data in a meaningful pattern, editing and coding. The responses were edited to eliminate incomplete contents and errors. All specific issues emanating from different data collection instruments were grouped and classified according to their categories of relationships in line with the study objectives and research questions. The analysis was done to ensure consistency across responses received from respondents. The data collected were analysed using the appropriate statistical techniques such as distribution tables, percentages, bars and pie charts. Information such as specific comments and issues raised by respondents were also analysed and summarised into tables. Quantitative data were coded and converted into percentages to make it easier to analyse. Due to the relatively small sample size, the data from the survey was analysed using Statistical Package for Social Sciences (SPSS) to generate tables for frequencies using percentages.

3.8 Limitations of Study

As with all micro-studies, this study had several limitations that one must always note when evaluating results. There is always the possibility that some of the sampling blocks in the three areas may have been slightly over- or under surveyed when the researcher conducted the interviews. Furthermore, the results do not apply outside of the geographical areas the study covered. One cannot generalise the results to other geographical areas. This limitation is common to all micro–studies. In fact, it suggests that studies should state that their aims are to investigate the differences in the effects of the legislation in areas that are close to each other. The practical consequence of this limitation is the realisation that researchers should conduct more micro-studies in different areas over a longer period. This will help policy makers to form a more complete picture of the changes occurring in this labour market because of the government's legislative efforts. This is an important area for further and ongoing research on this topic.

Future research of this nature can provide the data for important panel data analysis in order to test the robustness of observed changes in this labour market over time. In fact, previous studies (Koyi, 2012; Belser and Sobeck, 2012) on this topic have identified the unavailability of successive waves of data from the same respondents as limiting factors in microanalyses of this labour market. The results of this study also open the door to qualitative research in this field. Focus group research amongst domestic workers and their employers can provide valuable insight into the decision-making behaviour of the economic agents in this important labour market. This data is necessary for investigating aspects like the well-being of those people who are the intended beneficiaries of the minimum wages the government has imposed. The other limitation of the study had to do with finances. The available finances were inadequate to meet the budgetary requirements and this limited the sample size. The observed lack of co-operation from most respondents who did not understand what the information requested was meant for posed serious limitations to the data collection exercise as DWs feared reprisals from their employers. This was due to the sensitivity of data requested for by the study. The research was also limited to Chipata City as per case study.

3.9 Reliability and Validity

According to Saunders et al. (2012), reliability is consistency in obtaining the same results after measuring the same variables repeatedly on different occasions. It entails consistence and quality measurement of data collected with minimum biasness and errors. In this study, reliability was achieved by structuring and designing questionnaires and interview guides in such a way that they avoided yielding different meanings.

Validity represents how well a variable measure what it is supposed to measure (Bryman and Bell, 2003). Internal validity of the data collection tool was enhanced by trial data collection from three respondents (whose data was not be used in the final analysis) so as to examine the degree to which questions within the instrument agreed with each other. This allowed the researcher to measure if a subject responded to similar questions in a similar way. In this way the procedure enhanced the reduction of likelihood of getting invalid answers. In addition, linguistic validity was enhanced by improving the wording of the questions so as to enable the respondents to understand the questionnaire in the same way by everyone who completed it (Saunders et al., 2012).

3.10 Ethical Consideration

Ethics are essentially the study of decision making within a context of moral standards. They examine the values underpinning morally desirable behaviour – the right things to do (Rwigema and Venter, 2012:128). Furthermore, Saunders et al. (2012:121) state that when ethics are discussed in research design, the researcher often thinks about protecting the rights of the respondents. To ensure that ethics were upheld in the study, the following were done by the researcher:

1. Ensured that participants were given informed consent as per cover letter in Appendix I;
2. Ensured that no harm was caused to participants by asking them to participate without coercion; and
3. Ensured that confidentiality and anonymity were maintained - Disclosure of names of the participants in the questionnaire was optional. This was to protect the rights of participation of the respondents.

CHAPTER FOUR
PRESENTATION AND ANALYSIS OF DATA

4.1 Overview

The main purpose of this chapter is to present the data and analysis of the results in line with the tenets of this study. The results have been presented in a manner not to allow diversion from the original objectives using the suitable statistical analysis chosen for the study. This chapter presents the research findings on the effects of minimum wage policy on domestic workers in Chipata. Quantitative and qualitative data were collected and analysed on demographic and social-economic characteristics of survey respondents while a few responses to qualitative questions were categorised by grouping them according to themes generated.

4.2 Background Characteristics of Respondents

With a questionnaire as the main research tool to gather data from the respondents, the first section of the chapter was intended to gather data on the background information of the respondents. These included age, gender, marital status, highest level of education attained, and length of service in the domestic services sector. The results on age distribution are as presented below.

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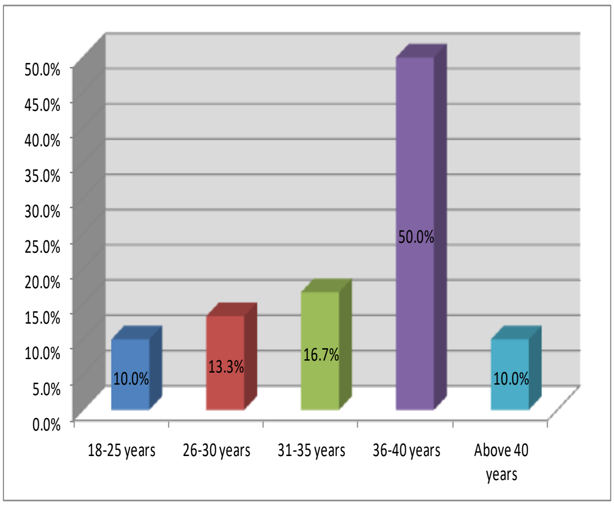
Figure 4.1: Age Distribution of Respondents

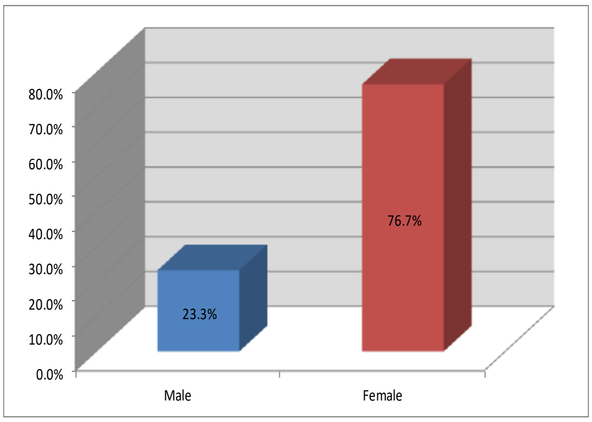


Source: Field survey (2018)

Data collected on age of respondents as per Figure 4.1 above showed that, 10 % of the respondents were in 18-25 age group, 13.3 % were in 26-30 age group, 16.7 % were in 31-35 age group, and 50% were in 36-40 age group and 10% were above 40 years of age. The age group with the least number of respondents were above 45 and below 25 years at 10% and the age group with the most respondents was 36-40 years.

The gender distribution of respondents in this study was relevant due to the immense role that gender stratification plays when it comes to domestic work where employers mostly prefer females. It is against this background that respondents were asked about their gender. The findings were as presented in Figure 4.2 below.

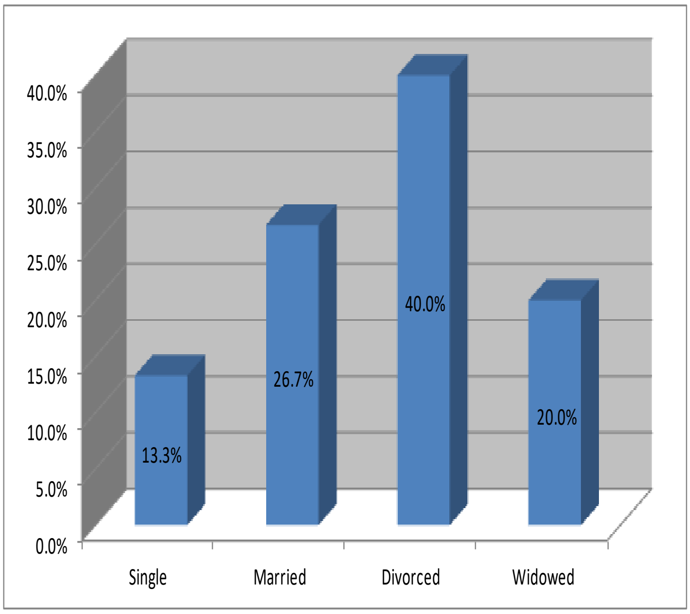
Figure 4.2: Gender Status of Respondents



Source: Field survey (2018)

The gender of respondents has been described in Figure 4.2 above. There were more females than males sampled as indicated by 23 (76.7%) females and 7 (23.3%) males. The findings show that female respondents were the majority working as domestic workers compared to the males in the study areas. The study also sought to investigate the marital status of the respondents, and the findings were as presented in Figure 4.3 below.

Figure 4.3: Marital Status of Respondents

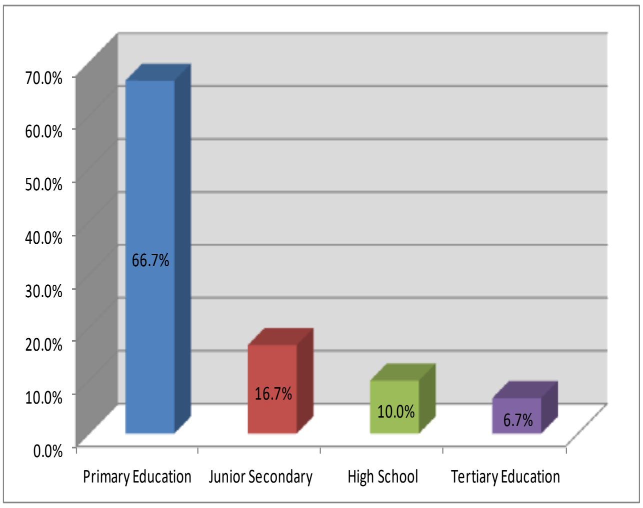


Source: Field Survey (2018)

The findings revealed that of the 30 respondents, 13.3% were single, 26.7% were married, 40% were divorced and 20% were widowed (Figure 4.3 above).

The study further sought to inquire into the educational level of DW respondents and the results were as below.

Figure 4.4: Education Levels of DWs

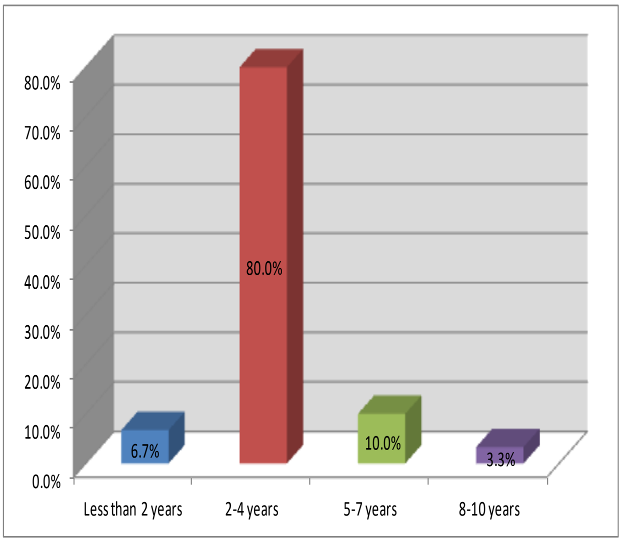


Source: Field survey (2018)

The Figure above shows that, out of the total 30 DW respondents 66.7% had primary education, 16.7% had junior secondary education, 10% had senior secondary education and 6.7% had tertiary education. The above survey findings on educational status of respondents reflect low level of education among domestic workers in the study areas with majority being primary education dropouts which contributes to their vulnerability.

The DW respondents were asked about their length of service in the sector and the results were as presented below.

Figure 4.5: Length of Service of DWs

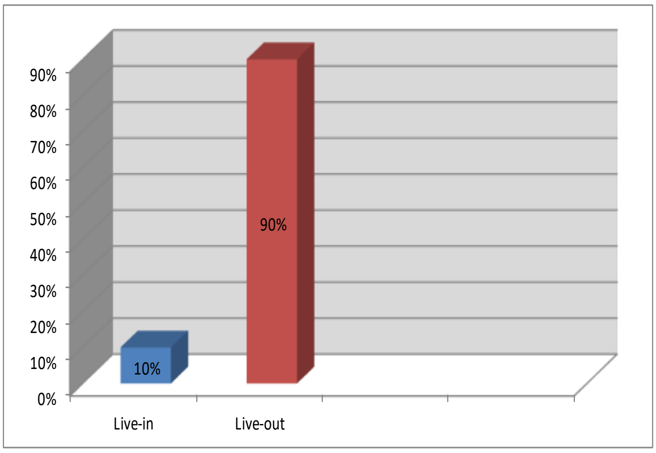


Source: Field survey (2018)

The findings in Figure 4.5 above reveal that, of the 30 DW respondents, 6.7% had worked for less than two years, 80% had worked for 2-4 years, 10% had worked for 5-7 years, and 3.3% had worked for 8-10 years. The findings show that the majority of DWs (80%) had worked for less than 4 years implying that most of the sampled DWs were relatively new in their jobs.

The DW respondents were further asked about whether they were live-ins or live-outs workers and the results were as presented below.

Figure 4.6: Distribution of Live-in and Live-out DWs



Source: Field survey (2018)

- The results in Figure 4.6 above show that of the 30 DW respondents, only 10% were live-in DWs while an overwhelming 90% were live-outs workers. The implication is that most DWs commute to their workplaces everyday which may be a drain on their meagre wages due to transport costs. Further, the DWs who were not live-ins were not entitled to any extra travelling pay as 100% of the employer respondents indicated that they never paid any transport allowance. The DW's employers were also asked about the number of people staying in their homes and the results were as shown in Table 4.1 below.

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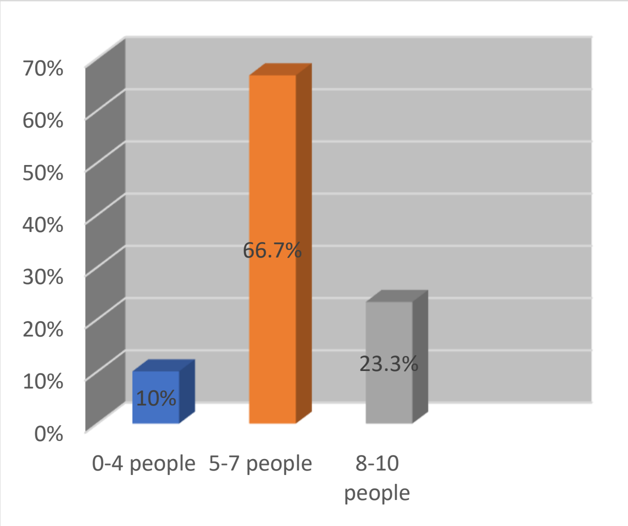
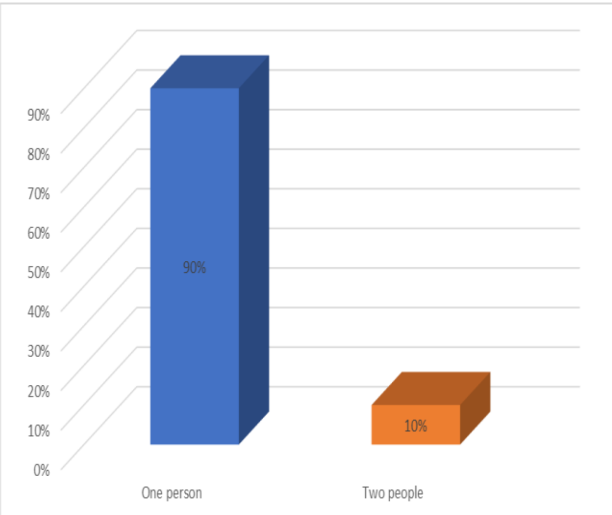
Figure 4.7: Number of People Staying in DW's Employer's Home



Source: Field survey (2018)

Figure 4.7 reveals that 10% of the 30 DW's employers had families whose size was between 0-4 people, 66.7% had 5-7 people in their homes, while 23.3% had between 8-10 people staying with them. The findings show that majority of the DW's employers had relatively small families in their homes which could easily be managed by the DWs. The DW's employers were also asked about the number of workers they had employed in their homes. The results were as shown in Table 4.8 below.

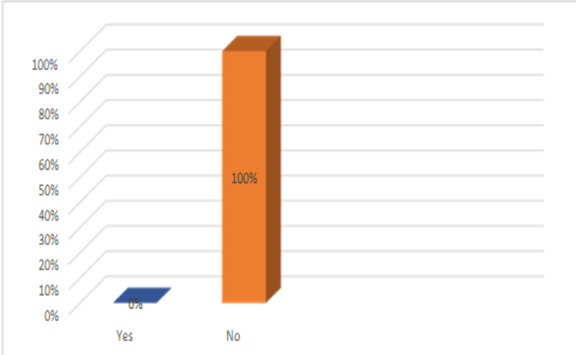
Figure 4.8: Number of DWs per Home



Source: Field survey (2018)

The results in Figure 4.8 above show that 90% of the DW's employers had one domestic worker each while only 10% indicated that they had hired two workers each. The DW's employers were further asked whether they had signed a service contract with their domestic workers. The findings are as presented below.

Figure 4.9: Employer has signed Service Contract with his/her Domestic Workers

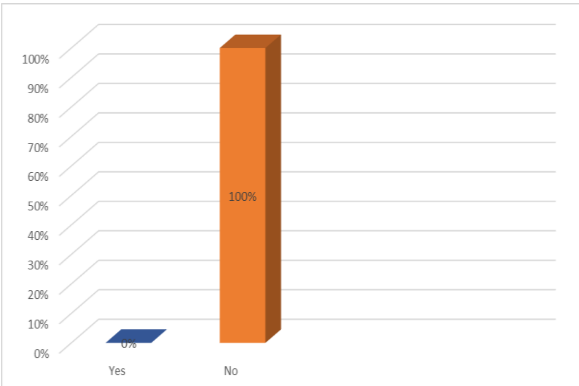


Source: Field survey (2018)

Figure 4.9 above reveals that all the DW's employers had not signed any service contracts with their workers as all 100% responded in the negative. This implies that most DWs were offered oral contracts in their jobs, a situation which works against the worker in case of a dispute.

The DW's employers were further asked as to whether they had registered their domestic worker with the pension scheme authority (NAPSA). The results are as presented below.

Figure 4.10: Employer has Registered DW with Pension Scheme Authority



Source: Field survey (2018)

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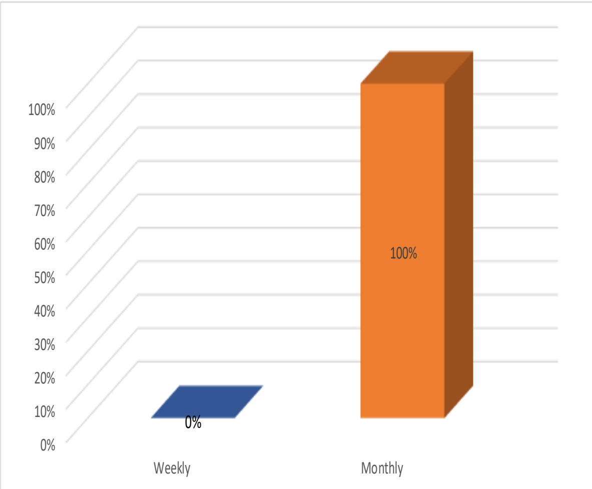
The results as indicated in Figure 4.10 above show that none of the employers to the DWs had registered their workers with the pension scheme authority as required by law as all 100% indicated in the negative. This shows high levels of noncompliance with the labour laws in Zambia. The employer respondents were further asked about the methods used in the payment of the domestic workers' wage. The results are as presented in Figure 4.11 below.

Figure 4.11: Payment Method of DWs' Wages



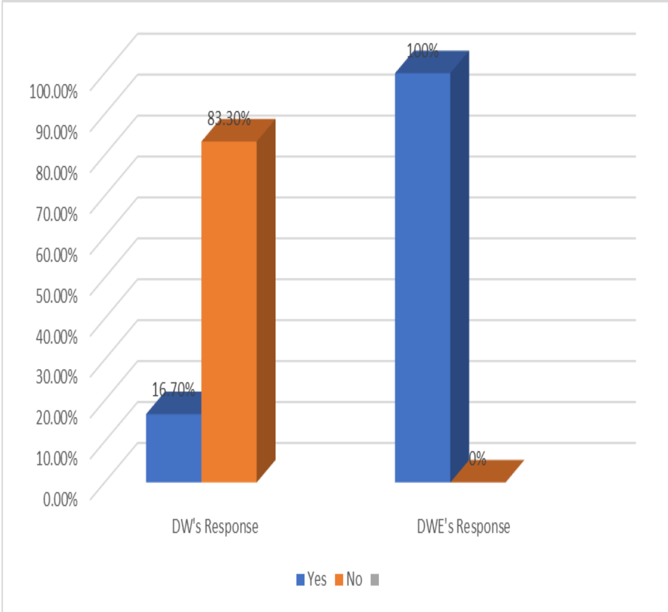
Source: Field survey (2018)

The results in Figure 4.11 above show that all (100%) the DW's employers paid their workers on a monthly basis as is the case in most jobs and companies in Zambia.

4.3 Awareness of Minimum Wage Policy by Domestic Workers and their Employers

The first objective of the study was to investigate the awareness of the minimum wage policy among DWs and their employers. The results were as presented below.

Figure 4.12: Awareness about the Existing Minimum Wage



Source: Field survey (2018)

The results in Table 4.12 above show that only 16.7% of the DWs were aware about the existing minimum wage policy introduced by government while the remaining 83.3% were not aware at all. This shows high levels of ignorance among the DWs about their own statutory entitlements concerning the basic wages set by government for this section of the informal sector. This exposes high levels of illiteracy among DWs owing to their low level of education as revealed in Figure 4.12 above. To the contrary, all the DW's employers were aware about the existing minimum wage policy.

The five DWs who were aware about the MW policy were further asked about whether their employers paid the domestic workers' wages in accordance with the government's set MW policy. The findings are as presented below.

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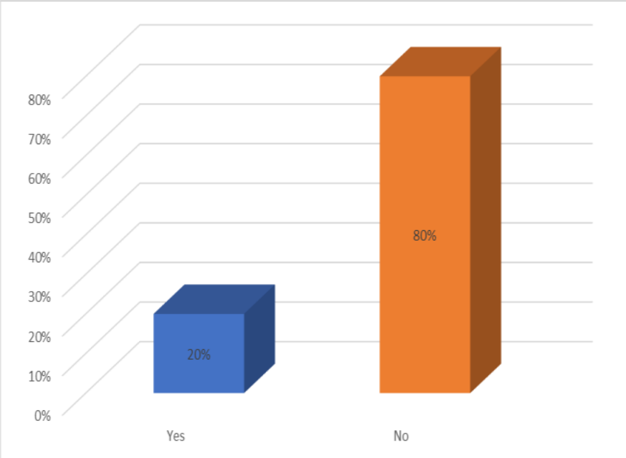
Figure 4.13: Pays According to DW Minimum Wage



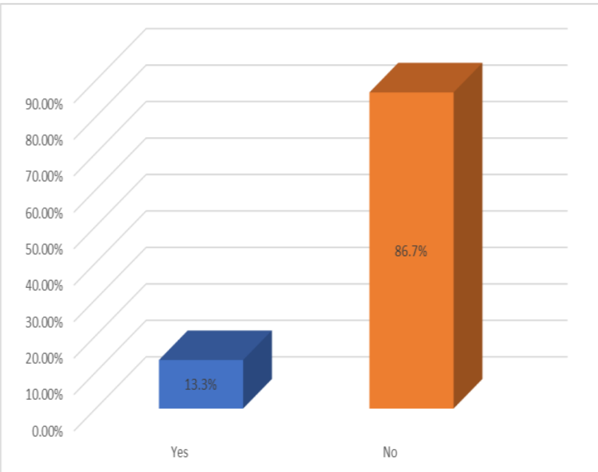
Source: Field survey (2018)

Figure 4.13 above reveals that of the five who indicated that they were aware of the MW policy, 20% stated that their employer paid wages according to MW policy while 80% indicated to the contrary.

4.4 Effects of Minimum Wage Policy on Domestic Workers

The second objective of the study was meant to establish the effects of the minimum wage policy on domestic service. The DW employers were asked whether they complied with the minimum wage policy as guided by the government regulation. The results are as presented below.

Figure 4.14: Employer of DW Complies with Minimum Wage Policy



Source: Field survey (2018)

The results as tabulated in Figure 4.14 above show that as much as the DW's employers were aware of the minimum wage policy for domestic workers, only 13.3% complied with the regulatory framework while an overwhelming 86.7% were non-compliant. This speaks volumes of the need for enforcement of the policy as employers have violated the statutory requirement with impunity. Most of the employer respondents (90%) indicated that the reasons for noncompliance was that they could not afford to pay domestic workers the minimum wage set by government due to their low salaries. According to GRZ (2012), employers that fail to comply with the minimum wage and conditions of employment order are deemed to have committed an offence. Upon conviction they can be given a jail sentence that does not exceed six months. This order is relevant for all employers and employees, excluding those engaged in domestic service or employed as civil servants. This omission could be among the reasons for non-compliance by DW's employers.

An overwhelming number (86.7%) of DW's employers further indicated that the effects of the minimum wage policy for DWs range from reduction in number of employment opportunities for domestic workers, rising levels of noncompliance by employers, and to some extent overworked DWs as some respondents felt that the new minimum wage should come with more responsibilities for the domestic workers. The respondents also pointed to the fact that the MW policy impacted negatively on the employers by reducing the domestic budget in order to meet DWs' wages. However, 66.7% of the DW's employers indicated that there was no difference in the job opportunities for DWs as the demand for domestic work was inelastic.

The other effects of the MW policy were revealed in the adjustments in the number of days per week that employers hired the DWs as indicated in Figure 4.15 below.

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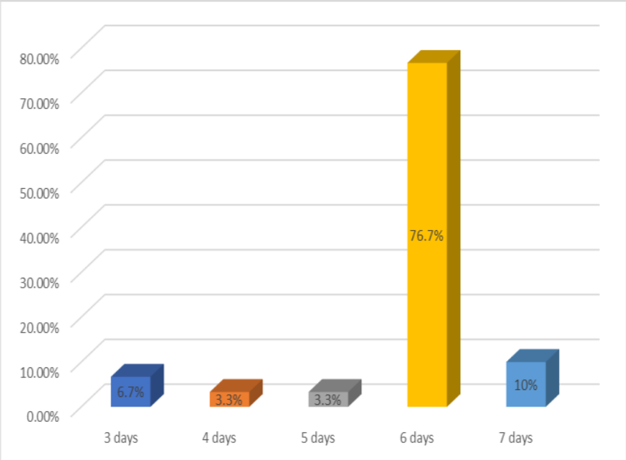
Figure 4.15: Number of Days per Week that Employer Hires DW

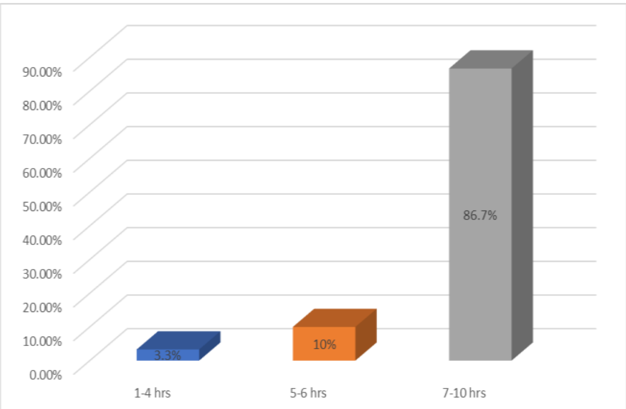


Source: Field survey (2018)

Table 4.15 above reveals that employers have varied the number of days that they hired DWs owing to the introduction of minimum wages. Of the 30 respondents (employers), 6.7% indicated that they only hired DWs for three days in a week, 3.3% indicated that they had reduced work days for DWs to four days per week, another 3.3% only needed DWs for five days a week, 76.7% had put their DWs' number of working days per week at six days and 10% had their DWs work seven days a week. The reduced workdays were accompanied with reduced wages.

The study further sought to know the number of hours that DWs were required by their employers to work after the introduction of the MW policy. The results are as tabulated in Figure 4.16 below.

Figure 4.16: Number of Hrs DW Works per Day



Source: Field survey (2018)

- As a result of the MW policy, 3.3% of employer respondents had reduced the number of working hours of the DWs to 1-4 hours per day, 10% had DWs work 5-6 hours per day while 86.7% used their DWs for 7-10 hours per day.

CHAPTER FIVE
DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Overview

The purpose of this chapter is to provide a summary of findings, conclusion and recommendations of the study based on the research purpose. The study was guided by the following research objectives:

1. To determine the awareness levels of the Minimum Wage Policy by domestic workers and their employers;
2. To investigate the effects of the Minimum Wage Policy on domestic workers;
3. To establish measures that could improve domestic workers' conditions of service.

The findings of this study will have wide implications on labour policy development for the informal sector and beyond.

5.2 Discussions

The findings show that there are other factors in the employment decision that have not yet been considered. Among these factors are the indirect costs to the consumer (employer) and the indirect benefits to the domestic worker. Almost half (46.7%) of employer respondents that indicated that they would be willing to replace their full-time service with casual employment thereby reducing the number of days that they would employ domestic service workers. Under these circumstances and given the respective increased expenditures, it has been observed that some domestic workers would be left with a higher wage than before. If, however, transaction costs are taken into account, that is mainly transport costs to and from work, some of the domestic workers might find that their disposable income had actually decreased. Other non-monetary benefits that are in-kind payments made to live-in domestic workers have not been taken into account either. It has also been found that DW employers who had indicated their willingness to spend an extra 20% to maintain the full-time service would compensate for the increase in wages by reducing the non-monetary benefits. Respondents (66.7% of DW employers) indicated that the reduction in non-monetary benefits could exceed the increase in nominal wages.

Majority (83.3%) of the DW employer respondents agreed that the inclusion of the minimum wage in the new legislation prevents employers from exploiting domestic workers, but no consideration has ever been given to the personal nature of the employment relationship. Only five (16.7%) of the employer respondents see a general wage increase as a good move for the improvement of the standard of living of the workers. Of the 30 workers interviewed, 16 (53.3%) were threatened with dismissals and in certain cases, number of working days per week reduced tremendously. Some DWs perceived the attitudes of their employers of strongly discouraging them from leaving the house or developing independent friendships as being based on fear that they might get the full facts about the new legislation from their co-workers. Some of the workers were forced to work 10 hours a day in a week. Certain domestic workers have also reported that some of their cooking duties have been taken over by their employers so that they are limited as regards the amount of food that they are allowed to consume.

The research findings have helped to contextualise the significance of the applicability of minimum wage law to the practice under scrutiny as well as a necessary requisite in considering the purpose of minimum wage law and the socio-economic role it plays. After considering some theoretical and institutional perspectives on the subject, it is concluded that minimum wage law aims to address the imbalance of power between workers and employers, to empower workers and redistribute wealth between capital and labour and thus contribute to social justice and growth. Like employment law and labour law, minimum wage law aims to bring about social transformation by improving the living standards of workers and their families and thus fostering societal well-being (ILO, 2012). It was argued that if economic development is understood in these terms of social transformation, the improvement of living standards, and social inclusion, then labour law is an essential component for fostering development. It was also found that DW's employers stand to gain from providing for greater worker protection and security as it contributes to greater productivity, efficiency and competitiveness.

As pointed out by many authors (Neumark and Wascher, 2008; Almeida and Carneiro, 2011; Belser and Sobeck, 2012; Koyi, 2012), it is possible to determine the degree to which the introduction of a minimum wage could lead to a reduction of employment of domestic workers if it is known what the elasticity of demand is for domestic services. This is analysed from the employers' responses which indicated their willingness to increase the amount spent on domestic service. It should, however, be noted that tangible and intangible non-wage benefits, that is in kind payments made to live-in domestic workers were not taken into account. It is possible, for example, that those employers who have indicated their willingness to spend an extra 20% to maintain full-time service would compensate for the increase in wages by reducing the non-monetary benefits, although no conclusive proof has been found that lower wages are paid in lieu of such benefits (Hertz, 2005). The methodology used in this study is based on many simplifying assumptions and is not meant to provide a rigorous test for the calculation of minimum wages. The study is meant to give an indication of the effect of a minimum wage on the demand for domestic service and also of how this would impact on the domestic worker. The study provides a clear indication that there is some merit in further investigating the issue of a minimum wage in the sector for domestic service.

The cross-regional analysis of Hertz (2005) shows that the introduction of minimum wages and the subsequent annual adjustments thereof, mainly brought about changes in wages and employment. Hertz's findings show an interesting men-women employment trade-off in the sense that whilst the employment of men in the labour market for domestic workers increased, simultaneously that of women drops. Men employed in the domestic services sector constitute only about 17 percent of the entire sector. This study sampled 23% men in its sample size of 30 DW respondents. This study reveals mixed results in terms of the improvement of working conditions of domestic workers in the three study areas. The results show that there is a very low level of compliance with the MW regulation and formal employment contracting between the employers and employees in the study areas as all employer respondents did not sign any service contracts. Other studies have indicated differently though. For instance, Hertz (2005) found that the conditions of employment and real wages did improve as a result of minimum wages.

5.3 Conclusion

Minimum wages for DWs is a contentious issue in the Zambian labour market. When the PF government took over power, Zambia saw the revision and implementation of labour market regulation policy in the market for DWs. The primary rationale behind the introduction of MW policy was to protect the most vulnerable labour market sectors in Zambia such as DWs. The main objective of MW regulations was to eliminate the payment of exceptionally low wages by employers like those in the domestic services sector. Economic theory suggests that the effect of increased minimum wages is reduced employment levels. This is because minimum wages are associated with increasing the wage rate above the equilibrium price in the sector in which minimum wages are introduced. Various arguments were cited in favour of and against minimum wages. The arguments against minimum wages have different perspectives but they are all anchored towards the same conclusion, namely, that minimum wages have an effect of reducing employment. As such, minimum wages are seen as undesirable, not helpful to the poorest workers like domestic workers and thus not serving their intended purpose. Supporters of minimum wage regulations perceive a strong correlation between employees' basic human needs and efficiency and productivity in the workplace. If minimum wages are to be adopted in the domestic services labour market, they should be set at realistic economic level, to minimise their possible effect of reduced employment levels.

The overall study conclusion is that minimum wage legislation for domestic workers has had adverse effects on employment levels and it cannot improve the living standards of workers unless accompanied by strong enforcement mechanisms which have been lacking in the informal sector. The findings of this study thus support the conclusions by Blaauw and Bothma (2007) that the government still has a big challenge in terms of striking a balance between the improvement of the lives of DWs and the limitation of job losses in the market for domestic work in Zambia. Some countries look upon the minimum wage as a key tool for reducing poverty and inequality because it benefits low-earning workers. Other countries see it is a means of increasing labour productivity. Still others consider it the best tool for correcting inefficiencies in the labour market. While there have been efforts to achieve all three of these objectives through the management of minimum wage policy, as it will be seen later below, the minimum wage may not be capable of meeting all these goals at the same time (Del Carpio, Pabon, 2014).

From the theoretical and empirical perspective, the effect of the minimum wage on the labour market and informality is not entirely clear. Hence, the primary aim of this review of the literature is to understand the potential impact of the minimum wage on unemployment, growth of the informal sector, and other indicators of labour demand, as well as the ways in which higher levels of unemployment and informal employment might affect the productivity of firms. The second aim is to review the various adjustments that businesses make in order to absorb the increase in labour costs, some of which can ultimately affect productivity in the economy as a whole. Much of the empirical evidence on the effects of the minimum wage on the labour market comes from developed countries, but in recent years the volume of studies on developing countries has increased, giving us a more comprehensive picture of the consequences of the minimum wage in emerging economies. Much of the literature finds that the effects are to lower levels of employment and growth of the informal sector, especially when the minimum wage is set at very high level. Typically, increases in unemployment and informal employment can have negative implications for a company's productivity and for the economy, since there is a reduction in the contribution of workers toward generating goods and services. If the increases in the minimum wage are significant, the company may see itself forced to lay off not only its less productive workers, but also those who have skills and experience that are valuable for carrying out its mission. From the company's perspective, an increase in the participation of informal workers might enable it to reduce its investment in training because these workers are not bound by an employer-employee relationship that guarantees it can reap the benefits of the
investment.

5.4 Recommendations

Arising from the study findings and conclusions above, the following recommendations have been made in order for the minimum wage policy to have a positive effect on the domestic workers:

- There should be sufficient flexibility in the supply of labour in order for the structure of employment to be altered to casual employment, leaving the domestic worker with more opportunity to sell his/her service.
- The introduction of a minimum wage should be based on the need for it by domestic workers and not on the need as perceived by politicians and labour unions.
- It is recommended that careful consideration be given to a geographically different minimum wage in DW sector.
- A minimum wage should be calculated on an hourly basis instead of having a set monthly minimum wage. Should this not be the case, it would create opportunities for employers to employ casual domestic service to escape their legal obligation.

5.5 Areas for Further Study

This study was limited to an assessment of the effects of minimum wage on domestic workers in the City of Chipata only. In order to generalise the findings, it is suggested that a similar study be conducted in other parts of the country as current wage levels for domestic workers differ widely from one geographical area to the next, especially between urban and rural locations in Zambia.

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