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Analyzing the effect of Minimum wage on Employment situation: A case study of small-scale businesses in Lusaka district

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Abstract

The Impact of Minimum Wage Policies on Employment has been a subject of debate globally, yielding diverse outcomes across regions and sectors. In Zambia, particularly in Lusaka City, the Retail Sector constitutes a significant part of the local economy. Small-Scale Businesses, as a vital segment of this sector, encounter unique Challenges and Opportunities under Minimum Wage Regulations. Understanding the specific Effects on their Employment Situation is essential for shaping Policy Decisions and enhancing Economic Outcomes. This Study aims to investigate the Effects of Minimum Wage Adjustments on the Employment Situation of Small-Scale Businesses in Lusaka District. The Objectives include: to Analyze the Effects of Minimum Wage Adjustment on Employment Levels in Lusaka District, to Examine Small-Scale Employers' Reactions to Minimum Wage Adjustments in Lusaka District, and to Identify the Limitations Faced by Small-Scale Employers in Complying with Minimum Wage Laws. The Research employs a Mixed-Methods Approach, integrating Quantitative and Qualitative Data. A Survey will be conducted among Small-Scale Businesses across various parts of Lusaka City to collect Primary Data on Employment Levels, Working Hours, and Business Performance. This will be supplemented by In-Depth Interviews to gather Qualitative Insights into Small-Scale Employers' Experiences and Perceptions. Additionally, Secondary Data from Government and Industry Reports will be analyzed to provide Contextual Background and corroborate Findings. The Study is expected to uncover a nuanced Impact of Minimum Wage Increases on Small-Scale Business Employment in Lusaka City. While some Businesses may respond by Reducing Staff or Cutting Working Hours to mitigate Increased Labor Costs, others might Adapt through Price Adjustments or Productivity Enhancements. The Findings will hold significant Implications for Policymakers, offering Strategies to Balance Fair Wages with Sustainable Employment Levels. This Research seeks to contribute to the broader Discourse on Labor Economics in Developing Countries, delivering actionable Insights for Zambia and similar Economies.

Keywords: Wage, Policy, Minimum Wage, Employment, Small-Scale Employers

1. Introduction

The effects of Minimum Wage adjustments on employment, particularly in small-scale businesses, are widely studied due to their implications for job creation, wage stability, and economic equality (International Labour Organization [ILO], 2022) [23]. In Zambia, where SMEs employ a significant portion of the workforce, the 36% Minimum Wage increase from ZMW 1,698 in 2021 to ZMW 2,313 in 2023 was intended to address inflation and improve living standards (Chileshe & Tembo, 2023) [14]. However, this adjustment has presented challenges for small-scale employers, including financial strain, reduced working hours, increased reliance on casual labor, and delays in new hires (Monyane *et al*., 2022) [26].

Globally, Minimum Wage policies show mixed outcomes, with small businesses often experiencing reduced profitability, layoffs, or reliance on informal employment to manage costs (Neumark *et al*., 2021; Yadav *et al*., 2023) [29, 35]. In Sub-Saharan Africa, including Zambia, informal employment rises as businesses struggle to comply with wage hikes (ILO, 2022) [23]. Sectors like retail and hospitality in Lusaka District face significant barriers to sustaining operations under the new wage structure due to limited access to credit and high operational costs (Banda & Musonda, 2022) [8].

This study evaluates the 2023 wage adjustment's effects on employment, operational costs, and compliance in Lusaka District, emphasizing the need for policies that balance worker welfare with small business sustainability. These findings aim to

contribute to more effective and equitable wage policy interventions.

1.1 Statement of the Problem

Small-scale businesses in Lusaka District face significant challenges in complying with Zambia's Minimum Wage laws due to financial constraints and limited resources. While these laws aim to enhance workers' welfare, they often create financial pressure that small enterprises struggle to manage, leading to unintended consequences such as reduced hiring, high employee turnover, and increased informality in employment. Research on how small businesses in developing regions adapt to these regulations is limited, leaving policymakers without a comprehensive understanding of the sector-specific challenges. This gap highlights the need for targeted research to examine the impact of wage policies on small business operations and employment stability, supporting the development of strategies that balance fair wages with business sustainability and contribute to economic growth.

1.2 General Objectives.

The primary objective is to analyze the effects of minimum wage adjustment on the employment situation on small-scale businesses in Lusaka district.

1.2.1 Specific Objectives

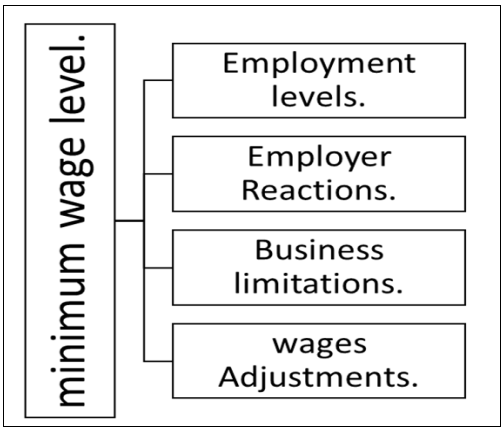
1. To analyze the effects of minimum wage adjustment on employment levels in Lusaka district.
2. To examine small-scale employers' reactions toward the minimum wage adjustment in Lusaka district.
3. To identify the limitations faced by the small-scale employers in complying with minimum wage laws.

1.3 Research Questions

1. What are the effects of the Minimum Wage adjustment on the employment levels in Lusaka district?
2. What are the small-scale employers' reactions toward the Minimum Wage adjustment in Lusaka district?
3. What are the limitations faced by these small-scale employers in complying with Minimum Wage laws?

1.4 Conceptual Framework.

This shows the diagrammatic depiction of the relationship between minimum wage and the variables (employment levels, employer attitudes, business limitations, and wage adjustments) with their indicators and the performance determinants.



Source: Author (2024)

Fig 1.1: Conceptual Framework

2. Literature Review

2.1 Effects of Minimum Wage Adjustments on Employment

Two primary theories dominate the Minimum Wage-employment debate. The neoclassical model argues that wage increases raise labor costs, potentially reducing employment, particularly in small-scale enterprises with thin profit margins (Neumark & Wascher, 2019) [30]. In contrast, the monopsony model suggests that wage hikes can increase employment by correcting wage-setting imbalances in less competitive labor markets (Manning, 2021).

In developed economies like the United States and Canada, the employment effects of Minimum Wage adjustments vary. Modest reductions in low-wage sectors such as retail are common, though regions with strong economic stability see minimal impacts (Meer & West, 2020; Dube *et al*., 2010). In Europe, outcomes depend on local conditions, with Germany demonstrating stable employment levels due to improved worker productivity and reduced turnover (Caliendo *et al*., 2019) [12]. However, Southern Europe, including Spain and Greece, faces job losses in low-skilled sectors (García-Pérez *et al*., 2022). Asian economies, like South Korea and China, show adaptability, with short-term job losses offset by businesses' adjustments (Choi, 2021; Lin & Wang, 2020) [15, 25].

In Sub-Saharan Africa, informal employment complicates Minimum Wage enforcement, often limiting its effectiveness. In South Africa, sectors like agriculture face significant employment challenges, while formal sectors see minimal effects (Ranchhod & Finn, 2020; Bhorat *et al*., 2021 [9]). In Zambia, adjustments often strain small-scale businesses, leading to reduced hiring and work hours, especially in urban centers like Lusaka (Simuchoba, 2021). Despite challenges, Minimum Wage policies improve worker earnings and morale when compliance is enforced (Kaluba, 2021) [24].

Small-scale businesses in Lusaka, particularly in retail and hospitality, face operational difficulties due to increased labor costs. Some businesses have adapted by raising prices or improving efficiency, while others resort to part-time or temporary contracts to manage costs (Zimba, 2022) [39]. Weak enforcement in the informal sector undermines policy goals, necessitating better regulatory frameworks (Mulenga & Phiri, 2021) [27].

2.2 Small-Scale Businesses' Reactions toward Minimum Wage Adjustments

Small-scale businesses, representing about 60% of total employment globally (ILO, 2022) [23], are critical to economic stability. However, minimum wage policies often evoke mixed reactions due to their financial implications. Research in the U.S. highlights concerns about profitability, job cuts, and reduced hours among small businesses, especially in labor-intensive sectors like hospitality and retail (Hirsch *et al*., 2020). Nonetheless, adaptable businesses can mitigate wage impacts through internal cost-saving mechanisms, improving employee productivity and retention (Broecke *et al*., 2021) [10].

In Europe, employer reactions vary widely by country. Germany's 2015 national minimum wage initially met resistance, especially from small-scale employers in retail and hospitality (Caliendo *et al*., 2019) [12]. Over time, many observed benefits like enhanced employee morale and reduced turnover (Dustmann *et al*., 2020) [18]. Conversely,

Southern European countries like Greece and Spain face stronger opposition due to economic challenges, where small-scale employers in agriculture and tourism fear exacerbated unemployment (García-Pérez *et al*., 2022).

In Asia, employer attitudes are shaped by labor dynamics and economic conditions. South Korean small businesses, especially in service sectors, report difficulty adapting to wage hikes, with some experiencing closures (Choi, 2021) [15]. In contrast, Chinese employers in developed regions like Beijing recognize long-term benefits of higher wages, such as improved retention and productivity, while those in labor-intensive industries remain cautious (Lin & Wang, 2020 [25]; Wang & Lu, 2021).

In Africa, concerns about minimum wage increases often stem from informal employment dominance and economic instability. South African small businesses in agriculture and domestic sector's view wage hikes as potential threats to job security (Ranchhod & Finn, 2020). Similarly, in Sub-Saharan countries like Nigeria and Kenya, limited financial flexibility and government support hinder compliance (Omolo, 2019) [32]. Tailored interventions addressing regional dynamics are necessary to balance wage increases with business viability (World Bank, 2020).

In Zambia, particularly Lusaka District, small-scale employers often resist minimum wage adjustments due to slim profit margins and limited cost-offsetting options (Simuchoba, 2021). Retail, hospitality, and construction sectors express concerns about reduced working hours, job cuts, or price increases. However, some formal-sector employers view wage increases positively, citing improved employee motivation, retention, and productivity when paired with strategies like cost-efficiency and inventory management (Mulenga & Phiri, 2021; Zimba, 2022) [27, 39].

Small-scale businesses globally share common challenges regarding minimum wage adjustments, such as profitability concerns and regulatory compliance difficulties. However, regional differences in economic conditions, policy enforcement, and labor market dynamics significantly influence employer attitudes. Evidence from Lusaka mirrors global trends, demonstrating a mix of resistance and adaptability among small-scale employers, highlighting the importance of context-specific approaches to wage policies.

2.3 Limitations faced by small-scale employers in complying with minimum wage laws

Small-scale employers globally often face significant financial constraints that impact their ability to comply with minimum wage laws. Research indicates that small businesses have lower profit margins and limited cash flow, making them vulnerable to mandatory wage increases. For instance, Broecke *et al*. (2021) [10] noted that small businesses experience greater financial strain from wage hikes compared to larger corporations, leading to potential cost-cutting measures like reducing employee hours or limiting hiring. Neumark and Wascher (2019) [30] further emphasized that in developed economies such as the U.S., higher labor costs often result in scaled-back hiring and increased use of part-time or temporary labor.

Small-scale employers often lack the infrastructure necessary to navigate complex wage regulations effectively. This includes limited HR capabilities to implement and maintain payroll systems and manage compliance with changing laws. Dube (2019) highlighted that, small businesses, unlike larger corporations, struggle with absorbing the costs associated with administrative updates required to meet wage regulations. The complexity of laws, which can vary across regions and industries, poses additional challenges. Studies such as Caliendo *et al*. (2019) [12] illustrate that even developed economies like Germany saw small businesses grapple with extensive administrative burdens after implementing national minimum wage laws.

Developing economies face unique difficulties, including inconsistent enforcement and economic instability. In China and Indonesia, Lin and Wang (2020) [25] highlighted that rural small-scale businesses often operate informally to avoid wage compliance due to financial limitations. South Korea's small employers, as noted by Choi (2021) [15], struggle to adopt productivity-enhancing technologies that can offset wage increases, leading to job cuts and reduced benefits.

Africa, particularly countries like South Africa and Nigeria, experiences heightened challenges due to the prevalence of informal employment and weak regulatory enforcement. Bhorat *et al*. (2021) [9] noted that compliance is especially difficult in sectors relying on low-wage labor, while Omolo (2019) [32] discussed how informal employment in Nigeria undermines wage policy enforcement. In Zambia, small-scale employers, particularly in Lusaka, face economic pressures exacerbated by high inflation and limited access to credit. Simuchoba (2021) pointed out that periodic wage hikes directly impact profitability, often leading to workforce reductions or price increases that hinder business sustainability. The informal sector, as Kaluba (2021) [24] observed, provides a means for many businesses to avoid compliance altogether, posing a challenge for formal wage policy implementation.

Addressing these challenges requires a nuanced approach that considers the context-specific obstacles faced by small-scale employers. Policymakers should implement supportive measures such as tax incentives, targeted subsidies, and facilitated access to credit to help small businesses comply without jeopardizing their viability. As Mulenga and Phiri (2021) [27] noted, the administrative burden of wage compliance can deter formalization, perpetuating a large informal sector resistant to regulatory enforcement. A balanced policy approach that incorporates these supports can bridge the gap between wage policy goals and the capabilities of small-scale employers.

3. Research Methodology

3.1 Research design

This study on the impact of minimum wage on small-scale employment in Lusaka District utilizes a descriptive research design, which is well-suited for analyzing current employment conditions without altering variables. Quantitative data were collected through surveys to assess employment indicators such as hiring and turnover rates, providing statistical insights into trends. Qualitative data were gathered through interviews to capture employers' experiences and perceptions, enriching the findings with contextual depth. While this design does not establish causality, it offers a snapshot of employment trends at a specific time, laying the groundwork for future causal studies. The approach is effective for informing policymakers and guiding future research by providing a comprehensive understanding of the minimum wage's impact on small-scale employment.

3.2 Sampling design
The study on the effects of minimum wage on small-scale businesses in Lusaka district will use a stratified random sampling technique to ensure representativeness and reliability. The district will be divided into strata based on geographic and economic zones to capture diverse business experiences. Small enterprises, such as grocery stores and salons, will be randomly selected within each stratum, ensuring proportional representation. The sample size will be calculated for statistical power, supporting quantitative analysis. For qualitative insights, purposive sampling will be used to select participants with varied perspectives on the impact of minimum wage. This combined approach balances generalizability with depth, providing comprehensive insights into employment and operational changes in Lusaka's small-scale sector.

3.3 Target population
The target population for this study consists of small to medium-sized retail businesses in Lusaka district, including grocery stores, boutiques, hardware stores, and specialty shops. This focus aims to understand the specific impacts of minimum wage policies on this sector, which is vital to the local economy. The study will encompass businesses from both urban and peri-urban areas to capture diverse economic conditions and business environments, ensuring a comprehensive understanding of how minimum wage policies affect employment and operational strategies.

3.4 Sample Size Determination
The study will include a sample of 50 small-scale employers in Lusaka District, chosen to analyze the impacts of minimum wage adjustments and the challenges of compliance. This sample size provides diverse representation across sectors like retail, manufacturing, agriculture, hospitality, and services, while being practical given time and resource limits. Participants will be selected using purposive and stratified sampling to ensure the sample reflects the broader population of small-scale employers, balancing qualitative insights with manageable data collection.

3.5 Triangulation
This study employs triangulation by integrating quantitative surveys and qualitative interviews to ensure comprehensive and credible findings on the effects of minimum wage on small-scale employers in Lusaka District. Surveys provided statistical data on employment trends, while qualitative interviews offered deeper insights into employers' experiences and strategies. For example, if survey results indicated workforce reductions, interviews clarified reasons such as financial constraints. This combined approach cross-checked and validated data, reducing bias and enhancing the study's overall reliability. By capturing both measurable trends and personal perspectives, the study achieved a well-rounded analysis that informs policymakers with robust and contextual insights.

3.6 Data Analysis
This study used a mixed-methods approach to analyze the impact of minimum wage on small-scale employers in Lusaka District. Quantitative survey data were examined using descriptive and inferential statistics, such as regression analysis, to assess relationships between wage changes and employment indicators. Qualitative interview data were analyzed through thematic analysis, identifying key perceptions, challenges, and strategies of employers. Data triangulation enhanced reliability by integrating statistical patterns with personal insights, providing a comprehensive understanding to inform policymaking.

4. Findings and Results
4.1 Characteristic of Respondents (Bio Data)

Table 4.1.1: Types of Business and Period of being in Business

	How long have you been operating this business				
Type of Business	1-3 years	4-6 years	Less th..	More th..	Total
Clothing stores	7	2	0	1	10
Grocery stores	8	16	1	3	28
Hardware shop	1	0	0	1	2
Others	0	1	1	2	4
Restaurant/Café	2	1	0	3	6
Total	18	20	2	10	50

The findings from the data indicate the distribution of small-scale businesses in Lusaka District based on their types and the duration of their operation. Grocery stores dominate the sample, comprising 28 of the total 50 businesses, with the majority (16) having operated for 4–6 years. Clothing stores are the second most common type, accounting for 10 businesses, most of which (7) have operated for 1–3 years. Restaurants and cafés represent 6 businesses, showing an even distribution across the 1–3 years and over 6 years categories, with only 1 operating for 4–6 years. Hardware shops (2 businesses) and other businesses (4 businesses) are less prevalent, with a notable concentration of other businesses operating for over 6 years. Overall, businesses operating for 4–6 years (20) and 1–3 years (18) constitute the majority of the sample, suggesting that many small-scale businesses in the area are relatively young but well-established within these time frames.

Table 4.1.2: Number of Employees

Number of Employees	Freq.	Percent	Cum.
Less 4	10	20.41	20.41
Less 7	27	55.10	75.51
Less than 10	8	16.33	91.84
More than 10	4	8.16	100.00
Total	49	100.00	

The findings reveal the distribution of small-scale businesses in Lusaka District based on the number of employees. The majority of businesses (55.10%) employ fewer than seven workers, indicating that most operate on a relatively small scale. Businesses with fewer than four employees constitute 20.41% of the sample, reflecting a significant proportion of micro-enterprises. Those employing fewer than ten workers account for 16.33%, while only 8.16% of businesses have more than ten employees. This distribution underscores the dominance of micro and small enterprises within the sample, with a cumulative 91.84% of businesses having fewer than ten employees, highlighting the limited capacity for large-scale employment in this sector.

4.2 Effects of Minimum Wage Adjustment on Employment Levels

Table 4.2.1: A Chi Square test on salary scale before minimum wage adjustment and number of employees

What was the salary scale in your business before the most recent minimum wage a	Number of Employees				
	Less 7	Less 4	Less th..	More th..	Total
ZMW 1,000 - ZMW 2,500	16	5	4	2	27
	0.1	0.0	0.0	0.0	0.2
ZMW 2,501 - ZMW 4,000	6	1	3	1	11
	0.0	0.7	0.8	0.0	1.5
Less than ZMW 1,000	4	3	0	0	7
	0.0	1.7	1.1	0.6	3.4
Above ZMW 5,000	1	1	1	1	4
	0.7	0.0	0.2	1.4	2.3
Total	27	10	8	4	49
	0.7	2.5	2.2	2.0	7.4

Pearson chi2(9) = 7.4191 Pr = 0.594

(H_0): Salary scale before minimum wage adjustment and number of employees are independent
(H_1): Salary scale before minimum wage adjustment and number of employees are dependent
Based on the data, Pearson chi = 7.4191, p-value = 0.594. Setting the level of significance to 0.05.
The findings from the statistical test indicate that the relationship between the salary scale before the minimum wage adjustment and the number of employees is not significant. The Pearson chi-square statistic is 7.4191, with a p-value of 0.594. Given that the p-value is greater than the significance level of 0.05, we fail to reject the null hypothesis (H_0). This means there is no sufficient evidence to conclude that the salary scale before the minimum wage adjustment and the number of employees, are dependent. In other words, the data suggest that the two variables are independent.

Table 4.2.2: A Chi Square test on salary scale after minimum wage adjustment and number of employees

What is the current salary scale in your business after implementing the minimum	Number of Employees				
	Less 7	Less 4	Less th..	More th..	Total
Less than ZMW 2,500	6	6	4	3	19
	1.9	1.2	0.3	1.4	4.7
ZMW 2,510 - ZMW 3,100	9	2	3	0	14
	0.2	0.3	0.2	1.1	1.8
ZMW 3,200 - ZMW 4,100	7	2	0	1	10
	0.4	0.0	1.6	0.0	2.1
Above ZMW 4,500	5	0	1	0	6
	0.9	1.2	0.0	0.5	2.6
Total	27	10	8	4	49
	3.4	2.6	2.1	3.0	11.2

Pearson chi2(9) = 11.1810 Pr = 0.264

(H_0): Salary scale after minimum wage adjustment and number of employees are independent
(H_1): Salary scale after minimum wage adjustment and number of employees are not independent
Based on the data, Pearson chi = 11.1810, p-value = 0.264. Setting the level of significance to 0.05
The findings from the statistical analysis indicate that the salary scale after the minimum wage adjustment and the number of employees are not significantly related. The Pearson chi-square statistic is 11.1810, with a p-value of 0.264. Since the p-value is greater than the significance level of 0.05, we fail to reject the null hypothesis (H_0). This implies that there is no sufficient evidence to conclude that the salary scale after the minimum wage adjustment and the number of employees are dependent. Therefore, the data suggest that these two variables are independent.

4.3 Small-scale Employees' Reactions Toward Minimum Wage Adjustment

Table 4.3.1: A Chi square test on minimum wage adjustment impacted the overall business environment and long-term effects of minimum wage adjustment on small scale businesses

. In your opinion, how has the minimum wage adjustment impacted the overall busi	How do you perceive the long-term effects of minimum wage adjustments on small-s			
	Negative	Very ne..	Neutral	Total
Negative	10	4	2	16
	0.5	0.9	0.1	1.5
Very negative	7	4	1	12
	0.2	0.1	0.0	0.3
Very positive	5	5	1	11
	0.0	0.1	0.0	0.1
Positive	3	5	0	8
	0.3	1.0	0.8	2.1
No impact	0	2	1	3
	1.5	0.5	1.6	3.7
Total	25	20	5	50
	2.5	2.7	2.6	7.7

Pearson chi2(8) = 7.6989 Pr = 0.463

(H_0): Minimum wage adjustment and long-term effects on small scale businesses are independent.
(H_1): Minimum wage and long-term effects on small scale businesses are not independent.
Based on the data, Pearson chi = 7.6989, p-value = 0.463. Setting the level of significance to 0.05.
The findings from the statistical analysis indicate that the impact of the minimum wage adjustment on the overall business environment and its long-term effects on small-scale businesses are not significantly associated. The Pearson chi-square statistic is 7.6989, with a p-value of 0.463. Since the p-value is greater than the significance level of 0.05, we fail to reject the null hypothesis (H_0). This suggests that there is no sufficient evidence to conclude that the minimum wage adjustment's impact on the overall business environment and its long-term effects on small-scale businesses are dependent. Therefore, the data imply that these two factors are independent.

Table 4.3.2: Minimum wage adjustment has made it difficult to sustain my business and minimum wage laws and their implications

To what extent do you agree with the following statement: "The minimum wage adju	Do you feel adequately informed about the minimum wage laws and their implicatio			
	Unsure	Yes	No	Total
Strongly agree	8 0.1	6 0.1	5 0.0	19 0.2
Agree	7 0.5	4 0.2	3 0.1	14 0.9
Strongly disaagree	2 0.4	3 0.0	3 0.4	8 0.8
Neutral	1 0.7	4 1.6	1 0.2	6 2.5
Disagree	1 0.0	1 0.0	1 0.1	3 0.1
Total	19 1.7	18 1.9	13 0.8	50 4.4

Pearson chi2(8) = 4.3857 Pr = 0.821

(H_0): Minimum wage adjustment and minimum wage laws and their implications are independent.
(H_1): Minimum wage adjustment and minimum wage laws and their implications are not independent.
Based on the data, Pearson chi = 4.3857, p-value = 0.821. Setting the level of significance to 0.05.
The findings from the statistical analysis suggest that the minimum wage adjustment and the understanding of minimum wage laws and their implications are not significantly related. The Pearson chi-square statistic is 4.3857, with a p-value of 0.821. Since the p-value is greater than the significance level of 0.05, we fail to reject the null hypothesis (H_0). This indicates that there is no sufficient evidence to conclude that the minimum wage adjustment and the understanding of minimum wage laws and their implications are dependent. The data suggest that these two variables are independent.

4.4 Limitations Faced by Small-Scale Employers in Complying with Minimum Wage Laws

Table: 4.4.1: A Chi square test on challenges face in complying with minimum wage laws and financial burden associated with minimum wage

What challenges do you face in complying with minimum wage laws	How do you manage the financial burden associated with complying with the minimu					
	Cut oth..	Reduce ..	Other	Increas..	Seek lo..	Total
Increased operatio..	10 0.3	3 0.8	1 0.7	2 0.0	3 1.4	19 3.2
Reduced profitability	6 0.1	2 0.4	3 1.7	1 0.0	0 1.0	12 3.2
Difficulty in manag..	3 0.7	5 1.6	1 0.1	1 0.0	1 0.0	11 2.4
Legal compliance co..	2 0.2	2 0.1	1 0.1	1 0.3	0 0.5	6 1.1
Other	1 0.0	1 0.4	0 0.2	0 0.2	0 0.2	2 1.1
Total	22 1.3	13 3.3	6 2.8	5 0.5	4 3.1	50 11.0

Pearson chi2(16) = 11.0301 Pr = 0.808

H_0: Limitations face in complying with minimum wage laws and financial burden associated with minimum wage are independent.
H_1: Limitations face in complying with minimum wage laws and financial burden associated with minimum wage are dependent.
Based on the data, Pearson chi = 11.0301, p-value = 0.808. Setting the level of significance to 0.05.
The findings from the statistical test indicate that the challenges faced in complying with minimum wage laws and the financial burden associated with the minimum wage are not significantly related. The Pearson chi-square statistic is 11.0301, with a p-value of 0.808. Since the p-value is greater than the significance level of 0.05, we fail to reject the null hypothesis (H_0). This means there is no sufficient evidence to conclude that the challenges faced in complying with minimum wage laws and the financial burden associated with the minimum wage are dependent. The data suggest that these two factors are independent.

Table 4.4.2: Legal issues related to non-compliance with minimum wage and nature of the issue

Have you encountered any legal issues related to non-compliance with minimum wag	If yes, what was the nature of these issues				
	Employe..	Other	Labour ..	Fines o..	Total
No	13 0.3	10 0.0	11 0.5	6 0.0	40 0.9
Yes	6 1.3	2 0.1	0 2.2	2 0.1	10 3.6
Total	19 1.6	12 0.1	11 2.8	8 0.1	50 4.6

Pearson chi2(3) = 4.5504 Pr = 0.208

H_0: Legal issues related to non-compliance and nature of these issue are independent.
H_1: Legal issues related to non-compliance and nature of these issue are not independent.
Based on the data, Pearson chi = 4.5504, p-value = 0.208. Setting the level of significance to 0.05.
The findings from the statistical analysis indicate that legal issues related to non-compliance with minimum wage laws and the nature of these issues are not significantly associated. The Pearson chi-square statistic is 4.5504, with a p-value of 0.208. Since the p-value is greater than the significance level of 0.05, we fail to reject the null hypothesis (H_0). This suggests there is no sufficient evidence to conclude that legal issues related to non-compliance and the nature of these issues are dependent. Therefore, the data imply that these two variables are independent.

Table 4.4.3: Support to small scale employers from government and types of business

What support do you think small-scale employers need from the government to bett	Type of Business					
	Grocery..	Clothin..	Restaur..	Others	Hardwar..	Total
Financial subsidies	13	3	1	3	1	21
	0.1	0.3	0.9	1.0	0.0	2.5
Tax incentives	9	4	2	0	0	15
	0.0	0.3	0.0	1.2	0.6	2.2
Other	2	2	1	1	0	6
	0.6	0.5	0.1	0.6	0.2	2.0
Simplified complian..	1	1	2	0	0	4
	0.7	0.0	4.8	0.3	0.2	6.0
Training and awaren..	3	0	0	0	1	4
	0.3	0.8	0.5	0.3	4.4	6.3
Total	28	10	6	4	2	50
	1.7	2.1	6.3	3.4	5.4	19.0

Pearson chi2(16) = 18.9501 Pr = 0.271

H_0: Government support and types of business are independent.

H_1: Government support and types of business are not independent.

Based on the data, Pearson chi = 18.9501, p-value = 0.271. Setting the level of significance to 0.05.

The findings from the statistical analysis indicate that government support and types of business are not significantly associated. The Pearson chi-square statistic is 18.9501, with a p-value of 0.271. Since the p-value is greater than the significance level of 0.05, we fail to reject the null hypothesis (H_0). This suggests there is no sufficient evidence to conclude that government support and types of business are dependent. Therefore, the data imply that these two variables are independent.

4.5 Discussion of findings

The findings reveal that grocery stores dominate small-scale businesses in Lusaka District, with most operating sustainably for 4–6 years, while clothing stores, restaurants, and niche ventures show varied longevity patterns. Micro and small enterprises, employing fewer than 10 workers, form the majority, underscoring limited large-scale employment capacity. Statistical analysis shows no significant relationship between minimum wage adjustments and employment levels, long-term business effects, or employers' understanding of wage laws, indicating other factors like market conditions and operational strategies play pivotal roles. Compliance challenges are also independent of financial burdens, legal issues, or government support, highlighting the need for nuanced policies, improved regulatory communication, and tailored support to address diverse business needs and foster growth effectively.

5. Conclusion

This study highlights the challenges faced by small-scale businesses in Lusaka District due to minimum wage adjustments, emphasizing their vital role in local economies as key providers of goods, services, and employment. Findings show that while wage increases aim to improve livelihoods, they often strain businesses, leading to workforce reductions, price hikes, and profit declines, which negatively impact employment and economic activity. Many employers lack adequate understanding of wage regulations, underscoring the need for better communication, training, and simplified compliance processes. Targeted government support, such as subsidies and tax incentives, is crucial to alleviate financial burdens and sustain operations. Collaborative, well-designed wage policies that balance worker benefits with business viability are essential to fostering equitable economic growth and job creation.

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