

Uganda: Minimum wages or minimizing wages?

Uganda's minimum wage was last set in 1984 and has since lost much of its purchasing power, with workers officially entitled to less than one dollar a month. Discussions initiated in 1995 about adjustment have yet to deliver the goods. And prospects suggest Ugandan workers will be only slightly better off. Unless decency gets the upper hand...

Martin Wandera

Member of Parliament

General Secretary

Uganda Hotels, Food and Allied Workers' Union

Mohammed Mwamadzingo

Regional Specialist on Workers' Education

ILO Harare

Uganda is one of the countries that are in the forefront of implementing economic reforms as prescribed by the Bretton Woods institutions. Since the late 1980s the Government, with the support of donors, has rehabilitated and stabilized the economy by undertaking currency reform, raising producer prices on export crops, increasing prices of petroleum products and improving civil service wages. Inflation came down to 5.3 per cent from double digits, and the overall fiscal deficit (excluding grants) was reduced to 6.5 per cent from 11.2 per cent of national income. The country has also made a strong economic reform effort in recent years, including in the areas of trade liberalization, tax administration and public enterprise reform. In 2001, Uganda completed a poverty reduction strategy involving a participatory process.

Substantial improvements have also been recorded in social indicators, the most notable being the area of primary education where enrolment reached 6.5 million children in March 1999 from 2.3 million in December 1996, and the net enrolment

rate increased from 56 per cent in 1995-96 to 94 per cent in 1998-99. The share of the population living in poverty declined to 44 per cent in 1996-97, from 56 per cent in 1992-93.

Yet Uganda remains one of the poorest countries in the world. The cost of living has dramatically increased, as has the number of unskilled workers. As a result, working and living conditions have deteriorated.

The minimum wage odyssey

In 1963, Uganda joined the ILO and, in the process, acceded to 17 ILO Conventions ratified by the colonial administration. One of these was the Minimum Wage-Fixing Machinery Convention, 1928 (No. 26). Article 1 of this Convention states:

Each member of the International Labour Organization which ratifies this Convention undertakes to create or maintain machinery whereby minimum rates of wages can be

fixed for workers employed in certain of the trades or parts of trades (and in particular, in home working trades) in which no arrangement exists for the effective regulation of wages by collective agreement or otherwise and wages are exceptionally low.

The provisions of this Convention were translated into national law, through the Minimum Wages Advisory Board and Wages Councils Act adopted in 1964. In effect, Uganda has had a statutory minimum wage since then. It was last adjusted in 1984.

In 1995, a Minimum Wages Advisory Board was established, in consultation with the Federation of Uganda Employers (FUE) and the National Organization of Trade Unions (NOTU). The Board included representatives of government, employers and workers. Its terms of reference were as follows:

- Inquire into wages of unskilled labour throughout Uganda and submit recommendations having regard to the existing social and economic conditions of the country.
- Recommend differentials, if any, which should apply as between different areas.
- Consider, in accordance with the powers under Section (5) of the Minimum Wages Advisory Board and Wages Councils Act, the need for a special minimum wage rate and other attractive conditions of work for the large agricultural estates as an inducement to labour.
- Consider the need for payment of a separate minimum rate for earners other than apprentices and make recommendations.
- Make recommendations relating to part-time workers so as to ensure that an employee who is employed for four or less consecutive hours each day is paid at an hourly rate.

The Board held extensive and intensive consultations with a representative number of lawyers and workers, including

local government authorities. The recommendations of the Board were widely discussed and underwent all the systematic procedures required by the law. Its report was studied by the then Minister responsible for labour affairs. He submitted it to the Government, which authorized him to gazette the report in accordance with Section 64 of the law under reference. The report was gazetted in April 1997.

The Board was reconvened in May 1997 to reconsider its report in the light of public comments. The report was then resubmitted to Cabinet. Cabinet made its recommendations to President Yoweri Museveni in 1998. The 1964 Act gives the President the prerogative to announce the statutory minimum wage. He may accept the Board's proposals as they stand or hold consultations as he sees fit and amend the proposals accordingly, prior to implementation. At this stage, the President is still reportedly pursuing consultations with the stakeholders. And to date, there has not been any end in sight to the process, much to the chagrin of Ugandan workers.

The workers' arguments

In fact, despite the Minimum Wages Advisory Board's taking all factors into consideration and undertaking wide consultations with all the stakeholders, the Government has, up to now, been hesitant to put the proposals into effect. Workers, through their representatives in Parliament, have pleaded for the reinstatement of the wage-fixing machinery, but to no avail.

For workers, the main arguments in favour of a minimum wage have been that it ensures that the worker is adequately rewarded for his/her services and enables him/her to attain a decent standard of living through the provision of the basic necessities of life. A minimum wage is taken as a wage sufficient to cover the worker's normal material, moral and cultural needs and to enable him or her to carry out his or her duties as the head of a family. Workers were propagating the value of minimum wages on the following grounds:

- as part of preventing the exploitation of workers;
- as an assurance of fair or decent remuneration;
- as a potential means of improving income distribution (without making those at the lower end over-dependent on state benefits);
- as a way of increasing economic efficiency;
- as a means of determining pay where collective bargaining is absent or weak; and
- as a means of preventing competitive tendencies between workers from forcing wage rates down to very low levels.

For workers and their trade unions, where the economy is governed by market forces, there is a need for standards, for laws to protect certain categories of people and for basic rules under which the market forces should all operate. With a minimum wage set at the 1984 rate of Ugandan shillings (Ush) 60 (new shillings, following the currency reform),¹ there is little that can be done towards sustainable development.

The Government's failure to come up with a minimum wage has made the numerous previous reviews inconsequential to the workers of Uganda. This failure has no doubt adversely affected the workers and it has far-reaching implications for the Ugandan economy.

Failure to define the minimum wage has sent out the wrong signals to the business community. Investors from Asia, in particular, have sadly become known for paying Ugandan workers peanuts and subjecting them to inhumane treatment. In 1998, an Asian businessman was accused in media reports of having grabbed his employee by the neck and forced her to clean the carpet with her tongue. He was paying her only Ush35,000 (old shillings – less than US\$20) per month.

Uganda's hard-nosed employers ask why they should pay their workers and treat them well when the Government does not seem to value their contribution.

For workers, a minimum wage is not meant to be a burden to investors as some may argue. But, yes, it is meant to be a bottom checkpoint against worker exploitation.

A mini household survey carried out in 1998 revealed that a low-income worker spends Ush36,000 per month in order to have shelter and a few basic necessities.² At a take-home package of Ush35,000, this means that each worker spends Ush1,000 more than what he or she actually earns a month. (All values here in old shillings.) The implication is that most workers are either perpetually in debt or have been forced to resort to informal or more dubious methods to make ends meet.

The government attitude

For the Government, the minimum wage is perceived as having serious implications for employment, investment and the economy in general. The argument is that "extensive consultations" are hoped to be good for the workers and the country as a whole. Furthermore, the Government stated that it is very sensitive to the plight of the workers, and, therefore, it is doing everything possible within its limited resources to ensure the protection and promotion of good employment conditions in Uganda.

While the President is reportedly pursuing consultations with stakeholders on adjusting the minimum wage, discussions between trade unions and officials from the Ministry of Finance suggest that the latter is advising the Ugandan authorities against the move.

The impasse

The minimum wage in Uganda was last set in 1984 and has not been reviewed. In the 1984 review, the minimum wage was set at Ush6,000, and owing to the subsequent devaluation and conversion of the shilling, the minimum wage stood at 60 (new) shillings per month by April 1999.

On 14 April 1999, Parliament expressed concern over the repeated adjournments. It recalled that it was close to a year since the Board's proposals were passed to the President, yet nothing had happened.³ The minimum wage for workers stood at the equivalent of 3 US cents per month. Parliament thus resolved that the President be required to expedite the process of consultation in order to give effect to the recommended proposals for the minimum wage to unskilled labour by the Minimum Wages Advisory Board.

The Board originally recommended a minimum wage of Ush75,000 (old shillings). This was reluctantly accepted by workers, under the circumstances, as a fair compromise. The Federation of Uganda Employers opposed it. It said the proposed minimum wage would decrease investment, among other things. The reasons given were particularly linked to the comparable wage ranges in neighbouring countries.

Subsequently, the Board reconsidered the issue and lowered their recommendation to the President to Ush65,000, with the support of the Ministry of Labour. The employers still considered the proposal

to be too high. As a result, the President has called for new consultations. Several meetings are projected and discussions are likely to be protracted. Meanwhile, Ugandan workers will again be asked to tighten their belts.

Notes

¹ In May 1987, the Ugandan Government introduced a new shilling, worth 100 old shillings, along with an effective 76 per cent devaluation. Ugandans complained that inflation quickly eroded the new currency's value. Indeed, the revised rate of Ush60 per US\$1 was soon out of line with the black market rate of Ush350 per US\$1. In July 1988, the Government again devalued the shilling by 60 per cent, setting it at Ush150 per US\$1; but at the same time, the parallel rate had already risen to Ush450 per US\$1. Further devaluations have now set the shilling at 1,875 per US\$1.

² Food: Ush18,000 (4 bunches of matooke per month at Ush4,500); rent: Ush10,000 (one room); utilities and non-food items: Ush5,000; and water: Ush3,000. (Old shillings.)

³ This section is based on a review of records of proceedings of the 6th Parliament and on interviews with officials of the Department of Labour in the Ministry of Gender, Labour and Social Development. We are grateful to Mr. Francis Kintu, Research Officer of the Uganda Parliamentary Research Service for the review of parliamentary records.