



# MINIMUM WAGE AND WOMEN AT WORK

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Conversation on the Minimum Wage?"

An Analysis of Uganda's Labour Market and Its  
Implications on Securing Minimum Wage Policy

## Minimum Wage and Women at Work

A minimum wage<sup>1</sup> is ideally the wage below which no worker in an economy should be paid. The ILO defines MW as;

*The minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract.*

It serves several purposes including the reduction of income poverty, income redistribution and the protection of vulnerable workers from exploitation. The protection of vulnerable workers is one of the key principles of MW legislation (DPRU 2016). In both developed and developing economies, vulnerable workers are typically marginalized groups like minorities, women, the youth and PLWDs<sup>2</sup>. When wages are determined entirely by the

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<sup>1</sup> Hereafter referred to as MW

<sup>2</sup> Persons Living With Disabilities

free market forces, these groups often do not have the bargaining power to demand higher wages especially in low-skilled sectors. This situation is even more pronounced in developing countries like Uganda because of the labour market structure. With limited wage employment, high informality, low trade union membership and significant dependence on a largely subsistence agricultural sector; elevated unemployment and underemployment levels mean that there is an over-supply of labour with more and more people willing to do the same work for less. In addition, poor pay in the formal sector contributes to the growth and expansion of the informal sector.

In recognition of the free markets' failure to protect the poor, several studies assert that in comparison with other government welfare and social protection schemes targeting the poor through MW legislation creates better incentives for workers to seek employment (Freeman 1996; Alesina *et al.* 2006). However, there is contention that MW legislation disincentivises investments and renders exports expensive (DRT 2013; Ssanyu 2013). This is particularly a concern for developing countries where "low-cost" labour is used to attract investment. Nevertheless, MW advocates contend that there is little evidence of the negative effects highlighted by opponents materialising in countries with MW legislation. In addition, the brunt of lowering production costs through cheaper labour is predominantly borne by women as witnessed by the feminisation of large global value chains. This situation necessitates both strong discussion and action on legislation to protect workers- key among which is the institution of a MW.

### History of MW in Uganda

MW legislation in Uganda dates back to the colonial era with the establishment of the Minimum Wages Board in 1935 which was tasked with setting a wage floor for unskilled employees. After that, the board instituted several efforts initiatives to institute different rate and types of MW as illustrated in the table 1 below. In addition to the state actions and initiatives, there have been

several efforts by both CSOs and members of parliament pushing for the adoption of a statutory MW in Uganda. Some of the notable ones include:

- The Civil Society Coalition on Social Security and Pension Reform through the Platform for Labour Action (PLA) Uganda filing a public interest case against the government over the lack of a MW in Uganda<sup>3</sup> (2002).
- Several trade unions calling for Ush 250,000<sup>4</sup> monthly wage floor
- FUE<sup>5</sup>, various categories of firms (i.e. Tea plantations, flower exporters etc) arriving at a MW in their respective industries through collective bargaining agreements with their employees.
- The tabling of a Private Members' Bill on MW which would allow workers' wages to be set by representative MW boards.

**Table 1: History of MW in Uganda**

<b>1950</b>	The first Minimum Wages Order set the MW at Ush 33.
<b>1963</b>	Uganda joined the ILO
<b>1967</b>	Uganda signed and ratified to the 1928 ILO Minimum Wage-Fixing Machinery Convention (No. 131). The ratified convention was enacted into national law through the establishment of the Minimum Wages Advisory Board and Wages Councils Act.
<b>1964</b>	The Minimum Wages Board recommends that firms employing more than 50 persons pay a minimum blanket wage of Ush 75.
<b>1970</b>	MW Advisory Board recommends different MW for different categories of workers: <ul style="list-style-type: none"> <li>- Ush 185 for workers in urban areas and workers on tea and sugar</li> <li>- Ush 125 for workers in trading centres</li> <li>- Ush 104 for those employed in firms with at least 10</li> </ul>

<sup>3</sup> Case was dismissed in 2011 because the applicants failed to provide sufficient evidence showing that there were indeed people earning Ush 6,000 PCM.

<sup>4</sup> The feasibility of this was questioned as it was above the income taxable amount of Ush 235,000- there was also minimal empirical evidence for how the figure was arrived at.

<sup>5</sup> Federation of Uganda Employers

	workers per month.
<b>1984</b>	MW set at Ush 6000
The board carried out routine adjustment of MW until 1984 when it was set at Ush 6,000. The only adjustment thereafter was set at Ush 60 in 1987 alongside currency reforms. A lot of this was interrupted by a period of civil strife and political instability during which MW ceased to be a policy priority.	
<b>1995</b>	Minimum Wages Advisory Council <sup>6</sup> reinstated under General Notice No. 176/1995 in accordance with section 3(1) of the Minimum Wages Advisory Boards and Councils Act
<b>1997</b>	Board recommends a MW of Ush 75,000 (equivalent to Ush 253,870 in 2017/18 prices)
<b>1998</b>	Recommendation lowered to Ush 65,000 (equivalent to Ush 220,020 in 2017/18 prices). After concern from FUE and other stakeholders that the rate was too high.
	Cabinet submits recommendations to the president for action
	MoFPED <sup>7</sup> and employers recommend a lower wage of Ush 53,583 (equivalent to Ush 181,375 in 2017/18 prices)
	The executive called for more consultations, and the country continued to operate without a statutory MW
<b>2010</b>	Minimum Wage included in the NDP
<b>2013</b>	Minimum wage Bill tabled in Parliament, proposes Ush 250,000 (equivalent to Ush 302,622) in 2017/18 prices)
<b>2015</b>	New Minimum Wage Advisory Board (MWAB) Constituted;
<b>2016/7</b>	Feasibility assessment carried out at the behest of the board and a series of MW rates recommended
<b>2017/8</b>	MWAB presents recommendations to parliament and further consultations are on-going.

Source: Authors own summary based on official MoGLSD<sup>8</sup> documents, 2018

<sup>6</sup> They were tasked with studying workers' conditions and submitting a report with recommendations regarding- the wages of unskilled labour in Uganda; the need for different wage floors based on regions, sectors including large agricultural estates etc.; the wages of apprentices and part time workers (DRT 2013; Ssanyu 2013).

<sup>7</sup> Ministry of Finance Planning and Economic Development

<sup>8</sup> Ministry of Gender Labour and Social Development

## Characteristics of Uganda's Labour market

Examining the characteristics of the labour market allows us to understand the number and type of employees who would be impacted by statutory MW legislation and to assess the extent to which the market is ready to implement MW policy. The 2016/17 UNHS recorded the size of the Ugandan labour-force at about 10 million people with a Labour-force Participation Rate (LFPR)<sup>9</sup> of 52 %. Table 2 below illustrates some of the key characteristics of Uganda's Labour market with special focus on gender and incomes in the agricultural sector.

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<sup>9</sup>Labour Force Participation rate is the share of the population that engages in economic activities—both for profit, excluding subsistence.

**Table 2: Ugandan Labour market- key characteristics**

Working age population (14-64)	19 million		
Labour-force size	10 Million people		
Labour-force Participation Rate (LFPR) <sup>10</sup>	52 % (total)	60 % (Male)	46 % (Female)
Employment to population ratio	48 %	56 % (Male)	40 % (Female)
National unemployment rate	9 %		
Persons in paid employment	38 %	46 % (Male)	28 % (Female)
Agriculture sector share of employment	36%		
Median Monthly Wages	Ush. 168,000 pcm (National)	Ush. 220,000 (Urban)	Ush. 120,000 (Rural)
		Ush. 220,000 (Male)	Ush. 110,000 (Female)
Median Monthly Wages (skilled agricultural, forestry and fishery)	Ush. 150,000		
Vulnerable employment <sup>11</sup>	61 % of the persons in employment while 71% of these are Female		

Source: Authors own compilation from UNHS 2016/17

A review of the characteristics of employed persons reveals that 38.9 percent of skilled agricultural, forestry and fishery workers had no formal education, 30.8 percent had completed primary and only 7 percent had post-secondary education. In addition, 42.4 percent of agricultural workers in paid employment (casual) were in households below the poverty line (this figure is 14.4

<sup>11</sup> This is characterised by irregular work and pay, no social security, no written contracts etc.

percent for non-casual agricultural workers. Overall women, agricultural workers and rural residents are the most vulnerable workers in the labour-force. Ideally, these are the categories of the labour market that a MW would be targeting. However, with only 38% of the labour-force in paid employment, the high levels of informality have serious implications on the coverage and resultant efficacy of a statutory MW.

Beyond the wage related characteristics there are several other issues that contribute to the vulnerability of Ugandan workers. According to the 2016/7 NLFS, only 30 percent of paid employees have written contracts with their employers, with the figure dropping to 23 percent for those living in rural areas. In addition, only 4 percent of paid employees skilled agricultural, forestry and fishery workers had contracts in comparison to over 70 percent of professional, services and sales workers and managers. Regarding other entitlements, 11.9 percent of paid employees received social security contributions while about 26 percent of women were entitled to maternity leave. Furthermore, the 2016/7 MAPU reveals that only 7 percent of employees were members to a trade union or a similar employee association, and women and the poorest employees were the least likely to report union membership. Trade union membership was also significantly higher for the public sector (14 percent) than the private sector (3 percent).

### Estimating a Minimum Wage

There are various methods of calculating and arriving at a suitable MW and MW systems therefore vary across and within countries. Most methods use a combination of formulae, regression equations and collective bargaining agreements which consider several things including the cost of living, the national poverty line and inflation. Some countries have a single MW rates while others include variations by age, region, industry, occupation or even qualification. After national consultations with employers, employees and economists who carried out an empirical feasibility study, the MWAB proposed a

national MW of 136,000. A simple MW estimation method is the Kaitz index which proposes a MW as a proportion of the prevailing median wage. MW could therefore be set at 50 percent, 70 percent or any other proportion of the median wage. This method typically takes the poverty line into consideration and the percentage can be chosen based on several criteria (i.e. how many people's incomes would increase or how many people would be lifted above the poverty line). There some challenges with the Kaitz index in economies with high levels of informality. Either way most estimations are designed to be instructive not prescriptive and must be flexible to change with inflation over time.

### Minimum wage, Gender, Trade and the Floriculture sector

Throughout the world, “gender segregation is widely prevalent in horticultural and commodity value chains” (UNCTAD<sup>12</sup> 2014). This labour segregation, which is evident in the Ugandan floriculture sector is typically attributed to gender norms and stereotypes, men moving into higher value production the gender wage gap. As such the floriculture industry is an apt case through which to analyse the intersection and resultant dynamics between MW, gender and trade. Uganda's Floriculture sector is one of its top ten foreign exchange earners, contributing over \$24 million<sup>13</sup> in export revenue in 2016. Having emerged as one of Uganda's top non-traditional exports, all the flowers produced from the 14 large scale farmers are exported with none of their produce sold on the local market. In addition to basically being entirely export-oriented, the labour force in the floriculture sector is comprised predominantly of women.

Trade liberalisation and the growth of export-oriented production are often cited as triggers for the feminization of the labour force, and this is in fact the situation in Uganda's floriculture sector. Although feminization of the labour force may sometimes occur because of men moving into higher valued production (Tejani and Milberg (2010), the labour force of Ugandan the flower

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12 United Nations Conference on Trade and Development

13 Uganda Bureau of Statistics (2017 Statistical abstract)



industry has been female dominated since its inception. The ‘feminization’ of the global workforce is often accredited to the fact that women are usually a source of more accommodating and more inexpensive labour than men (Standing 1999, Seguino 1997). Women are therefore preferred by employers who are looking to reduce their cost of production to attain a competitive advantage for the export market. This exacerbates the gender wage gap and increases the wage vulnerability of women. In studying the export driven development of South Korea, Seguino’s (1997) finds that the gender wage gap (Women’s lower wages) was a key factor in the reliance on female labour in export-oriented industries.

Women’s skills and abilities are often based on stereotypes around the kinds of work that are considered ‘suitable’ for them (Oelz et al. 2013). Women are believed to be more reliable and more careful than men and are thus considered to be better employees because flowers are rather delicate and need to be handled with care. Across all forms of agricultural production, there are some tasks which are considered ‘feminine’ (World Bank 2009). Some of the steps in the Ugandan flower farming process include planting [Women], spraying (spraying of herbicides/pesticides) [men], steaming [men], harvesting [women], sorting [Women], bunching [women], packing into boxes [men], and finally loading of the boxes [men]. The division of labour within this process is often quite gendered and is based on pre-conceived notions of gender characteristics. This kind of occupational segregation is quite common in the floriculture industry and is typically underpinned by the stereotyping of gender roles and capabilities. For instance, a manager at a Kenyan cut-flower-processing plant is cited as stating that “women are more dexterous, which is good for flowers” (Collinson 2001 in World Bank 2009). In this kind of setting, the capital intensive and more technical higher paying jobs which are usually carried out by men (Asea and Kaija 2000).

The concentration of women in the lower paying and lower skilled positions raises questions about the skill development and their chances for advancement as the lack of skills and lack of resources inhibits their labour mobility between sectors and occupations. Although this would usually serve to keep women's wages low (UNCTAD 2014), there has been a collective bargaining agreement (CBA) in Uganda's flower sector which established a minimum wage for the workers (2015). The minimum wage in the flower industry is over Ush 90,000 [basic salary] and most farms pay above this with salaries ranging from 120-160,000 PCM. In addition to the various other compliance requirements, the farms must adhere to the Uganda Code of Practice which caters for "occupational safety, worker welfare, discrimination, and equal pay" (World Bank 2009). In terms of wages and occupational benefits this pushes the women in the flower sector above most of their counterparts in the agricultural sector. Prior to the CBA, wages ranged from as low as Ush 60,000 to Ush 70,000. While the gender wage-gap may have helped create the initial segregation it appears that it is currently sustained by stereotypical views of women which are one of the key reasons for their concentration in the industry.

Factors like exchange rate instability, resource intensity and capital intensity favour the large-scale production of cut flowers resulting in competitive advantage borne from economies of scale (Dolan and Sorby 2003). In fact, in many flower producing countries, the number of growers has become concentrated as smaller firms are unable to directly compete on the global level. A similar trend was observed in the Ugandan industry with the number of flower farms reducing from over 20 in 2007 to 14 in 2017. Of the 20 plus farms previously in business, only one was owned by a woman and despite trying to supply other farms with flowers for export, it also shut down. The commercial exploitation of flower farming has not caused men to take over day to day production and marketing as seen with groundnuts in Zambia (Wold 1997 in UNCTAD 2014), or leafy vegetables in Uganda (Shiundu and Oniang'o, 2007 in UNCTAD 2014). It has however

seen men dominate the highest levels of the industry which attract the higher wages. The high capital investment costs and the stringent compliance requirements are some of the largest obstacles to women participating higher up in the floricultural value chain. These challenges are underpinned by high risk in an industry which is often characterised by dynamic prices. Building on the gender stereotypes narrative, it is argued that women's propensity to take risks in this regard is extremely low when compared to men. In fact, many of the women with ownership positions in the farms are at that level because these farms are family businesses. The very few small-scale farmers who are predominantly women with some sort of previous experience in the industry are often not in the position to compete on the international markets.

Outside of the farms there are some auxiliary business that are linked to the farms, these include various service and input providers. For some of the farms these providers are female although even in this instance there appears to be gender segregation. The high value inputs like fertiliser, packaging materials, tools and equipment etc. are supplied by male owned/run businesses. And the 'lower' value inputs like meals for employees are typically supplied by female firms. The floriculture sector has undoubtedly created thousands of jobs for women and in some cases opened doors for business and economic activities. However, these new jobs have done little to reduce either vertical or horizontal segregation. The flower farms are planning to join the new Economic Processing Zones and these can be used to further gender equality in export-oriented industries. Minimum wage, working hours and other labour rights can be included in the requirements to join the EPZ in the same way that they have been included in Fairtrade requirements<sup>14</sup>. Stereotypical attributes ascribed to women are largely responsible for their overrepresentation in the Ugandan flower industry and the ensuing occupational segregation which in turn contributes to the gender wage gap in the industry. It is therefore

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<sup>14</sup> More details [here](#)

important to ensure that these jobs, which are vital for income do not inhibit their labour mobility within and beyond the sector, and that the CBA practice is scaled up in other agricultural industries.

### Passing a statutory MW: Implications

Instituting a statutory MW in Uganda would bring the country up to par with other countries in the region who all have MW legislation. In theory, passing a statutory MW in Uganda should help reduce the numbers of the working poor, and the number of workers in vulnerable employment. In practice however, introducing MW legislation without the necessary supportive implementing infrastructure could undermine the essence of MW legislation. The broad variations in incomes and qualifications across sectors and occupations mean that a uniform MW may not be suitable nor effective in delivering the desired outcomes of MW policy. In addition, passing a MW policy that cannot be and is not implemented would be detrimental to future MW and labour reform policies.

## The way forward

*In deliberating on the way forward, it is important to ask what all this mean for women and a MW that is responsive to the gender wage gap underpinned by the gendered segregation of the Ugandan labour market?*

The first thing to keep in mind is that MW policy cannot be arrived at through a solitary policy action. Across the world, it is always a negotiating process that should be informed by empirical evidence. While MW legislation can be instrumental in reducing the working poor and improving the wages of low skilled workers (who are primarily women); it would not necessarily eliminate the vulnerability and soft infrastructure deficits that have consigned women to lower paying jobs. Instituting MW policy in an environment where most Ugandans are in vulnerable employment where they have little to no guarantee of regular work or regular pay and are not protected by written contracts may prove to be ineffectual and counter-productive. In the journey to improving the incomes of working women MW is only ONE of the steps and certainly should not be the first. Advocacy should therefore:

- Focus on developing the institutional capacity to implement not just MW policies but labour laws and regulations- this should include CSO's collaborating with MGLSD to bridge the human resource and capacity gaps. There are reportedly only 35 substantive labour officers in the country yet there are over 120 districts<sup>15</sup>. This is no where near enough labour officers to provide protection and ensure the rights of the most vulnerable cadres of the workforce.
- Engage in widespread sensitisation of workers rights within the law so that workers are better informed to demand and participate in collective bargaining agreements that improve not just their wages but other working conditions
- Work towards improving trade union membership such that when trade unions speak on behalf of workers, they are

speaking on behalf of a representative proportion of the labour market.

- Advocate for stronger policies on contracts and other instruments of employee protection.
- Apply the lessons learnt from the flower, tea and coffee industries in implementing CBA's in other female dominated occupations and sectors i.e. the hotel and service industry, the textile sector etc.
- Develop programs and interventions to improve the labour mobility in industries and sectors that are highly gender segregated (like floriculture and agriculture). Occupational gender segregation is a problem when women cannot transition into higher paying more skilled positions which means they remain vulnerable even after spending years in employment. In addition, workers with low education attainment will remain confined in low skilled and low paying jobs if their skills are not developed enough to help them demand better pay.

The overarching message here is that civil society and advocacy should focus on developing and building the institutional infrastructure necessary to facilitate a statutory MW. The process of an effective MW can only be successful when the most vulnerable members of the labour-force (including casual labourers) are aware enough of their rights to demand for them and are protected enough by the state and binding contracts to pursue them without retribution. This is paramount in a labour market where there are several workers ready to do the same work for less. It is important to recognise that effective MW policy is a process and not an event. As such, regarding the use of MW policy to improve the livelihoods and incomes of women in employment, Civil Society should concentrate on improving the awareness and job security of workers in female dominated sectors and industries to pave the way for the kind of collective bargaining that can eventually lead to a national MW. Finally, in export-oriented industries, several destination countries and buyers are increasingly adding MW and other working conditions

as a requirement for market access, civil society can lobby the state to ensure that the same is done for incoming investments. Lowering the cost of production of good working conditions only serves to undermine the positive employment impacts of the investment. While some may argue that a bad job (poor pay, poor working conditions, irregular work, irregular pay) is better than no job at all, Civil Society can take the lead in ensuring that these 'bad jobs' are not an option at all.

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